IMPORTANT NOTICE

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the Prospectus attached to this electronic transmission and you are therefore advised to read this disclaimer carefully before reading, accessing or making any other use of the attached Prospectus. In accessing the attached Prospectus, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from us as a result of such access.

Confirmation of Your Representation: By accessing this Prospectus you have confirmed to Barclays Bank PLC; Deutsche Bank AG, London Branch; Citigroup Global Markets Limited and Lehman Brothers International (Europe) (together, the "**Arrangers**"), Barclays Bank PLC; Barclays Capital Inc.; Citigroup Global Markets Limited; Deutsche Bank AG, London Branch; Deutsche Bank Securities Inc., Lehman Brothers International (Europe) and Lehman Brothers Inc. (together, the "**Dealers**") and DP World Limited (the "**Company**") that (i) you have understood and agree to the terms set out herein, (ii) you are either (a) not a US person (within the meaning of Regulation S of the United States Securities Act 1933, as amended (the "**Securities Act**")), or acting for the account or benefit of any US person, and that the electronic mail address you have given to us is not located in the United States, its territories and possessions, or (b) a person that is a "**Qualified Institutional Buyer**" within the meaning of Rule 144A under the Securities Act (a "**QIB**"), (iii) you consent to delivery by electronic transmission, (iv) you will not transmit the attached Prospectus (or any copy of it or part thereof) or disclose, whether orally or in writing, any of its contents to any other person except with the consent of the Arrangers and the Dealers, and (v) you acknowledge that you will make your own assessment regarding any legal, taxation or other economic considerations with respect to your decision to subscribe for or purchase of any of the Notes.

You are reminded that the attached Prospectus has been delivered to you on the basis that you are a person into whose possession this Prospectus may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver this Prospectus, electronically or otherwise, to any other person and in particular to any US person or to any US address. Failure to comply with this directive may result in a violation of the Securities Act or the applicable laws of other jurisdictions.

Restrictions: NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO.

ANY NOTES TO BE ISSUED HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, US PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) EXCEPT (1) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QIB WITHIN THE MEANING OF RULE 144A THAT IS ACQUIRING THIS NOTE FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QIBS, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER RULE 144 UNDER THE SECURITIES ACT, IF AVAILABLE, OR (4) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES.

THE ATTACHED PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. DISTRIBUTION OR REPRODUCTION OF THE ATTACHED PROSPECTUS IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE SECURITIES LAWS OF OTHER JURISDICTIONS.

Under no circumstances shall this Prospectus constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Notes in any jurisdiction in which such offer, solicitation or sale would be unlawful.

The Notes represent interests in a collective investment scheme (as defined in the Financial Services and Markets Act 2000) which has not been authorised, recognised or otherwise approved by the UK Financial Services Authority ("**FSA**"). Accordingly, this Prospectus is not being distributed to, and must not be passed on to, the general public in the UK. Rather, the communication of this Prospectus as a financial promotion is only being made to those persons falling within Article 12, Article 19(5) or Article 49 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 and within Article 8, Article 14(5) or Article 22 of the Financial Services and Markets Act 2000 (Promotion of Collective Investment Schemes) (Exemptions) Order 2001, or to other persons to whom this Prospectus may otherwise be distributed without contravention of sections 21 or 238 of the Financial Services and Markets Act 2000, or any person to whom it may otherwise lawfully be made. This communication is being directed only at persons having professional experience in matters relating to investments and any investment or investment activity to which this communication relates will be engaged in only with such persons. No other person should rely on it.

This Prospectus has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Arrangers nor the Dealers, any person who controls any of the Arrangers or the Dealers, the Company, any director, officer, employee or agent of any of them, or any affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Prospectus distributed to you in electronic format and the hard copy version available to you on request from any of the Arrangers or the Dealers.

DP World Limited

(a company limited by shares incorporated in the Dubai International Financial Centre)

US$5,000,000,000
Global Medium Term Note Programme

Under the Global Medium Term Note Programme described in this Prospectus (the "**Programme**"), DP World Limited (the "**Company**"), a company limited by shares incorporated in the Dubai International Financial Centre (the "**DIFC**"), subject to compliance with all relevant laws, regulations and directives, may from time to time issue Global Medium Term Notes (the "**Notes**"). The aggregate nominal amount of Notes outstanding will not at any time exceed US$5,000,000,000 (or its equivalent in other currencies).

We have made an application to the Financial Services Authority in its capacity as competent authority under the Financial Services and Markets Act 2000 (the "**UK Listing Authority**") for Notes issued under the Programme for the period of 12 months from the date of this Prospectus to be admitted to the official list of the UK Listing Authority (the "**Official List**") and to London Stock Exchange plc (the "**London Stock Exchange**") for such Notes to be admitted to trading on the London Stock Exchange's Gilt-Edged and Fixed Interest Market (the "**Market**"). References in this Prospectus to Notes being "listed" on the London Stock Exchange (and all related references) shall mean that such Notes have been admitted to the Official List and have been admitted to trading on the Market. The Market is a regulated market for the purposes of the Investment Services Directive 93/22/EEC. In addition, we have made an application for Notes issued under the Programme to be admitted during the period of 12 months after the date hereof to listing on the Dubai International Financial Exchange ("**DIFX**"). Notes may also be issued under the Programme that are admitted to trading or listed on any other stock exchange. Unlisted Notes may also be issued pursuant to the Programme. The relevant Final Terms (as defined in "Overview—Overview of the Programme—Method of Issue") in respect of the issue of any Notes will specify whether or not such Notes will be listed on (i) the Official List and admitted to trading on the Market and/or (ii) the DIFX and/or (iii) any other stock exchange.

The Programme has been rated "A1" (stable) by Moody's Investors Service Limited ("**Moody's**") and "A+" (stable) by Standard & Poor's Rating Services, a division of The McGraw-Hill Companies Inc. ("**Standard & Poor's**"). Tranches of Notes (as defined in "Overview—Overview of the Programme—Method of Issue") to be issued under the Programme will be rated or unrated. Where a Tranche of Notes is to be rated, the relevant ratings will not necessarily be the same as the ratings assigned to the Programme. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

The DIFX takes no responsibility for the contents of this document, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from, or in reliance upon, any part of the contents of this document. Notes may only be offered in a minimum denomination of at least €50,000 (or its equivalent in another currency) and as such will qualify as Restricted Securities within the meaning of the Listing Rules of the DIFX. Any sale or transfer of Notes after the date of issuance of such Notes may only be made in a minimum denomination of €50,000 (or its equivalent in another currency).

In general, the Notes of each Series (as defined in "Overview—Overview of the Programme—Method of Issue") issued in bearer form will initially be represented by a temporary global note in bearer form, without interest coupons (each a "**temporary Global Note**"), and will be sold in an "offshore transaction" within the meaning of Regulation S ("**Regulation S**") under the United States Securities Act of 1933, as amended (the "**Securities Act**"). Interests in temporary Global Notes generally will be exchangeable for interests in permanent global notes (each a "**permanent Global Note**" and, together with the temporary Global Notes, the "**Global Notes**"), or if so stated in the relevant Final Terms, definitive Notes ("**Definitive Notes**"), after the date falling 40 days after the completion of the distribution of such Tranche upon certification as to non-US beneficial ownership. Interests in permanent Global Notes will be exchangeable for Definitive Notes in whole but not in part as described under "Summary of Provisions Relating to the Notes while in Global Form".

Notes in registered form will be represented by registered certificates (each a "**Certificate**"), one Certificate being issued in respect of each Noteholder's entire holding of Registered Notes (as defined below) of one Series and may be represented by a Global Certificate (as defined below). Global Notes (as defined below) and Certificates may, and temporary Global Notes will, be deposited on the relevant issue date either with (a) a common depositary for Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**") or (b) such other clearing system as agreed between us and the relevant Dealer.

The Notes of each Series to be issued in registered form ("**Registered Notes**") and which are sold in an "offshore transaction" within the meaning of Regulation S ("**Unrestricted Notes**"), will initially be represented by a permanent registered global certificate (each an "**Unrestricted Global Certificate**") without interest coupons, which may be deposited on the relevant issue date (a) in the case of a Series intended to be cleared through Euroclear and/or Clearstream, Luxembourg, with a common depositary on behalf of Euroclear and Clearstream, Luxembourg and (b) in the case of a Series intended to be cleared through a clearing system other than, or in addition to, Euroclear and/or Clearstream, Luxembourg, or delivered outside a clearing system, as agreed between us and the relevant Dealer.

Registered Notes which are sold in the United States to "qualified institutional buyers" (each, a "**QIB**") within the meaning of Rule 144A ("**Rule 144A**") under the Securities Act ("**Restricted Notes**") will initially be represented by a permanent registered global certificate (each a "**Restricted Global Certificate**" and, together with the "**Unrestricted Global Certificate**", the "**Global Certificates**"), without interest coupons, which may be deposited on the relevant issue date with a custodian (the "**Custodian**") for, and registered in the name of Cede & Co. as nominee for, The Depository Trust Company ("**DTC**").

The provisions governing the exchange of interests in the Global Certificates for individual certificates in certain limited circumstances are described in "Summary of Provisions Relating to the Notes while in Global Form".

Prospective investors should have regard to the factors described under the section headed "Risk Factors" in this Prospectus.

Arrangers

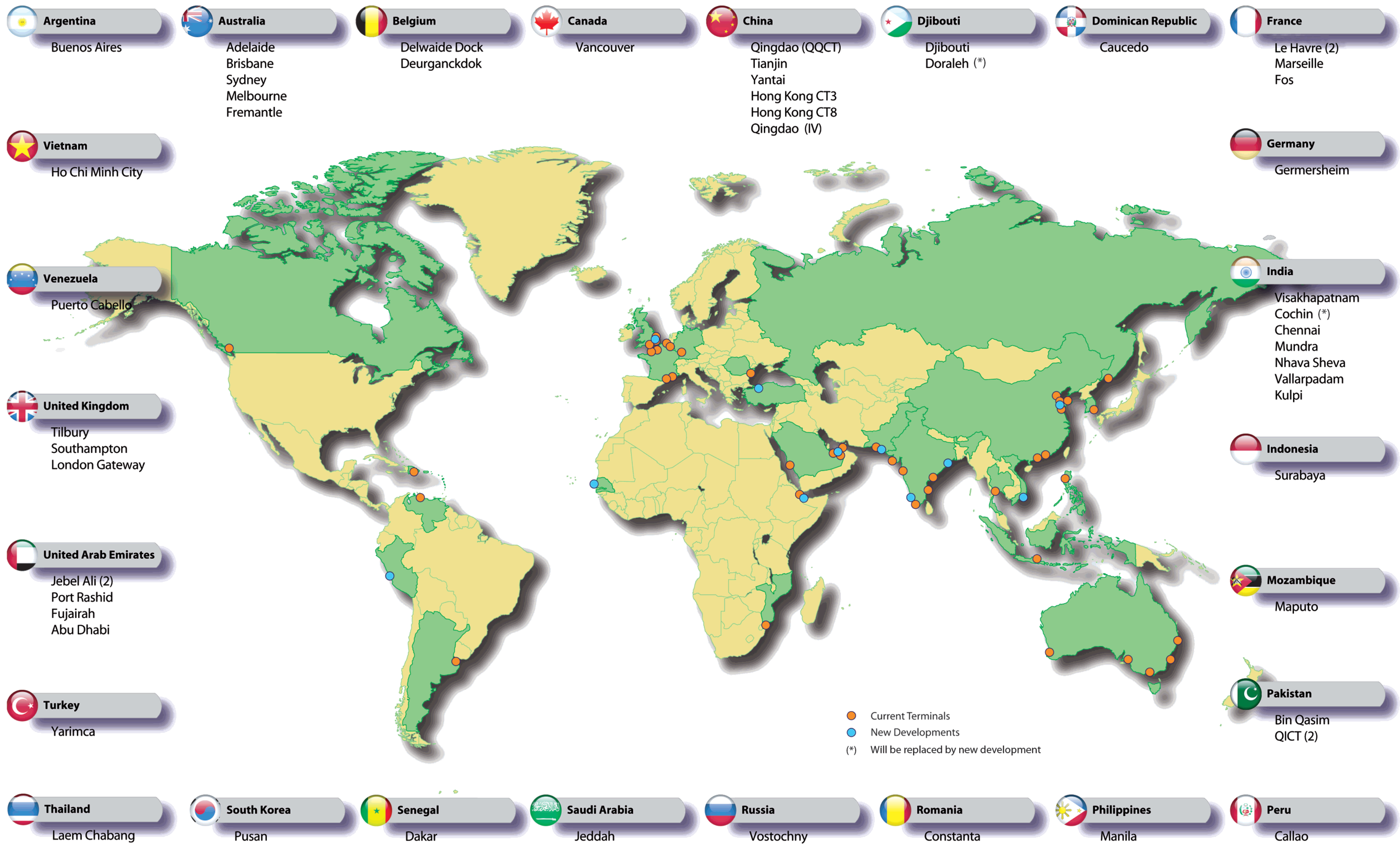
Barclays Capital **Citi** **Deutsche Bank** **Lehman Brothers**

Dealers

Barclays Capital **Citi** **Deutsche Bank**

Deutsche Bank Securities **Lehman Brothers**

June 27, 2007


Argentina
Buenos Aires
Australia
Adelaide
Brisbane
Sydney
Melbourne
Fremantle
Belgium
Delwaide Dock
Deurganckdok
Canada
Vancouver
China
Qingdao (QQCT)
Tianjin
Yantai
Hong Kong CT3
Hong Kong CT8
Qingdao (IV)
Djibouti
Djibouti
Doraleh (*)
Dominican Republic
Caucedo
France
Le Havre (2)
Marseille
Fos
Vietnam
Ho Chi Minh City
Germany
Germersheim
Venezuela
Puerto Cabello
India
Visakhapatnam
Cochin (*)
Chennai
Mundra
Nhava Sheva
Vallarpadam
Kulpi
United Kingdom
Tilbury
Southampton
London Gateway
Indonesia
Surabaya
United Arab Emirates
Jebel Ali (2)
Port Rashid
Fujairah
Abu Dhabi
Mozambique
Maputo
Turkey
Yarimca
Pakistan
Bin Qasim
QICT (2)
Current Terminals
New Developments
(*) Will be replaced by new development
Thailand
Laem Chabang
South Korea
Pusan
Senegal
Dakar
Saudi Arabia
Jeddah
Russia
Vostochny
Romania
Constanta
Philippines
Manila
Peru
Callao

In this Prospectus, unless the context otherwise requires, the "Company" or the "Issuer" refers to DP World Limited, a company limited by shares incorporated in the DIFC, with Registration Number 0226 issued on August 9, 2006, and "we", "our", "us" and the "Group" refer to the Company together with its consolidated subsidiaries, joint ventures and associates, as well as their respective predecessor companies or entities, as applicable.

This Prospectus comprises a base Prospectus for the purposes of Article 5.4 of Directive 2003/71/EC (the "**Prospectus Directive**") and for the purpose of giving information with regard to the Group and the Notes which, according to the particular nature of the Group and of the Notes, is necessary to enable investors to make an informed assessment of our assets and liabilities, financial position, profit and losses and prospects.

No offer of the Notes may be made to any person in the DIFC unless such offer is (a) deemed to be an "Exempt Offer" in accordance with the Offered Securities Rules of the Dubai Financial Services Authority (the "**Rules**") and (b) made to Qualified Investors as defined in the Rules. Persons into whose possession this Prospectus or any Notes may come must inform themselves about, and observe, any applicable restrictions in any relevant jurisdiction on the distribution of this Prospectus and the offering, purchase and sale of the Notes. The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved this document nor taken steps to verify the information set out in it and has no responsibility for it.

We accept responsibility for the information contained in this Prospectus. To the best of our knowledge and belief (having taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

No person has been authorised to give any information or to make any representation other than those contained in this Prospectus in connection with the issue or sale of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by us or any of the Dealers, the Arrangers or the Trustee (each as defined in "Overview—Overview of the Programme"). Neither the delivery of this Prospectus nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in our affairs since the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that there has been no adverse change in our financial position since the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The distribution of this Prospectus and the offering or sale of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by us, the Dealers and the Arrangers to inform themselves about and to observe any such restriction. The Notes have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States, and may include Notes in bearer form that are subject to US tax law requirements. Notes may not be offered or sold or, in the case of bearer Notes, delivered within the United States or to, or for the account or benefit of, US persons (as defined in Regulation S), except in certain transactions exempt from the registration requirements of the Securities Act.

The Notes are being offered and sold outside the United States to non-US persons in reliance on Regulation S and, in the case of Registered Notes, within the United States to QIBs in reliance on Rule 144A. Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For a description of these and certain further restrictions on offers, sales and transfers of Notes and distribution of this Prospectus see "Subscription and Sale" and "Transfer Restrictions".

THE NOTES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE US SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER US REGULATORY AUTHORITY, NOR HAS ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THE OFFERING OF NOTES OR THE ACCURACY OR THE ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

This Prospectus does not constitute an offer of, or an invitation by or on behalf of us or any of the Dealers or the Arrangers to subscribe for, or purchase, any of the Notes.

The Dealers, the Arrangers and the Trustee have not separately verified the information contained in this Prospectus. None of the Dealers, the Arrangers or the Trustee makes any representation, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information in this Prospectus. Neither this Prospectus nor any other financial statements are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of us, the Dealers, the Arrangers or the Trustee that any recipient of this Prospectus or any other financial statements should purchase the Notes. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Prospectus and its purchase of Notes should be based upon such investigation as it deems necessary. None of the Dealers or the Arrangers undertakes to review our financial condition or affairs during the life of the arrangements contemplated by this Prospectus nor to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Dealers or the Arrangers.

STABILISATION

In connection with the issue of any Tranche (as defined in "Overview—Overview of the Programme—Method of Issue"), the Dealer or Dealers (if any) named as the stabilising manager(s) (the "Stabilising Manager(s)") (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Final Terms may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENCE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES ANNOTATED, 1955 ("RSA 421-B"), WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE OF NEW HAMPSHIRE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

ENFORCEMENT OF FOREIGN JUDGMENTS

We are a company incorporated in, and under the laws issued by, the DIFC, with our headquarters in the Emirate of Dubai in the United Arab Emirates (the "**UAE**"). A substantial portion of our assets are located in a number of jurisdictions outside the United Kingdom and the United States. As a result, prospective investors may have difficulties effecting service of process in the United Kingdom or the United States upon us in connection with any lawsuits related to the Notes, including actions arising under the laws of the United Kingdom or the federal securities laws of the United States. In the absence of any bilateral treaty for the reciprocal enforcement of foreign judgments, UAE law sets out a procedure whereby the judiciary of the UAE is able to ratify judgments, orders or awards of other jurisdictions. Such judgments, orders or awards which are ratified by the UAE court may be enforced within the UAE in the manner prescribed by the Civil Procedure Code of the UAE. Investors may have difficulties in enforcing judgments of English or US courts against us in the courts of the DIFC because the mechanism for enforcement of foreign judgments by the DIFC courts is as yet untested. Investors may also have difficulties in enforcing judgments of the DIFC courts and arbitration awards ratified by the DIFC courts against us in jurisdictions outside the DIFC because the mechanism for enforcement of judgments and awards issued by the DIFC courts in jurisdictions outside the DIFC is as yet untested.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Prospectus includes forward-looking statements. The words "anticipate", "believe", "expect", "plan", "intend", "targets", "aims", "estimate", "project", "will", "would", "may", "could", "continue" and similar expressions are intended to identify forward-looking statements. All statements other than statements of historical fact included in this Prospectus, including, without limitation, those regarding our financial position, business strategy, management plans and objectives for future operations, are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause our actual results, performance or achievements, or industry results, to be materially different from those expressed or implied by these forward-looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we expect to operate in the future. Important factors that could cause our actual results, performance or achievements to differ materially from those in the forward-looking statements include, among other factors referenced in this Prospectus:

- our ability to integrate our newly-acquired operations and any future expansion of our business;
- our ability to realise the benefits we expect from existing and future investments in our existing operations and pending expansion and development projects;
- our ability to obtain requisite governmental or regulatory approvals to undertake planned or proposed terminal development projects;
- our ability to obtain external financing or maintain sufficient capital to fund our existing and future operations;
- changes in political, social, legal or economic conditions in the markets in which we and our customers operate;
- changes in the competitive environment in which we and our customers operate;
- our ability to secure or renew concessions at future or existing facilities;
- failure to comply with regulations applicable to our business;
- fluctuations in the currency exchange rates in the markets in which we operate;
- actions taken by our joint venture partners that may not be in accordance with our policies and objectives; and
- actions taken by our controlling shareholder, Dubai World Corporation ("**Dubai World**"), that are not in line with, or may conflict with, the best interests of the Company and/or the holders of our debt, including Noteholders.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under "Risk Factors". Forward-looking statements speak only as of the date of this Prospectus and we expressly disclaim any obligation or undertaking to publicly update or revise any forward-looking statements in this Prospectus to reflect any change in our expectations or any change in events, conditions or circumstances on which these forward-looking statements are based. Given the uncertainties of forward-looking statements, we cannot assure you that projected results or events will be achieved and we caution you not to place undue reliance on these statements.

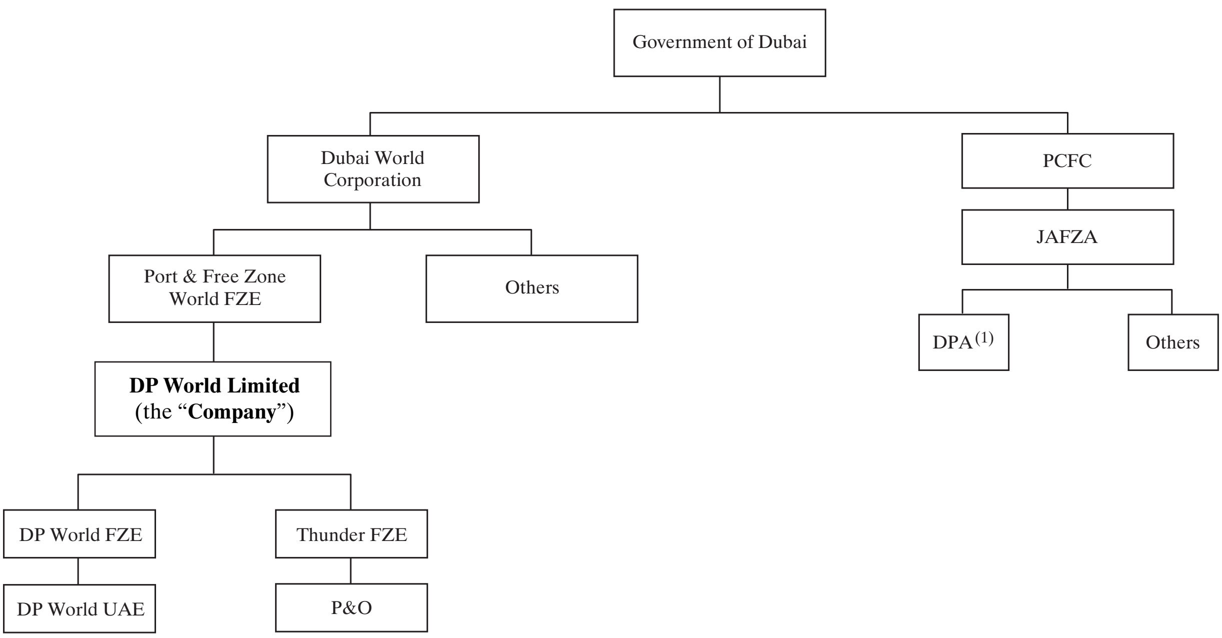
PRESENTATION OF CERTAIN FINANCIAL AND OTHER INFORMATION

Pursuant to a restructuring plan (the "**Restructuring**") designed to separate the ports-related commercial and regulatory activities of the Government of Dubai, the Company was incorporated in the DIFC on August 9, 2006 for the purpose of becoming the holding company for the ports-related commercial activities of Dubai World. On January 1, 2007, DP World FZE and Thunder FZE, which is the holding company for the Peninsular and Oriental Steam Navigation Company ("**P&O**"), were transferred from Dubai Ports Authority ("**DPA**"), an affiliate of the Company, to the Company. Following the Restructuring, the Company, together with its operating subsidiaries, now conducts all of the ports-related commercial activities of Dubai World and DPA will continue to conduct all of the ports-related regulatory activities of the Government of Dubai. Such regulatory activities have not been and will not be transferred to the Company. Prior to the transfer of DP World FZE and Thunder FZE, the Company did not have any operations. As a result, the historical financial information presented in this Prospectus is based on the Audited DPA Consolidated Financial Statements and the P&O Consolidated Financial Statements (each as defined below).

In connection with the Restructuring, on December 29, 2006, the syndicated term loan and revolving credit facility (the "**Credit Facility**") among DPA, Thunder FZE and Jebel Ali Free Zone Authority ("**JAFZA**"), as borrowers, Ports, Customs & Free Zone Corporation ("**PCFC**") and the other guarantors party thereto, as guarantors, the lenders from time to time party thereto and Deutsche Bank Luxembourg S.A., as facility agent, was amended and restated (the "**Amended and Restated Credit Facility**") to, among other things, (i) transfer a portion of borrowings thereunder from Thunder FZE to JAFZA, (ii) remove the requirement that the proceeds from the sale of P&O Ports North America, Inc. ("**POPNA**") be used to prepay borrowings thereunder, (iii) upon the satisfaction of certain conditions (which have been satisfied), remove JAFZA as a borrower and guarantor thereunder and (iv) upon the satisfaction of certain conditions (which have not been satisfied), remove PCFC as a guarantor thereunder. In addition, immediately prior to the transfer of Thunder FZE to the Company, the Company became a borrower and guarantor under the Amended and Restated Credit Facility. On March 29, 2007, the outstanding borrowings of DPA were transferred to DP World UAE Region FZE ("**DP World UAE**") and DP World UAE assumed all the obligations of DPA as a borrower under the Amended and Restated Credit Facility.

For a description of the Amended and Restated Credit Facility, including the undertakings and covenants included therein, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Working Capital and Indebtedness—Syndicated Term Loan and Revolving Credit Facility".

The following chart illustrates our organisational structure as at the date of this Prospectus.



(1) In connection with the Restructuring, DP World FZE and Thunder FZE were transferred from DPA to the Company. Following the Restructuring, the Company, together with its operating subsidiaries, now conducts all of the ports-related commercial activities of Dubai World. DPA continues to conduct all of the ports-related regulatory activities of the Government of Dubai.

DPA Financial Statements

In this Prospectus, the term "Audited DPA Consolidated Financial Statements" means the audited consolidated financial statements of DPA as of and for the years ended December 31, 2004, 2005 and 2006 appearing elsewhere in this Prospectus, which have been audited by Ernst & Young, independent auditors.

The Audited DPA Consolidated Financial Statements have been prepared and presented in accordance with International Financial Reporting Standards ("**IFRS**"), as issued by the International Accounting

Standards Board (the "**IASB**"). The Audited DPA Consolidated Financial Statements are presented in US dollars.

P&O Financial Statements

In this Prospectus, the term "P&O Consolidated Financial Statements" means the audited consolidated financial statements of P&O as of and for the year ended December 31, 2005 appearing elsewhere in this Prospectus, which have been audited by KPMG Audit Plc, independent auditors and members of the Institute of Chartered Accountants in England and Wales, together with unaudited comparatives as of and for the year ended December 31, 2004 restated to comply with IFRS, as adopted by the European Union (the "**EU**").

The P&O Consolidated Financial Statements have been prepared and presented in accordance with IFRS, as adopted by the EU. The P&O Consolidated Financial Statements were P&O's first consolidated financial statements prepared under IFRS and, consequently, IFRS 1, "*First-time Adoption of International Financial Reporting Standards*", was applied. For additional information on the transition to IFRS, see Note 1, "*Significant accounting policies—Transitional arrangements*", of the Notes to the P&O Consolidated Financial Statements.

The P&O Consolidated Financial Statements are presented in Pounds Sterling. This Prospectus contains historical data with respect to the high, low, average and period end noon buying rates for certain periods in New York for cable transfers payable in Pounds Sterling as certified by the Federal Reserve Bank of New York for customs purposes. See "Exchange Rate Information". On June 22, 2007, the noon buying rate in New York for cable transfers payable in Pounds Sterling as certified by the Federal Reserve Bank of New York for customs purposes was $2.00 per £1.00. The inclusion of these exchange rates in this Prospectus is for illustrative purposes only, and does not mean that any amounts reported herein actually represent a specific amount in another currency or that any such amounts could have been converted at any particular rate, if at all.

Comparability of Historical Financial Information

The comparability of the historical financial information of DPA has been significantly affected by our acquisitions of CSX World Terminals in February 2005 and P&O in March 2006. Similarly, our future results of operations will not be directly comparable to the historical financial information of DPA principally because the Audited DPA Consolidated Financial Statements include the financial results of P&O for the period from March 9, 2006, the first day following our acquisition of P&O, through December 31, 2006 only, but also because the Audited DPA Consolidated Financial Statements include the financial results of the regulatory activities of DPA. In addition, the Audited DPA Consolidated Financial Statements as of and for the year ended December 31, 2006 include the financial results of (i) P&O's UK ferry operating business ("**P&O Ferries**") and its European road haulage and freight management business ("**P&O Ferrymasters**" and, together with P&O Ferries, the "**P&O Ferries Business**") (which were reflected as continuing operations and not assets held for sale because the decision to transfer this business was not taken until after December 31, 2006) and (ii) POPNA and P&O Estates (as defined and discussed further in "Management's Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting the Comparability of the Periods under Review—P&O Estates Transfer") (which were reflected as assets held for sale and discontinued operations).

Pro Forma Financial Information

In this Prospectus, the term "Unaudited Pro Forma Consolidated Financial Information" means the unaudited pro forma consolidated statement of income of the Company for the year ended December 31, 2006 and the unaudited pro forma consolidated balance sheet of the Company as of December 31, 2006. The unaudited pro forma consolidated statement of income of the Company for the year ended December 31, 2006 is based on the audited consolidated statement of income of DPA for the year ended December 31, 2006 included in the Audited DPA Consolidated Financial Statements appearing elsewhere in this Prospectus. The unaudited pro forma consolidated balance sheet of the Company as of December 31, 2006 is based on the audited balance sheet of the Company as of December 31, 2006. The Unaudited Pro Forma Consolidated Financial Information is presented in US dollars.

The unaudited pro forma consolidated statement of income of the Company for the year ended December 31, 2006 has been prepared for illustrative purposes only to show the effect of (i) the acquisition of P&O; (ii) the disposal of POPNA, two container terminals in Shekou, China (the "**Shekou Terminals**") and one container terminal in Colombo, Sri Lanka (the "**Colombo Terminal**") and the transfer to affiliates of the Company of the P&O Ferries Business and of P&O Estates; and (iii) the effective commencement of the Concession Agreement (as defined in "Unaudited Pro Forma Consolidated Financial Information") (collectively, the "**P&L Transactions**") as if such events had occurred on January 1, 2006.

The unaudited pro forma consolidated balance sheet of the Company as of December 31, 2006 has been prepared for illustrative purposes only to show the effect of (i) the transfer of the capital stock of DP World FZE and Thunder FZE to the Company and (ii) the disposal of POPNA, the Shekou Terminals and the Colombo Terminal and the transfer to affiliates of the Company of the P&O Ferries Business and of P&O Estates (collectively, the "**Balance Sheet Transactions**", and together with the P&L Transactions, the "**Transactions**").

The Unaudited Pro Forma Consolidated Financial Information, because of its nature, addresses a hypothetical situation and, therefore, does not represent our actual financial position or results had the Transactions been completed at the dates assumed or any other date and should not be regarded as an indication of the operating results generated by us or of our future financial position. For a description of the accounting principles used in the preparation of the Unaudited Pro Forma Consolidated Financial Information, see the notes to the unaudited pro forma consolidated statement of income and the unaudited pro forma consolidated balance sheet included therein.

Operational Data

Certain volume figures in this Prospectus are expressed in "TEUs". A TEU is a twenty-foot equivalent unit that is based on the dimensions of a cargo container 20 feet long by 8 feet wide by 8 feet 6 inches high, with a maximum load of 24 tonnes.

"Throughput" is a measure of container handling activity. The two main categories of container throughput are origin and destination ("**O&D**"), which is also often referred to as import and export, and transhipment. Every container shipped by sea is by definition an export container at the origination terminal and an import container at the destination terminal. A container that is transferred from one ship to another at some point during the journey is said to be transhipped, which gives rise to transhipment throughput at an intermediate terminal somewhere between the load terminal and the discharge terminal. Throughput includes the handling of imports, exports, empty containers and transhipments.

"Gross throughput" refers to the total amount of throughput that a container terminal in our portfolio handled over a period of time, regardless of our economic interest in such terminal or whether we held such terminal for the entirety of such period. "Equity-adjusted throughput" is determined by multiplying the gross throughput of a particular container terminal by our economic interest in such terminal as of December 31, 2006.

"Capacity" refers to the theoretical amount of throughput that a container terminal could handle in a year and is generally based on the size of the terminal's container stacking area and the capacity of its quay, which in turn is based on the length of the quay and the capacity of the ship-to-shore cranes that are available.

"Gross capacity" refers to the capacity of a container terminal in our portfolio, regardless of our economic interest in such terminal.

"Revenue generating volume" is a measure of all movements of containers at a container terminal that generate revenue. Descriptions of changes in revenue generating volume at a particular terminal or group of terminals are presented based on the actual levels of revenue generating volume at such terminal or group of terminals, irrespective of changes in our ownership interest (including the acquisition thereof) therein during the period under review.

Unless otherwise stated, descriptions of our terminal portfolio, including aggregate throughput and capacity figures, are based on its composition as of the date hereof and exclude the impact of the disposal of certain terminal operations, comprising the six container terminals operated by POPNA, the two Shekou Terminals and the one Colombo Terminal.

General

In this Prospectus, unless otherwise specified or the context otherwise requires, references to "$", "US$", "USD" and "dollars" are to US dollars, references to "dirham" and "AED" are to UAE dirham, references to "euro" and "€" are to the currency introduced at the start of the third stage of the European economic and monetary union pursuant to the Treaty Establishing the European Community, as amended, and references to "£", "Pounds Sterling" and "Sterling" are to the currency of the United Kingdom.

Certain financial and operating information contained in this Prospectus has been derived from unaudited management accounts prepared by us.

NON-IFRS MEASURES

Earnings before interest, taxes, depreciation and amortisation ("**EBITDA**"), a measure used by management to measure operating performance, is defined as profit after tax from continuing operations plus finance costs (net of interest income), income tax, depreciation and amortisation. "Adjusted EBITDA" is defined as EBITDA further adjusted to remove the impact of separately disclosable items. See Note 7, "Separately Disclosable Items", of the Notes to the Consolidated Audited Financial Statements of DPA as of and for the years ended December 31, 2005 and 2006 and Note 4, "Separately disclosable items", of the Notes to the P&O Consolidated Financial Statements for further information. EBITDA and Adjusted EBITDA are not recognised terms under IFRS or US generally accepted accounting principles ("**US GAAP**") and do not purport to be alternatives to profit after tax from continuing operations as measures of operating performance or to cash flows from operating activities as measures of liquidity. Additionally, EBITDA and Adjusted EBITDA are not intended to be measures of free cash flow available for management's discretionary use, as they do not consider certain cash requirements such as interest payments, tax payments and debt service requirements. Management believes that EBITDA and Adjusted EBITDA are helpful in highlighting trends because they exclude the results of decisions that are outside the control of operating management and can differ significantly from company to company depending on long-term strategic decisions regarding capital structure, the tax jurisdictions in which companies operate and capital investments. Management uses EBITDA and Adjusted EBITDA to supplement IFRS results to provide a more complete understanding of the factors and trends affecting the business than IFRS results alone. Because not all companies use identical calculations, these presentations of EBITDA and Adjusted EBITDA may not be comparable to other similarly titled measures used by other companies.

PRESENTATION OF MARKET, MARKET SHARE AND INDUSTRY DATA

The market, market share and industry data contained in this Prospectus has been taken from industry reports. In particular, information and data relating to the international container shipping industry has been derived from reports, databases and other sources made available in the public domain by, among others, Drewry Shipping Consultants Ltd ("**Drewry**"). We confirm that this data has been accurately reproduced and, so far as we are aware and have been able to ascertain from that published information, no facts have been omitted which would render the reproduced information inaccurate or misleading. However, the accuracy of such information is subject to the availability and reliability of the data supporting such information and neither the published information nor the underlying data has been independently verified. In addition, the methodology of Drewry and of other industry sources for collecting information and data, and therefore the reported information, may differ from that used by us to compile our operational data and from the methodologies employed by other sources, and does not reflect all or even necessarily a comprehensive set of the actual transactions occurring in the container shipping industry. Drewry has made no representation, express or implied, and has not accepted any responsibility, with respect to the accuracy or completeness of any of the information in this Prospectus.

SUPPLEMENTARY PROSPECTUS

If at any time we are required to prepare a supplementary prospectus pursuant to section 87G of the Financial Services and Markets Act 2000 (the "**FSMA**"), we will prepare and make available an appropriate amendment or supplement to this Prospectus or a further prospectus which, in respect of any subsequent issue of Notes to be listed on the Official List and admitted to trading on the Market, shall constitute a supplementary prospectus as required by the UK Listing Authority and section 87G of the FSMA.

We have given an undertaking to the Dealers that if at any time during the duration of the Programme a significant new factor arises or a material mistake or inaccuracy is noted relating to information contained in this Prospectus which is capable of affecting the assessment of any Notes and whose inclusion in, or removal from, this Prospectus is necessary for the purpose of allowing an investor to make an informed assessment of our assets and liabilities, financial position, profits and losses and prospects, and the rights attaching to the Notes, we shall prepare an amendment or supplement to this Prospectus or publish a replacement Prospectus for use in connection with any subsequent offering of the Notes and shall supply to each Dealer such number of copies of such supplement hereto as such Dealer may reasonably request.

AVAILABLE INFORMATION

We have agreed that, for so long as any Notes are "restricted securities" as defined in Rule 144(a)(3) under the Securities Act, we will during any period that we are neither subject to section 13 or 15(d) of the United States Securities and Exchange Act of 1934, as amended (the "**Exchange Act**"), nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder furnish, upon request, to any holder or beneficial owner of Notes or any prospective purchaser designated by any such holder or beneficial owner, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

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OVERVIEW

This overview should be read as an introduction to, and is qualified in its entirety by reference to, the more extensive information contained elsewhere in this Prospectus. This overview may not contain all of the information that prospective investors should consider before deciding to invest in the Notes. Accordingly, any decision by a prospective investor to invest in the Notes should be based on a consideration of this Prospectus as a whole. You should read this entire Prospectus carefully, including the financial statements and related notes and the information set forth under the headings "Risk Factors" and "Cautionary Statement Regarding Forward-Looking Statements".

Overview

We are one of the largest container terminal operators in the world by capacity and throughput. We are also one of the most geographically diversified container terminal operators in the world. Our 42 container terminals, which span 22 countries, had a gross capacity of 48.6 million TEUs as of December 31, 2006 and generated gross throughput of 36.8 million TEUs for the year ended December 31, 2006 (excluding the six container terminals operated by POPNA, the two Shekou Terminals and the one Colombo Terminal). For the year ended December 31, 2006, we generated pro forma revenue from operations (which does not include revenue attributable to our joint ventures and associates) of $2,291.6 million and pro forma Adjusted EBITDA of $722.4 million.

The creation of the Company represents an important step in the development of a global container terminal business designed to serve the needs of a "globalising" customer base. As a result of new concessions and our acquisitions of CSX World Terminals ("**CSX WT**") in February 2005 and P&O in March 2006, our business has been transformed from one focused principally on container terminal operations located primarily in the UAE to a truly global container terminal business, reporting across the following three regions: UAE, Middle East, Europe and Africa; Asia-Pacific and Indian Subcontinent; and Australia and New Zealand and Americas.

The following table provides information regarding the number of terminals, as well as the gross throughput and equity-adjusted throughput for the year ended December 31, 2006 and gross capacity as of December 31, 2006 of our terminal portfolio.

	Terminals	Gross throughput	Equity-adjusted throughput	Gross capacity
	(TEUs in millions, except number of terminals)			
UAE, Middle East, Europe and Africa	17	17.1	12.9	22.6
Asia-Pacific and Indian Subcontinent	16	15.7	7.6	20.9
Australia and New Zealand and Americas	9	4.0	3.2	5.1
Total	42	36.8	23.8	48.6

Competitive Strengths

We have built our global container terminal business through the combination of our regional and international operations, the CSX WT Acquisition, the P&O Acquisition and our terminal development and expansion projects. We believe that each of these components provides us with complementary strengths, which together position us as a market leader in the global container terminal industry. In particular, we believe that our business is characterised by the following key competitive strengths.

A Globally Diversified, Market-Leading and Balanced Portfolio of Terminals

With 42 terminals in 22 countries, we believe that we have the most geographically diversified portfolio of terminals in the industry and that the size and diversity of our portfolio gives us a competitive advantage over smaller and more concentrated operators because of the relatively high barriers to entry that characterise the container terminal industry. Our asset base includes a diverse mixture of both established and newer terminals and a significant number of greenfield and brownfield projects that we are in the process of developing. We believe that this combination of development sites and fully operating facilities is key to facilitating our future growth strategies and that our portfolio allows us to take advantage of the typically stable returns on equity in lower-risk established markets such as Europe and Australia and the potential for greater returns on equity in higher-risk emerging markets such as Latin America and Africa.

In addition, we believe that our portfolio, which is diversified within the regions in which we operate, should help to mitigate region-specific downturns.

Strong Pipeline of New Projects and Additional Growth Potential

We have extensive experience in developing terminal operations around the globe, including by constructing new terminals on both greenfield sites and brownfield sites as a result of concession wins. We have a strong track record of winning concessions globally based on our customer and business partner relationships, operating and technical credentials, willingness to invest in new capacity to meet demand and focus on key governmental issues, such as security and sustainability. Consequently, we believe that we will win, on economic terms, the majority of the concessions that we actively pursue and where we submit a bid. Our new projects currently in development include a total of 12 terminal projects, which, subject to various final regulatory approvals in some cases, are expected to become operational at various times between 2007 and 2011 and to add 13.4 million TEUs of gross capacity to our portfolio, based on anticipated capacity as of commencement of operations. In addition, we currently have a total of nine terminal expansion projects underway which are expected to become operational at various times between 2007 and 2011 and to add 8.9 million TEUs of gross capacity to our portfolio, based on anticipated capacity once fully operational. We also have a pipeline of potential projects in various stages of review, and continue to look for innovative opportunities for the ownership and management of terminal and terminal-related assets both inside and outside of ports.

Strong Relationships with Key Customers

We maintain a diverse customer base and enjoy close and long-standing relationships with our key customers, who are, for the most part, leaders in the global shipping industry. We believe that we have been successful in attracting and maintaining key customers as a result of our strong reputation in the industry, continued achievement of operational excellence and the diversification of our global portfolio, each of which helps our customers succeed in their businesses. For example, seven of our current top ten global customers were also our customers ten years ago. We target key customers and attempt to build strategic relationships based on an internal programme of customer segmentation, which we believe is unique to our industry. Through this programme, we seek to identify key commercial relationships by considering a number of different factors that we believe will assist us in evaluating our customers and determining how we can best serve them in the future.

Strategic Relationships with Dubai World and its Affiliates

As a wholly-owned indirect subsidiary of Dubai World, a holding company owned by the Government of Dubai, we expect to continue to benefit from the commitment of Dubai World to promote Dubai and its portfolio of businesses and projects both domestically and internationally. In addition, we have in the past benefited from and expect to continue to leverage relationships with affiliates that engage in complementary businesses, which we believe allows us to offer a combination of services that is unique in the container terminal industry and provides us with an advantage over our competitors.

Operational Excellence and Innovation

We are one of the innovators in the container terminal industry and have been successful in developing and enhancing container terminal capacity and efficiency in the regions in which we operate based on the needs and attributes of particular terminals. In 2007, our international achievements were recognised by our winning *Best Seaport in the Middle East* for DP World Jebel Ali for the 13^{th} year in a row and *Best Container Terminal in Asia under 4 million TEUs per annum* for CT3 (Hong Kong) at the Asian Freight & Supply Chain Awards. We also won various awards in 2006, including the *Lloyd's List's Port Operator of the Year Award.* Our commitment to operational excellence is reflected in the increase in our average global crane productivity from approximately 25 gross moves per hour for the year ended December 31, 2005 to approximately 27 gross moves per hour for the year ended December 31, 2006. This increase in our average global crane productivity is made possible not only through the implementation of new technologies but also by significant improvements in operating efficiency that we have been able to make at existing terminals, as well as at new terminals constructed on greenfield sites.

Experienced and International Management Team

Our global business is run out of our head office in Dubai by the 11 members of our executive management team, who have significant industry experience, and some of whom also have experience in the container shipping industry. In addition, our local operations are managed by eight regional managers, who also have significant experience in the container terminal industry and extensive local and regional knowledge, and are supported by a highly experienced team of local container terminal managers.

Our Vision and Mission

Our vision is to be the "Port of Choice" for our customers in each of our locations, to excel in operations, sales and customer service to our clients and to enhance the position of the local communities and countries in which we operate as gateways for global trade. Our mission is to provide world-class port services and to be a global player in operating and managing ports. We aim to provide value-for-money, high quality services to our customers through motivated and innovative employees who are empowered to make optimum utilisation of modern facilities, technology and resources while ensuring a reasonable return on investment.

Corporate Strategy

We have historically focused on pursuing a growth strategy based on acquisitions to establish our global footprint, fundamentally changing the composition and dynamics of the industry in the process by increasing the concentration of global throughput and capacity accounted for by the top global terminal operators. The changing nature of the industry has meant that growth through such acquisitions has become increasingly limited, and this has required a different approach to growth and value creation going forward. The following strategic principles have therefore been developed to aid our objectives, with a focus on people, customers, quality and global reach.

Optimise Existing Asset Base and Current Capacity

We believe that operational excellence and innovation create opportunities to generate additional value out of our existing facilities. We seek to improve our operational efficiency and increase the capacity of our existing facilities by investing in advanced handling equipment and streamlining our operational processes. We believe that this strategy is one of the most cost-effective methods for increasing capacity at our existing facilities. In addition, we continually re-examine our communication links with our customers and essential stakeholders in the port and shipping community to maximise the connectivity, responsiveness, accuracy and speed that we are able to offer.

Maximise Customer Satisfaction with Innovative and Tailored Solutions

Providing our global customers and their customers with value enhancing port and logistics solutions is a cornerstone of our operating strategy. We seek to sustain our consultative approach to customer relationship management to ensure we invest in facilities around the globe where our services are required. We employ a proactive management process that focuses on the key elements of connectivity, information sharing and security, which can provide strategic solutions in inventory and cost control in the global supply chain. We believe that the reliability and efficiency of our operations and information flow will enhance our customers' competitive edge.

Develop Relationship with Sector Participants

We continually re-evaluate our relationships with both current and potential future partners and stakeholders to ensure that we stay at the forefront of our industry, seizing the most attractive commercial opportunities by involving the relevant stakeholders from the outset. We believe that our credentials as one of the world's largest container terminal operators make us a natural partner of choice, and we seek to enhance this perception across the globe. In addition, we intend to leverage our relationships with our affiliates within Dubai World as we explore new opportunities that ultimately transform the local economies of the countries in which we operate and consequently enhance the value proposition for our business.

Deploy Capital for Sustained Growth, Profitability and Market Leadership

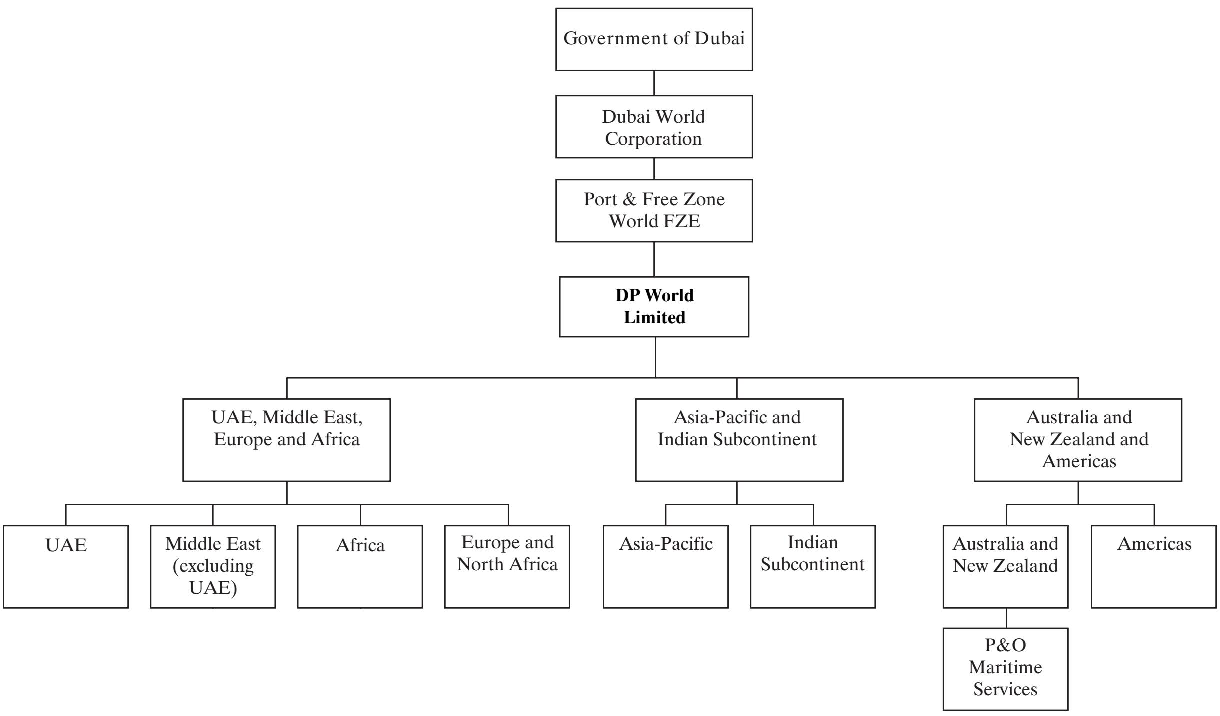
We intend to pursue investment opportunities based on our assessment of their potential for value creation, growth and sustained profitability. We continue to ensure that our assessment of potential investment opportunities is performed on a risk-adjusted basis, such that any capital deployed in more volatile markets is accompanied by a commensurate increase in the expected return to enhance our value proposition. Within this framework, we emphasise operational control of new projects while ensuring that we have the most appropriate partners on board where required. We seek to position ourselves to react to changes in both our and our customers' industries to ensure that we remain the port operator of choice.

Create a Place of Great Opportunity and Professional Enhancement for Employees

We believe that our achievement of operational excellence and innovation depends on the abilities, creativity and dedication of our employees. By implementing policies that allow us to be a good employer and good corporate citizen, we seek to create a culture of global excellence that will define our organisation and the container terminal industry. We plan to continue to invest in the personal development of our employees to ensure that we attract and retain the most experienced, motivated and knowledgeable workforce.

Reporting and Operational Structure

The following chart illustrates the three reporting and eight operating regions for our principal business activities.



Risk Factors

The material risks associated with any such investment in the Notes, our business and the industries in which we operate are discussed in this Prospectus under "Risk Factors". You should review these risks carefully prior to making any investment decision in the Notes.

Our principal executive offices are located at LOB 17, Jebel Ali Free Zone, Dubai, UAE. Our registered office is PO Box 17000, Dubai, UAE. Our telephone number is +971 4 881 1110. Our website address is *www.dpworld.com*. The information contained on our website is not incorporated by reference into, or otherwise included in, this Prospectus.

Overview of the Programme

Company	DP World Limited.
Description	Global Medium Term Note Programme.
Size	Up to US$5,000,000,000 (or its equivalent in other currencies at the date of issue) aggregate nominal amount of Notes outstanding at any one time.
Arrangers	Barclays Bank PLC Citigroup Global Markets Limited Deutsche Bank AG, London Branch Lehman Brothers International (Europe).
Dealers	Barclays Bank PLC Barclays Capital Inc. Citigroup Global Markets Limited Deutsche Bank AG, London Branch Deutsche Bank Securities Inc. Lehman Brothers International (Europe) Lehman Brothers Inc. We may from time to time terminate the appointment of any dealer under the Programme or appoint additional dealers either in respect of one or more Tranches or in respect of the whole Programme. References in this Prospectus to "**Permanent Dealers**" are to the persons listed above as Dealers and to such additional persons that are appointed as dealers in respect of the whole Programme (and whose appointment has not been terminated) and references to "**Dealers**" are to all Permanent Dealers and all persons appointed as a dealer in respect of one or more Tranches.
Trustee	Deutsche Trustee Company Limited.
Issuing and Paying Agent	Deutsche Bank AG, London Branch.
Registrars	Deutsche Bank Luxembourg S.A. (in respect of Unrestricted Notes) and Deutsche Bank Trust Company Americas (in respect of Restricted Notes).
Method of Issue	The Notes will be issued on a syndicated or non-syndicated basis. The Notes will be issued in series (each a "**Series**") having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches (each a "**Tranche**") on the same or different issue dates. The specific terms of each Tranche (which will be completed, where necessary, with the relevant terms and conditions and, save in respect of the issue date, issue price, first payment of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be completed in the final terms (the "**Final Terms**").
Issue Price	Notes may be issued at their nominal amount or at a discount or premium to their nominal amount. Partly Paid Notes may be issued, the issue price of which will be payable in two or more instalments.
Form of Notes	The Notes may be issued in bearer form only ("**Bearer Notes**"), in bearer form exchangeable for Registered Notes ("**Exchangeable Bearer Notes**") or in registered form only ("**Registered Notes**"). Each Tranche of Bearer Notes and Exchangeable Bearer Notes will be represented on issue by a temporary Global Note if (i) definitive Notes are to be made available to Noteholders following the expiry of 40 days after their issue date or (ii) such Notes have an initial maturity

	of more than one year and are being issued in compliance with the D Rules (as defined in "Overview—Overview of the Programme—Selling Restrictions"), otherwise such Tranche will be represented by a permanent Global Note. Registered Notes will be represented by Certificates, one Certificate being issued in respect of each Noteholder's entire holding of Registered Notes of one Series. Certificates representing Registered Notes that are registered in the name of a nominee for one or more clearing systems are referred to as "**Global Certificates**". Registered Notes sold in an "offshore transaction" within the meaning of Regulation S will initially be represented by an Unrestricted Global Certificate. Registered Notes sold in the United States to QIBs within the meaning of Rule 144A will initially be represented by a Restricted Global Certificate.
Clearing Systems	Euroclear and Clearstream, Luxembourg for Bearer Notes, Euroclear, Clearstream, Luxembourg and DTC for Registered Notes or as specified in the applicable Final Terms.
Currencies	Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in any currency agreed between us and the relevant Dealers.
Maturities	Subject to compliance with all relevant laws, regulations and directives, any maturity over one year.
Specified Denomination	Definitive Notes will be in such denominations as may be specified in the relevant Final Terms save that (i) in the case of any Notes which are to be admitted to trading on a regulated market within the European Economic Area ("**EEA**") or offered to the public in an EEA State in circumstances which require the publication of a Prospectus under the Prospectus Directive, the minimum specified denomination shall be €50,000 (or its equivalent in any other currency as at the date of issue of the Notes) and (ii) in the case of any Notes to be sold in the United States to QIBs, the minimum specified denomination shall be US$100,000.
Fixed Rate Notes	Fixed interest will be payable in arrear on the date or dates in each year specified in the relevant Final Terms.
Floating Rate Notes	Floating Rate Notes (as defined in "Terms and Conditions of the Notes") will bear interest determined separately for each Series as follows: (i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2000 ISDA Definitions (or, if specified in the relevant Final Terms, the 2006 ISDA Definitions), as published by the International Swaps and Derivatives Association, Inc. or (ii) by reference to LIBOR, LIBID, LIMEAN or EURIBOR (or such other benchmark as may be specified in the relevant Final Terms) as adjusted for any applicable margin. Interest periods will be specified in the relevant Final Terms. The applicable margin (if any) relating to such Floating Rate Notes will be agreed between us and the relevant Dealer for each Series of Floating Rate Notes.
Zero Coupon Notes	Zero Coupon Notes (as defined in "Terms and Conditions of the Notes") may be issued at their nominal amount or at a discount to it and will not bear interest.
Dual Currency Notes	Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes (as defined

	in "Terms and Conditions of the Notes") will be made in such currencies, and based on such rates of exchange as may be specified in the relevant Final Terms.
Index Linked Notes	Payments of principal in respect of Index Linked Redemption Notes (as defined in "Terms and Conditions of the Notes") or of interest in respect of Index Linked Interest Notes (as defined in "Terms and Conditions of the Notes" and, together with Index Linked Redemption Notes, "**Index Linked Notes**") will be calculated by reference to such index and/or formula as may be specified in the relevant Final Terms.
Interest Periods and Interest Rates	The length of the interest periods for the Notes and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Notes may have a maximum interest rate, a minimum interest rate, or both. The use of interest accrual periods permits the Notes to bear interest at different rates in the same interest period. All such information will be set out in the relevant Final Terms.
Redemption	The relevant Final Terms will specify the basis for calculating the redemption amounts payable.
Redemption by Instalments	The Final Terms issued in respect of each issue of Notes that are redeemable in two or more instalments will set out the dates on which, and the amounts in which, such Notes may be redeemed.
Other Notes	Terms applicable to high interest Notes, low interest Notes, step-up Notes, step-down Notes, reverse dual currency Notes, optional dual currency Notes, Partly Paid Notes and any other type of Note that we, the Trustee and any Dealer or Dealers may agree to issue under the Programme will be set out in the relevant Final Terms and a supplementary Prospectus (if applicable).
Optional Redemption	The Final Terms issued in respect of each issue of Notes will state whether such Notes may be redeemed prior to their stated maturity at our option (either in whole or in part) and/or the holders, and if so the terms applicable to such redemption, provided that, if a Change of Control Event occurs (see "Change of Control" below), we shall, at the option of the holder of such Note, upon the holder of such Note giving notice to us at any time during the relevant period, redeem such Note on the relevant date at its principal amount (or such other amount as may be specified in the relevant Final Terms) together (if applicable) with interest accrued to the date fixed for redemption (as described in "Terms and Conditions of the Notes—Redemption, Purchase and Options").
Change of Control	Unless otherwise provided in the relevant Final Terms, each Note may be redeemed at the option of the holder if at any time the Government of Dubai ceases to own, directly or indirectly, at least 50% of our issued share capital or otherwise ceases to control, directly or indirectly, us.
Status of the Notes	Subject as set out in "Negative Pledge" below, the Notes are direct, unconditional and unsecured obligations of the Company which rank *pari passu*, without any preference among themselves and, subject as aforesaid, with all its other outstanding present and future unsecured and unsubordinated obligations.
Negative Pledge	The Notes will have the benefit of a negative pledge as described in "Terms and Conditions of the Notes—Negative Pledge".

Cross Acceleration	The Notes will have the benefit of a cross acceleration provision as described in "Terms and Conditions of the Notes—Events of Default".
Ratings	The Programme has been rated "A1" (stable) by Moody's and "A+" (stable) by Standard & Poor's. Tranches of Notes will be rated or unrated. Where a Tranche of Notes is to be rated, the relevant rating(s) will be specified in the relevant Final Terms. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.
Early Redemption	Except as provided in "—Optional Redemption" above, Notes will be redeemable at our option prior to maturity only for tax reasons. See "Terms and Conditions of the Notes—Redemption, Purchase and Options".
Withholding Tax	All payments of principal and interest in respect of the Notes will be made free and clear of withholding taxes of the UAE or the Emirate of Dubai or the Dubai International Financial Centre (or any political subdivision or authority thereof having the authority to tax) unless the withholding or deduction is required by law. In that event, the Issuer shall, subject to certain exceptions, pay such additional amounts as shall result in receipt by the Noteholders of the amount that would have been received had no withholding been required. See "Terms and Conditions of Notes—Taxation".
Governing Law	English.
Listing and Admission to Trading	We have made an application to list Notes issued under the Programme on the Official List and to admit them to trading on the Market or as otherwise specified in the relevant Final Terms and references in this Prospectus to "listing" and "listed" on the London Stock Exchange shall be construed accordingly. We have also made an application for Notes issued under the Programme to be admitted to listing on the DIFX. As specified in the relevant Final Terms, a Series of Notes may be (i) listed on the London Stock Exchange and/or the DIFX and/or any other stock exchange or (ii) unlisted.
Redenomination, Renominalisation and/or Consolidation	Notes denominated in a currency of a country that subsequently participates in the third stage of European Economic and Monetary Union may be subject to redenomination, renominalisation and/or consolidation with other Notes then denominated in euro. The provisions applicable to any such redenomination, renominalisation and/or consolidation will be as specified in the relevant Final Terms.
Selling Restrictions	The United States, the United Kingdom, the EEA (in respect of Notes having a minimum specified denomination of less than €50,000 (or its equivalent in any other currency as at the date of issue of the Notes), the Republic of Italy, the UAE, the DIFC and Japan. See "Subscription and Sale". Category 2 selling restrictions will apply for the purposes of Regulation S under the Securities Act. Bearer Notes will be issued in compliance with United States Treasury Regulations §1.163-5(c)(2)(i)(D) (the "**D Rules**") unless (i) the relevant Final Terms states that Notes are issued in compliance with United States Treasury Regulations

	§1.163-5(c)(2)(i)(C) (the "**C Rules**") or (ii) the Notes are issued other than in compliance with the D Rules or the C Rules but in circumstances in which the Notes will not constitute "registration required obligations" under the United States Tax Equity and Fiscal Responsibility Act of 1982 ("**TEFRA**"), which circumstances will be referred to in the relevant Final Terms as a transaction to which TEFRA is not applicable.
Transfer Restrictions	There are restrictions on the transfer of Notes sold pursuant to Regulation S under the Securities Act prior to the expiration of the relevant distribution compliance period and on the transfer of Registered Notes sold pursuant to Rule 144A under the Securities Act. See "Transfer Restrictions".

SUMMARY OF HISTORICAL AND PRO FORMA CONSOLIDATED FINANCIAL AND OPERATING DATA

The unaudited pro forma consolidated statement of income of the Company for the year ended December 31, 2006 and the unaudited pro forma consolidated balance sheet of the Company as of December 31, 2006 is based on the audited consolidated statement of income of DPA for the year ended December 31, 2006 included in the Audited DPA Consolidated Financial Statements appearing elsewhere in this Prospectus and the audited balance sheet of the Company as of December 31, 2006, respectively.

The summary unaudited pro forma consolidated financial data of the Company as of and for the year ended December 31, 2006 set forth below has been derived from the Unaudited Pro Forma Consolidated Financial Information appearing elsewhere in this Prospectus. The summary unaudited pro forma consolidated other financial and operating data of the Company for the year ended December 31, 2006 set forth below gives effect to the Transactions as if such events had occurred on January 1, 2006.

The summary unaudited pro forma consolidated financial and operating data of the Company have been prepared for illustrative purposes only and, because of their nature, address a hypothetical situation and, therefore, do not represent our actual financial position or results had the Transactions been completed at the dates assumed or any other date and should not be regarded as an indication of the operating results generated by us or of our future financial position. For a description of the accounting principles used in the preparation of the Unaudited Pro Forma Consolidated Financial Information, see the notes to the unaudited pro forma consolidated statement of income and the unaudited pro forma consolidated balance sheet included therein.

You should read the summary of historical and pro forma consolidated financial and operating data in conjunction with the information contained in "Use of Proceeds", "Unaudited Pro Forma Consolidated Financial Information", "Selected Historical Consolidated Financial Data of DPA", "Selected Historical Consolidated Financial Data of P&O", "Management's Discussion and Analysis of Financial Condition and Results of Operations", and the Audited DPA Consolidated Financial Statements and the P&O Consolidated Financial Statements appearing in this Prospectus.

	DPA Year ended December 31,				
	2004	2005	2006(1)		
	Total	Total	Before separately disclosable items	Separately disclosable items(2)	Total
	(US dollars in thousands)				
DPA Historical Statement of Income Data:					
Revenue from operations	$ 463,881	$ 674,920	$ 3,486,778	$ —	$ 3,486,778
Cost of sales	(185,150)	(288,299)	(2,490,091)	(32,400)	(2,522,491)
Gross profit	278,731	386,621	996,687	(32,400)	964,287
General and administration expenses(3)	(27,564)	(94,417)	(473,470)	(51,338)	(524,808)
	251,167	292,204	523,217	(83,738)	439,479
Other income	2,585	1,434	25,933	17,000	42,933
Interest income	1,107	3,407	95,113	—	95,113
Finance costs	—	(58,397)	(341,936)	(61,146)	(403,082)
Share of (loss) profit of joint ventures and associates	(976)	8,022	35,514	—	35,514
Profit before tax from continuing operations	253,883	246,670	337,841	(127,884)	209,957
Income tax	(390)	(4,162)	(20,577)	8,300	(12,277)
Profit after tax from continuing operations	253,493	242,508	317,264	(119,584)	197,680
Profit after tax from discontinued operations	—	—	19,233	—	19,233
Profit for the year	$ 253,493	$ 242,508	$ 336,497	$ (119,584)	$ 216,913
Attributable to:					
Equity holder of the parent	$ 253,493	$ 239,704	$ 311,364	$ (119,584)	$ 191,780
Minority interests	—	2,804	25,133	—	25,133

(1) The statement of income data for DPA includes the results of operations of P&O for the period from March 9, 2006, the first day following the P&O Acquisition, through December 31, 2006 only.

(2) See Note 7, "Separately Disclosable Items", of the Notes to the Consolidated Audited Financial Statements of DPA as of and for the years ended December 31, 2005 and 2006 for further information.

(3) Includes $7.7 million of separately disclosable items for the year ended December 31, 2005, which were related to the CSX WT Acquisition. See Note 7, "Separately Disclosable Items", of the Notes to the Consolidated Audited Financial Statements of DPA as of and for the years ended December 31, 2005 and 2006 for further information.

Adjusted DPA Port Segment Information by Future Reporting Region(1)

	DPA Year ended December 31, 2006	
	Revenue from continuing operations	Net profit for the year
	(unaudited) (US dollars in thousands)	
UAE, Middle East, Europe and Africa	$1,072,252	$ 424,039
Australia and New Zealand and Americas	626,355	115,385
Asia-Pacific and Indian Subcontinent	333,307	131,791
	2,031,914	671,215
Unallocated revenue/(loss)	13,264	(538,602)
Total	$2,045,178	$ 132,613

(1) Following our 2006 financial year, we intend to consolidate our financial reporting from five to three geographic regions. Accordingly, we have presented our adjusted revenue from operations and net profit for 2006 based upon the reporting regions we will use for future reporting periods. For a discussion of our historical results of operations across the five geographic financial reporting regions then in effect, see "Management's Discussion and Analysis of Financial Condition and Results of Operations".

	Company Year ended December 31, 2006		
	Pro forma	Separately disclosable items(1)	Pro forma before separately disclosable items
	(Unaudited) (US dollars in thousands)		
Company Pro Forma Statement of Income Data:			
Revenue from operations	$ 2,291,556	$ —	$ 2,291,556
Cost of sales	(1,582,675)	(29,631)	(1,553,044)
Gross profit	708,881	(29,631)	738,512
General and administration expenses	(470,674)	(122,748)	(347,926)
	238,207	(152,379)	390,586
Other income	42,300	17,200	25,100
Interest income	100,513	—	100,513
Finance costs	(405,425)	(61,146)	(344,279)
Share of profit (loss) of joint ventures and associates	25,722	—	25,722
Profit before tax from continuing operations	1,317	(196,325)	197,642
Income tax	93,132	8,300	84,832
Profit after tax from continuing operations	94,449	(188,025)	282,474
Profit after tax from discontinued operations	—	—	—
Profit for the year	$ 94,449	$ (188,025)	$ 282,474
Attributable to:			
Equity holder of the parent	$ 65,816	$ (188,025)	$ 253,841
Minority interests	28,633	—	28,633

(1) See Note 5, "Separately disclosable items", of the Notes to Unaudited Pro Forma Consolidated Statement of Income of the Company for the year ended December 31, 2006 for further information.

	DPA As of December 31, 2004	2005	2006	Company Pro forma As of December 31, 2006
				(Unaudited)
		(US dollars in thousands)		
DPA Historical and Company Pro Forma Balance Sheet Data:				
Non-current assets				
Property, plant and equipment	$ 583,873	$ 975,721	$ 3,681,973	$ 3,055,430
Intangible assets	—	186,156	3,440,853	3,255,853
Goodwill	—	461,011	3,103,870	3,103,870
Investment in associates and joint ventures	31	1,123,885	2,940,715	2,935,245
Due from an associate	—	—	—	1,056,000
Other non-current assets	204,999	12,095	101,890	101,874
	788,903	2,758,868	13,269,301	13,508,272
Current assets				
Property held for development and sale	—	—	137,400	137,400
Inventories	9,493	13,037	63,887	43,378
Accounts receivable and prepayments	394,184	605,406	1,248,219	584,512
Tax recoverable	—	—	18,660	18,660
Bank balances and cash	240,283	250,238	2,241,039	3,177,520
Assets held for sale	—	—	1,263,621	—
	643,960	868,681	4,972,826	3,961,470
Total assets	$ 1,432,863	$ 3,627,549	$18,242,127	$17,469,742
Equity attributable to equity holder of the parent				
Owner's account	$ 741,367	$ 915,721	$ 7,545,666	$ —
Cumulative changes in fair value	—	10,781	27,928	—
Actuarial reserve	—	—	200,100	—
Retained earnings	—	—	—	616,610
Translation reserve	—	(15,015)	655,494	—
	741,367	911,487	8,429,188	616,610
Minority interests	—	226,466	702,224	702,224
Total equity	741,367	1,137,953	9,131,412	1,318,834
Non-current liabilities				
Pension and post-employment benefits	67,026	69,444	277,625	126,567
Interest bearing loans and borrowings	205,084	2,858	5,526,061	5,421,996
Other non-current liabilities	—	192,479	1,488,064	1,425,640
	272,110	264,781	7,291,750	6,974,203
Current liabilities				
Accounts payable and accruals	419,386	568,406	1,092,422	708,945
Payable to an affiliate	—	—	—	8,132,655
Bank overdrafts	—	—	4,301	5,516
Interest bearing loans and borrowings	—	1,656,409	191,977	191,977
Income tax liabilities	—	—	—	—
Pension and post-employment benefits	—	—	66,464	66,464
Provisions	—	—	73,800	71,148
Liabilities classified as held for sale	—	—	390,001	—
	419,386	2,224,815	1,818,965	9,176,705
Total liabilities	691,496	2,489,596	9,110,715	16,150,908
Total equity and liabilities	$ 1,432,863	$ 3,627,549	$18,242,127	$17,469,742

	Company Pro forma Year ended December 31, 2006
	(Unaudited) (US dollars in thousands)
Company Pro Forma Other Financial Data:	
Profit after tax from continuing operations	$ 94,449
Finance costs	405,425
Interest income	(100,513)
Income tax	(93,132)
Depreciation and amortisation	281,000
EBITDA[(1)]	587,229
Separately disclosable items[(2)]	135,179
Adjusted EBITDA[(3)]	$ 722,408

(1) EBITDA, a measure used by management to measure operating performance, is defined as profit after tax from continuing operations plus finance costs (net of interest income), income tax, depreciation and amortisation. See "Non-IFRS Measures".

(2) See Note 5, "Separately disclosable items", of the Notes to Unaudited Pro Forma Consolidated Statement of Income of the Company for the year ended December 31, 2006 for further information.

(3) Adjusted EBITDA is defined as EBITDA further adjusted to remove the impact of separately disclosable items. See "Non-IFRS Measures".

	Company Year ended December 31, 2006
	(Unaudited) (TEUs in millions, except number of terminals)
Operating Data:	
Terminals[(1)]	42
Gross throughput	36.8
Gross capacity[(1)]	48.6
Equity-adjusted throughput	23.8

(1) Presented as of period end.

RISK FACTORS

An investment in the Notes involves a number of risks. You should carefully consider the following information about these risks, together with the other information contained in this Prospectus, before investing in the Notes. Any of the risks described below, or additional risks not currently known to us or that we currently deem immaterial, could have a significant or material adverse effect on our business, financial condition or results of operations and result in a corresponding decline in the market price of the Notes. You could lose all or a substantial part of your investment.

This Prospectus also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in such forward-looking statements as a result of certain factors, including the risks described below and elsewhere in this Prospectus. See "Cautionary Note Regarding Forward-Looking Statements."

Risks Relating to the Company

We have grown rapidly and are comprised in part of significant newly-acquired operations and expect to continue to grow as a result of future expansion and acquisitions. We may not be able to manage our growth, and do not have a track record of operating the Group in its current form.

In February 2005, we acquired CSX WT, the international terminal business of CSX Corporation, and in March 2006, we acquired P&O, a leading container terminal operator. See "Business—History—Global Expansion—CSX World Terminals" and "Business—History—Global Expansion—P&O". We also currently have 12 terminal projects and nine terminal expansion projects in various stages of development, in addition to our 42 existing terminal operations. As a result of the growth of our portfolio over the past two years, our pro forma Adjusted EBITDA for the year ended December 31, 2006 increased by 1.5 times, as compared to DPA's actual Adjusted EBITDA for the year ended December 31, 2004.

We do not have a history of operating at our current size, and our ability to manage our existing business and its future growth is dependent upon a number of factors, including our ability to effectively increase the scope of our operational and financial systems to handle the increased complexity and expanded geographic area of our operations, recruit, train and retain qualified staff to manage and operate our growing business, obtain necessary permits or approvals from governmental authorities and agencies, secure adequate financing on commercially reasonable terms and explore new markets and run new businesses. In addition, due to our lack of operating history in our current form, our historical consolidated financial and operating data are not directly comparable.

In addition, future expansion and acquisitions, if any, will entail risks, including:

- the failure to successfully integrate operations, technologies, existing contracts, accounting processes, personnel, services or products of companies that we acquire;
- the failure to successfully integrate financial and control systems and management of the acquired companies;
- the potential loss of customers or key employees of acquired companies;
- the diversion of management's attention from other business concerns;
- the assumption of unknown material liabilities; and
- the failure to achieve financial or operating objectives.

Our inability to avoid these risks, or manage any future expansion, could have a material adverse effect on our business, results of operations, financial condition and prospects.

Our future success depends on our ability to achieve and manage growth, whether through internal growth or strategic acquisitions.

A principal component of our strategy is to continue to grow by expanding our business both in the geographic areas and markets where we are currently focused and into new geographic areas and markets. Our ability to achieve and manage future growth will depend upon a number of factors, including our ability to maintain, expand or develop relationships with our customers, suppliers, contractors, lenders and other third parties, reach agreements with potential joint venture partners on commercial and technical terms satisfactory to us and expand our operating capacity on a timely and reasonable basis. It will also depend on our ability to adjust and optimise the organisation of our management and operating structure. In addition, as we continue to grow, we believe that we must maintain an appropriate mixture of greenfield and brownfield development sites and established operating facilities to ensure that we achieve a balance between the capital expenditure and cash flow profiles associated with facilities in different stages of development, and there can be no assurance that we will be able to achieve this goal.

Growth through strategic acquisitions also entails risks inherent in identifying suitable expansion opportunities and assessing the value, strengths and weaknesses of acquisition candidates. In addition, prior to our acquisition, target companies may have incurred contractual, financial, regulatory, environmental or other obligations and liabilities that may impact us in the future and that are not adequately reflected in the historical financial statements of such companies or otherwise known to us or discovered by us in our due diligence process. The success of our acquisitions will depend on, and may be limited by, the availability of suitable acquisition targets, our ability to finance large acquisitions and restrictions contained in our debt instruments and our other existing and future financing arrangements. For a description of our primary credit facility, including the undertakings and covenants included therein, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Working Capital and Indebtedness—Syndicated Term Loan and Revolving Credit Facility".

Our acquisition strategy may also be limited by regulatory constraints within the countries in which we operate due to antitrust laws or political conflicts. See "—Antitrust and competition laws in the countries in which we operate may limit our growth and subject us to antitrust and other investigations" below.

We cannot give any assurance that our recent rate of growth will be maintained in the future or that demand for our services will continue to grow at rates sufficient to achieve a satisfactory return on any expenditure that we make. A failure on our part to manage our growth efficiently and effectively could have a material adverse effect on our business, financial condition, results of operations and prospects.

We are exposed to certain risks in respect of the expansion of our existing terminals and port facilities and the development and construction of new terminals and port facilities.

Our new projects currently in development include a total of 12 terminal projects in the UAE, Vietnam, Djibouti, Pakistan, India (Kulpi and Vallarpadam), Turkey, France, China, Peru, Senegal and the United Kingdom, of which three remain subject to final government approvals. In addition, we currently have a total of nine terminal expansion projects in China, the Dominican Republic, Germany, Canada, Romania, Argentina, Belgium, South Korea and Australia. Expansion and construction projects, including those in our development pipeline, typically require substantial capital expenditures throughout the development, construction and upgrading phases and may take months or years before they become operational, during which time we are subject to a number of construction, financing, operating and other risks beyond our control, including, but not limited to:

- shortages of materials, equipment and labour;
- adverse weather conditions and natural disasters;
- an inability on our part to make any necessary financing arrangements on terms favourable to us, if at all;
- changes in demand for our services;
- labour disputes and disputes with sub-contractors;
- inadequate infrastructure, including as a result of failure by third parties to fulfil their obligations relating to the provision of utilities and transportation links that are necessary or desirable for the successful operation of a project;
- failure to complete projects according to specification;
- accidents;
- changes in governmental priorities; and
- an inability to obtain and maintain project development permission or requisite governmental licences, permits or approvals.

The occurrence of one or more of these events may negatively affect our ability to complete our current or future expansion projects on schedule, if at all, or within the estimated budget and may prevent us from achieving the projected revenues, internal rates of return or capacity associated with such projects. We cannot assure you that the revenues that we are able to generate from our expansion projects will be sufficient to cover the associated construction and development costs. In addition, once complete, our ability to dispose of inadequate or poorly performing businesses is sometimes subject to governmental approval, which may force us to bear the costs of any such business for a longer period of time, with an increasingly negative and prolonged impact on our financial condition and results of operations, than would otherwise be the case.

Furthermore, because most of our development and construction projects are governed by contracts that we enter into with the owner of a particular port, failure on our part to fulfil our obligations relating to such projects, including meeting our deadlines in a timely manner, may constitute a breach under the relevant contract and subject us to penalties, including payment of liquidated damages, or, in the case of a serious breach, termination of a project. Although we attempt to allocate risk of failure to sub-contractors and suppliers to the extent possible, if we are unable to seek full indemnification from third parties with respect to any such breach, our financial condition and results of operations may be adversely affected.

As we are a wholly-owned indirect subsidiary of Dubai World, a holding company of the Government of Dubai, Dubai World exerts significant control over us and its interests may conflict with those of Noteholders and/or the Group.

Dubai World, a holding company owned by the Government of Dubai, indirectly owns all of our outstanding capital stock and, therefore, exerts significant control over us. Dubai World may therefore exert control over, among other things:

- election of our directors and, in turn, selection of our management;
- our business policies and strategies;
- budget approval;
- the issuance of new debt or equity securities;
- mergers, acquisitions and disposals of our assets or businesses; and
- amendments to our charter documents.

Consequently, we cannot assure you that the resolution of any matter that may involve the interests of Dubai World will be resolved in what investors would consider to be in our or their best interests.

In addition, DPA, an entity wholly-owed and controlled by the Government of Dubai, will continue to provide credit support for the outstanding amounts under the Amended and Restated Credit Facility in the form of an unconditional and irrevocable guarantee. A breach by DPA of its obligations under the Amended and Restated Credit Facility could result in a default, which may allow the lenders to declare all amounts outstanding thereunder to be immediately due and payable and terminate all commitments to extend further credit. For further information regarding the Amended and Restated Credit Facility, including the undertakings and covenants included therein, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Working Capital and Indebtedness—Syndicated Term Loan and Revolving Credit Facility".

A significant number of our operations are run through joint venture companies and, in some cases, we do not have a controlling equity stake or the right or power to direct the management and policies of such companies.

A significant number of our container terminal and other ports-related operations are conducted through jointly controlled entities, associated companies and partnerships. For the year ended December 31, 2006, our pro forma share of profits from our joint ventures and associates was $25.7 million, or approximately 9.1%, of our pro forma total profit for the year before separately disclosable items. Joint venture transactions present many of the same risks involved in acquisitions, but also involve additional risks, including the possibility that our joint venture partners may have economic, business or legal interests or goals that are inconsistent with our own, may become bankrupt, may refuse to make additional investments that we deem necessary or desirable or may prove otherwise unwilling or unable to fulfil their obligations under the relevant joint venture or associated agreements. In addition, there is a risk that our joint venture partners may ultimately become competitors of ours. Joint ventures with government entities also expose us to risks relating to differences in focus or priorities between successive regimes.

To the extent that we do not have a controlling equity stake in a joint venture or the right or power to direct the management and policies of such joint venture, our joint venture partners may take action that is not in accordance with our policies and objectives. Should a joint venture partner act contrary to our interest, it could have a material adverse effect upon our business, results of operations, financial condition and prospects.

Our ability to expand successfully through joint ventures will depend upon the availability of suitable and willing joint venture partners, our ability to consummate such transactions and the availability of financing on commercially acceptable terms. We cannot give any assurance that we will be successful in completing joint ventures or that, once completed, a joint venture will be profitable for us. If a joint venture is unsuccessful, we may be unable to recoup our initial investment and our financial condition and results of operations may be adversely affected.

Our businesses require substantial capital investment, and we may not have sufficient capital to make, or may be restricted by covenants in our financing agreements from making, future capital expenditures and other investments as we deem necessary or desirable.

We operate in capital intensive industries that require a substantial amount of capital and other long-term expenditures, including those relating to the development and acquisition of new container terminal facilities and the expansion of existing container terminal facilities. In the past we have financed these expenditures through a variety of means, including internally generated cash, external borrowings and capital contributions from our shareholder. In the future, we expect to utilise a combination of these sources, including banking and capital markets transactions, to manage our balance sheet and meet our financing requirements. However, we cannot assure you that our shareholder will be willing to make further capital contributions or that any of the other sources of capital will be available to us on acceptable terms, if at all.

Our ability to arrange external financing and the cost of such financing are dependent on numerous factors, including our future financial condition, general economic and capital market conditions, interest rates, credit availability from banks or other lenders, investor confidence in us, applicable provisions of tax and securities laws and political and economic conditions in any relevant jurisdiction. We cannot provide any assurance that we will be able to arrange any such external financing on commercially reasonable terms, if at all, and we may be required to secure any such financing with a lien over our assets and those of our subsidiaries.

See "—Our future leverage could adversely affect our ability to raise additional capital to fund our operations, limit our ability to react to changes in the economy or the industries in which we operate and prevent us from meeting our debt obligations". In addition, covenants contained in our current or future financing agreements may restrict us from undertaking capital expenditure in amounts and at times that we deem necessary or desirable or when specified by construction timelines contained in concessions for new container terminal facilities. See "—Our debt agreements contain restrictions that limit our flexibility in operating our business". If we are unable to generate or obtain funds sufficient to make, or are otherwise restricted from making, necessary or desirable capital expenditure and other investments, we may be unable to grow our business, which may have a material adverse effect on our financial condition, results of operations and prospects.

Antitrust and competition laws in the countries in which we operate may limit our growth and subject us to antitrust and other investigations.

The antitrust and competition laws and related regulatory policies in many of the countries in which we operate generally favour increased competition in the container terminal industry and may prohibit us from making further acquisitions or continuing to engage in particular practices to the extent that we hold a leading market share in such countries. In addition, violations of such laws and policies could potentially expose us to civil lawsuits or criminal prosecution, including fines and imprisonment, and to the payment of punitive damages. Currently, the Australian Competition and Consumer Commission is investigating allegations that P&O engaged in anti-competitive practices in connection with its provision of services at ports in Australia. Similarly, in the past year, DP World Antwerp NV (formerly P&O Ports Antwerp NV) has been involved in an investigation by the Belgian Competition Service (*Service de la Concurrence*) into the legality of yearly cost increase announcements by the Antwerp cargo handling trade association to its members. In addition, while not antitrust claims, the Gujarat Maritime Board served on us notices to show cause why our concession agreement in respect of Mundra International Container Terminal should not be cancelled following the P&O Acquisition. We cannot predict the effect that any of these investigations, or any future investigations, will have on our business. If as a result of any such investigation, the relevant antitrust or competition authority imposes fines or other penalties on us or prohibits us from engaging in certain types of business in one or more of the regions in which we operate, our financial performance and future growth could be adversely affected.

We are subject to political and economic conditions in Dubai, as well as the UAE as a whole.

For the year ended December 31, 2006, 33.9% of DPA's revenue from operations for its ports segment related to operations located in its UAE, Middle East and South and East Africa financial reporting region, the vast majority of which related to operations at DP World Jebel Ali in Dubai, UAE. Consequently, our results of operations are and will continue to be affected in general by economic and political developments in or affecting Dubai and the UAE and, in particular, by the level of economic activity in Dubai and the UAE.

The economies of Dubai and the UAE, like those of many emerging markets, have been characterised by significant government involvement through direct ownership of enterprises and extensive regulation of market conditions, including foreign investment, foreign trade and financial services. While the policies of the governments of Dubai and the UAE have generally resulted in improved economic performance in recent years, there can be no assurance that these levels of performance can be sustained. Similarly, while Dubai and the UAE have enjoyed significant economic growth and relative political stability in recent years, there can be no assurance that such growth or stability will continue. To the extent that economic growth or performance in Dubai or the UAE slows or begins to decline, our financial condition, results of operations and prospects may be adversely affected. In addition, the implementation by the governments of Dubai or the UAE of restrictive fiscal or monetary policies or regulations, or new legal interpretations of existing regulations, introducing taxation, interest rates or exchange controls could have a material adverse effect on our business, financial condition, results of operations and prospects.

A deterioration of political relations in the Middle East may adversely affect our business.

The Middle East has experienced varying degrees of political instability over the past 50 years. Because our business relies heavily on our presence and sales in the UAE, future armed conflicts or political instability in the Middle East could impact our operations and have a material adverse effect on our financial condition and results of operations. In particular, any blockage of, or other event affecting, the Strait of Hormuz or other political or military disruptions in the Arabian Gulf could prevent our shipping line customers from reaching the ports at which we operate in the UAE, including through prohibitive increases in their insurance premiums.

Instability in the Middle East may result from a number of factors, including government or military regime change, civil unrest or terrorism. Within the Middle East, extremists have engaged in a campaign, sometimes violent, against various governments in the region and terrorists have struck both military and civilian targets. There can be no assurance that extremists or terrorist groups will not escalate violent activities in the Middle East or that the governments of the Middle East will be successful in maintaining the prevailing levels of domestic order and stability. Any of the foregoing circumstances could have a material adverse effect on the political and economic stability of the Middle East and, consequently, on our business, results of operations, financial condition and prospects. For a discussion of additional risks that we face in these and other countries, see "—Risks Relating to our Ports Business—We are subject to the risks of political, social and economic instability associated with countries and regions in which we operate or may seek to operate."

Our future leverage could adversely affect our ability to raise additional capital to fund our operations, limit our ability to react to changes in the economy or the industries in which we operate and prevent us from meeting our debt obligations.

We and our subsidiaries may incur substantial additional indebtedness in the future, subject to the restrictions contained in our debt agreements, which could, among other things:

- make it more difficult for us to satisfy our obligations under the Notes;
- increase our vulnerability to general economic and industry conditions;

- require a substantial portion of cash flow from operations to be dedicated to the payment of principal and interest on our indebtedness, thereby reducing our ability to use our cash flow to fund our operations, capital expenditures and future business opportunities and to pay dividends;
- expose us to the risk of increased interest rates with respect to our borrowings at variable rates of interest, unless we are able to fully hedge our interest rate exposure with respect to such borrowings;
- restrict us from making strategic acquisitions or cause us to make non-strategic divestitures;
- limit our ability to obtain additional financing for working capital, capital expenditures, product development, debt service requirements, acquisitions and general corporate or other purposes; and
- limit our ability to adjust to changing market conditions and place us at a competitive disadvantage compared to our competitors who are less highly leveraged.

Any of the foregoing consequences could have a material adverse effect on our business, results of operations, financial condition and prospects.

Our debt agreements contain restrictions that limit our flexibility in operating our business.

Our debt agreements contain various covenants that limit our ability to engage in specified types of transactions. These covenants limit our and our restricted subsidiaries' ability to, among other things:

- incur or guarantee additional financial indebtedness or issue certain redeemable shares;
- grant security or create any security interests; and
- consolidate, merge or sell or otherwise dispose of any of our assets.

In addition, certain of our debt agreements contain, and future agreements may contain, cross-default clauses whereby a default under one of our debt agreements may constitute an event of default under other of our debt agreements.

The agreement governing the Amended and Restated Credit Facility also requires us to satisfy and maintain specified financial ratios and other financial condition tests. Our ability to meet those financial ratios and tests can be affected by events beyond our control, and we cannot assure you that we will meet those ratios and tests. A breach of any of these covenants would result in a default under the Amended and Restated Credit Facility, which may allow the lenders to declare all amounts outstanding thereunder to be immediately due and payable and terminate all commitments to extend further credit.

If we were unable to repay those amounts, the lenders under the Amended and Restated Credit Facility could proceed against the collateral granted to them to secure that indebtedness. Thunder FZE has pledged its shares in P&O as collateral under the Amended and Restated Credit Facility and, if the lenders accelerate the repayment of borrowings, we cannot assure you that we will have sufficient assets to repay the amounts outstanding thereunder, which could result in the seizure of some or all of such assets. For further information regarding the Amended and Restated Credit Facility, including the undertakings and covenants included therein, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Working Capital and Indebtedness—Syndicated Term Loan and Revolving Credit Facility".

If we fail to retain and attract qualified and experienced employees, our business may be harmed.

If we are unable to retain experienced, capable and reliable personnel, especially senior and middle management with appropriate professional qualifications, or fail to recruit appropriate professional and technical staff in pace with our growth, our business and financial results may suffer. Experienced and capable personnel in the container terminal industry remain in high demand, and there is continual competition for their talents. In particular, because of the significant growth in the container terminal industry over the past 15 years, there is an industry-wide shortage of container terminal operating managers. Consequently, when talented employees leave, we may have difficulty, and incur additional costs, replacing them. The loss of any member of our senior management team or any of our terminal managers may result in: (i) a loss of organisational focus; (ii) poor execution of operations; and (iii) an inability to identify and execute potential strategic initiatives such as expansion of capacity. These adverse results could, among other things, reduce potential revenue, prevent us from diversifying our service lines and expose us to downturns in the markets in which we operate, all of which could adversely affect our business, results of operations, financial condition and prospects.

We may not maintain sufficient insurance coverage for the risks associated with the operation of our business.

Our operations may be affected by a number of risks, including terrorist acts and war-related events, for which full insurance cover is either not available or not available on commercially reasonable terms. In addition, the severity and frequency of various other events, such as accidents and other mishaps, business interruptions or potential damage to our facilities, property and equipment caused by inclement weather, human error, pollution and labour disputes, as well as risks relating to our provision of services to customers, including, with respect to our container terminal operations, damage to customers' property, delays, misrouting of cargo and documentation errors, may result in losses or expose us to liabilities in excess of our insurance coverage or significantly impair our reputation. We cannot assure you that our insurance coverage will be sufficient to cover the loss arising from any or all such events or that we will be able to renew existing insurance cover on commercially reasonable terms, if at all.

Should an incident occur in relation to which we have no insurance cover or inadequate insurance cover, we could lose the capital invested in, and anticipated future revenues relating to, any property that is damaged or destroyed and, in certain cases, we may remain liable for financial obligations related to the impacted property. Similarly, in the event that any assessments are made against us in excess of any related insurance cover that we may maintain, our assets could be subject to attachment, confiscation or restraint under various judicial procedures. Any of these occurrences could have a material adverse effect on our business, financial condition and results of operations.

We are exposed to credit risk with respect to our customers, and our business could be adversely affected if our customers default on their obligations to us.

Because of the significant consolidation that has occurred in the container shipping line industry in recent years, we rely on a small number of customers for a substantial portion of our business. For the year ended December 31, 2006, our five and ten largest customers accounted for approximately 42% and 59%, respectively, of the full-year gross throughput for all terminals held by us as of December 31, 2006 (excluding the six container terminals operated by POPNA, the two Shekou Terminals and the one Colombo Terminal). While we seek to limit our credit risk by setting credit limits for individual customers, taking financial guarantees from customers and monitoring outstanding receivables, our customers may in the future default on their obligations to us due to bankruptcy, lack of liquidity, operational failure or other reasons. Our credit risk is increased by the fact that our largest customers operate in the same industry and therefore may be similarly affected by changes in economic and other conditions. In addition, we are often unable to obtain reliable information regarding the financial condition of many of our customers because they are privately-held companies and have no obligation to make such information publicly available. Delayed payment, non-payment or non-performance on the part of one or more of our major customers, or a number of our smaller customers, could have a material adverse effect on our financial condition, including cashflow, and results of operations.

Fluctuations in currency exchange rates could have an adverse effect on our results of operations.

Because we present our financial statements in US dollars, we are exposed to risks related to the translation of assets and liabilities denominated in foreign currencies. As of December 31, 2006, approximately 79.7% of our pro forma assets were denominated in foreign currencies. As a result, currency fluctuations can have an impact on our balance sheet.

In addition to these translation risks, we are exposed to transaction risks as a result of differences in the currency mix of our operating revenue, on the one hand, and cost of sales, on the other hand. For example, the majority of the operating revenues for our container terminal operations in India is denominated in US dollars, while the majority of the operating costs for such operations is denominated in Indian Rupees. These imbalances have negatively impacted the results of such operations in recent years as a result of the weakening US dollar. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting Financial Condition and Results of Operations—Foreign Exchange Movements".

Although we currently hedge some of our exchange rate exposure by entering into swap and/or other currency exchange rate hedging transactions, there can be no assurance that such transactions will fully protect us from exchange rate risk or that we will continue to be able to enter into such arrangements on commercially reasonable terms. Accordingly, we cannot assure you that future exchange rate fluctuations between the US dollar and the currencies of countries in which we operate will not have a material adverse effect on our business, financial condition, results of operations and prospects.

Increases in interest rates may adversely affect our financial condition.

As of December 31, 2006, approximately $400 million of our pro forma interest bearing loans and borrowings, principally comprising Australian and Canadian dollar borrowings, carried interest at floating rates. A hypothetical 1% change in interest rates on this portion of our interest bearing loans and borrowings would result in a change in our interest expense of approximately $4 million per year. The variable rate debt element of our pro forma interest bearing loans and borrowings is subject to interest rate risk resulting from fluctuations in the relevant reference rates underlying such debt. Consequently, any increase in such reference rates will result in an increase in our interest rate expense and may have a material adverse effect on our financial condition and results of operations. Furthermore, there can be no assurance that, upon the expiration of our current hedging arrangements, we will be able to enter into future interest rate hedging transactions on commercially reasonable terms, if at all, or that these agreements, if entered into, will protect us fully against our interest rate risk in the future. Any future unhedged interest rate risk may result in an increase in our interest expense and may have a material adverse effect on our financial condition and results of operations.

The discontinuation of any of the preferential tax treatments currently available to us may increase our tax liabilities and decrease our profitability.

Certain of our container terminal operations located in India and China benefit from tax "holiday" or similar awards, which exempt us from paying tax on our profits or, in the case of India, allow us to pay a reduced rate of tax on our profits, in each case, for a specified period of time but do not extend to the dividend distribution of such profits. In India, we also pay a significantly deducted rate of customs duties on our imports of capital goods as a result of the Export Promotion Capital Goods Scheme ("**EPCG Scheme**"), which reduces the customs duties on imports of capital goods on the basis that certain prescribed levels of exports are achieved. As a result of these tax awards, our overall tax charge is less than it would otherwise be in the absence of such awards. These tax awards expire at various times between 2010 and 2016 and, upon their expiration, we will be required to pay tax on our profits at the normal rate for the relevant country. In addition, if we fail to meet the prescribed level of exports in India under the EPCG Scheme, we will be liable to pay the full rate of customs duties on our imports of capital goods. There can be no assurance that the tax awards that we currently enjoy will remain unchanged and any change in respect of one or more such awards may materially adversely affect our tax liabilities and profitability.

Risks Relating to our Ports Business

We face significant competition in the container terminal industry for concessions and throughput, which could adversely affect our ability to maintain or increase our market share and profitability.

The global container terminal industry is highly competitive. We face significant competition from other global container terminal operators, as well as smaller regional operators situated in the same locales as us, for both concessions, which allow us to operate in a particular port, and, once we have established operations in a specific location, throughput. While we compete with other terminal operators for both transhipment and O&D throughput on the basis of location, productivity, accessibility, connectivity, price and value added services, because transhipment throughput can be more easily routed through alternative ports and terminals, competition for transhipment throughput tends to be more price-sensitive and less captive than O&D throughput. For the year ended December 31, 2006, approximately 24% of our gross throughput was transhipment.

We compete with other terminal operators for concessions primarily on the basis of the concession rates that will be paid to the owner of the relevant port. When choosing a concessionaire, however, governments or other port owners may also consider other factors, including, among other things, the extent of the regional dominance exhibited by a proposed concessionaire. Consequently, we may face a competitive disadvantage when competing for new concessions in regions or countries, such as India and Australia, in which we are the market-leading terminal operator.

The container terminal industry has in recent years experienced, and continues to experience, significant consolidation, both internally and with the container shipping industry. According to Drewry, the four largest terminal operators by throughput and capacity, Hutchison Port Holdings ("**HPH**"), PSA International ("**PSA**"), APM Terminals ("**APMT**") and us (after giving effect to the P&O Acquisition), collectively accounted for approximately 43% of global gross capacity as of December 31, 2005 and 42.4% of global gross throughput for the year ended December 31, 2005. Consolidation within the container terminal industry results in us having to compete with other terminal operators that may be larger than we are and have greater financial resources than we do and therefore may be able to bid at higher concession rates, invest more heavily or effectively in their facilities or withstand price competition and price volatility more successfully than we can. In addition, some of our competitors may have broader operational experience and longer standing relationships with international shipping companies.

Consolidation between the container terminal and container shipping industries has also had the effect of both reducing the number of shipping customers available to us and increasing the access that our competitors have to the major shipping lines. Although we have entered into partnerships with shipping lines at certain of our terminals, we do not have an equity relationship with a major shipping company. We cannot assure you that consolidation within the container terminal industry or between the container terminal and container shipping industries will not become more prevalent or that our competitors will not undertake additional mergers and acquisitions to increase their capacity, economies of scale and financial and market strength.

If we are unable to compete effectively against our competitors, we may not be able to maintain or increase our market share and may be forced to increase our concession rate bids or lower our fees, which could have a material adverse effect on our financial conditions, results of operations and prospects.

Our results of operations may fluctuate as a result of global trading volumes.

Our results of operations are affected by the volume of our business, which in turn depends on worldwide trade volumes as well as the import and export volumes of the regions in which we operate. Global trade volumes and the import and export volumes of the regions in which we operate are significantly affected by changes in global and regional economic, financial and political conditions that are outside of our control, including as a result of the imposition of trade barriers, sanctions, boycotts and other measures, significant variations in the exchange rates applicable to currencies in the regions in which we operate, trade disputes and work stoppages, particularly in the transportation services industry, and acts of war, hostilities, natural disasters, epidemics or terrorism. Any future deterioration in global and regional economic conditions could have an adverse effect on our business, financial condition and results of operations, as well as our future growth. See "—We are subject to the risks of political, social and economic instability associated with countries and regions in which we operate or may seek to operate" below.

Our inability to maintain and renew concession agreements at our existing facilities may adversely affect our financial condition and results of operations.

Substantially all terminal operations in the container terminal industry are conducted pursuant to long-term operating concessions or leases entered into by a terminal operator and the owner of a relevant port, typically a governmental entity. Concession agreements often contain clauses that allow the owner of a port to cancel the agreement, impose penalties on us if we do not meet specified investment obligations, which, especially in the case of investments designed to reduce the environmental impact of a particular operation, can be substantial, or require minimum payments based on previously estimated throughput, regardless of actual throughput handled. Similarly, because many of the counterparties to concession agreements are governmental entities, terminal operators, including us, are subject to the risk that concession agreements may be cancelled because of political, social or economic instability. See "—We are subject to the risks of political, social and economic instability associated with countries and regions in which we operate or may seek to operate" below. We cannot provide any assurance that one or more of our existing concession agreements will not be prematurely cancelled or that we will not be penalised, with or without cause, by the applicable counterparty.

In advance of the expiration of a concession agreement, the owner of a port will typically agree to renew the concession with the existing concessionaire, but often only after significant renegotiation that usually involves, among other things, a commitment on the part of the concessionaire to make capital expenditures with respect to the relevant operation. We cannot assure you that we will be able to renew our concession agreements upon their expiration on commercially reasonable terms, if at all, or that we would be the winning bidder in any re-tender of one or more of our existing concessions should the relevant port owner elect not to renew the relevant concession agreement with us. If we are unable to renew one or more of our concession agreements on commercially reasonable terms on or before their expiration dates, the capacity of our terminal portfolio will be reduced by the amount of capacity provided by the terminals associated with such concession agreements and our profitability, geographic reach and/or prospects may be adversely affected.

We are dependent on a small number of customers for a significant portion of our business.

For the year ended December 31, 2006, our five and ten largest customers accounted for approximately 42% and 59%, respectively, of the full-year gross throughput for all terminals held by us as of December 31, 2006 (excluding the six container terminals operated by POPNA, the two Shekou Terminals and the one Colombo Terminal). Our major customers are global and regional shipping companies with whom we enter into contracts of a duration typically ranging from two to five years, which usually contain provisions that allow our shipping line customers to terminate the contract early. The container shipping industry has undergone significant consolidation over the past 15 years, both internally and with the container terminal industry. See "—We face significant competition in the container terminal industry for concessions and throughput, which could adversely affect our ability to maintain or increase our market share and profitability". According to Drewry, the share of container trade volume carried by the top ten global container shipping lines was 50.4% in 2005. In addition, two of the top ten global container shipping lines currently have direct equity relationships with two of our three largest competitors. Because of this consolidation, we cannot assure you that, were we to lose all or a significant portion of the business provided by one or more of our major customers, we would be able to obtain business from other customers in amount sufficient to replace any such lost sales or, if we were able to obtain business from other customers, that it would be on commercially reasonable terms.

Our operations could be adversely affected by terrorist attacks, natural disasters or other catastrophic events beyond our control.

Our business operations could be adversely affected or disrupted by terrorist attack, natural disasters (such as earthquakes, floods, tsunamis, hurricanes, fires or typhoons) or other catastrophic or otherwise disruptive events, including, but not limited to:

- changes to predominant natural weather, hydrologic and climatic patterns, including sea levels;
- the amount of silting that occurs in the areas around and leading to our facilities;
- invasion, piracy, sabotage, rebellion, revolution, insurrection, military or usurped power, war and radioactive or other material environmental contamination;
- riots or other forms of civil disturbance;
- any recurrence of SARS or outbreak of Avian Flu or other contagious disease, which may adversely affect global or regional trade volumes or customer demand with respect to cargo transported to or from affected areas;
- denial of the use of any railway, port, airport, shipping service or other means of public transport; and
- strike or lock-out or other industrial action by workers or employers.

The occurrence of any of these events at one or more of our facilities or in the regions in which we operate may cause delays in the arrival and departure of vessels or disruptions to our operations in part or in whole, may increase the costs associated with dredging activities, may subject us to liability or impact our brand and reputation and may otherwise hinder the normal operation of our container terminals, which could materially affect our financial conditions, results of operations and prospects. The effect of any of these events on our financial condition and results of operations may be worsened to the extent that any such event involves risks for which we are uninsured or not fully insured. See "—We may not maintain sufficient insurance coverage for the risks associated with the operation of our business" above.

For risks relating to instability in the Middle East, see "—A deterioration of political relations in the Middle East may adversely affect our business" above.

Additional security requirements may increase our operating costs and restrict our ability to conduct our ports business.

In recent years, various international bodies and governmental agencies and authorities in the countries in which we operate have implemented numerous security measures that affect our container terminal operations and the costs associated with such operations. The most recent examples of new security measures that affect our ports business include the International Ship and Port Facility Security Code ("**ISPS Code**"), which was implemented in 2004, and, to the extent that our terminals handle cargo destined for the United States, the global security initiatives emanating from the US Safe Ports Act of 2006, specifically the Container Security Initiative ("**CSI**") and the Secure Freight Initiative ("**SFI**"). The ISPS Code is a comprehensive set of measures designed to enhance the security of ships and port facilities and requires us and our staff to, among other things, gather and assess information related to shippers and cargos, maintain communication protocols, restrict access to our facilities as appropriate, provide the means to raise alarms, establish vessel and port security plans, and ensure training and drills are conducted. The SFI and CSI programmes are designed to improve US port security by requiring the advance transmission of manifest documentation and technical images of pre-screened containers before they reach US ports. Failure on our part to comply with the security requirements applicable to us or obtain relevant security-related certifications may, among other things, prevent certain shipping line customers from using our facilities and result in higher insurance premiums, which could have a material adverse effect on our financial condition, results of operations and prospects.

In addition, new security measures or updated regulatory compliance requirements, which may be influenced by political or other considerations not aligned with our interests, may be introduced at any time, including in connection with the new EU "Approved Economic Operator" Customs Security Program, the US Customs Trade Partnership Against Terrorism and other government-to-industry initiatives, and ensuring our compliance with such measures or requirements may involve considerable time and resources on our part. The costs associated with existing and any additional or updated security measures will negatively affect our operating income to the extent that we are unable to recover the full amount of such costs from our customers, who generally also have faced increased security-related costs, or, in certain cases, the owners of the ports in which we operate. Similarly, additional security measures that require us to increase the scope of our screening procedures may effectively reduce the capacity of, and increase congestion at, our terminals, which may negatively affect our financial condition and results of operations.

We rely on security procedures carried out at other port facilities and by our shipping line customers, which are outside of our control.

We inspect cargo that enters our terminals in accordance with the inspection procedures prescribed by, and under the authority of, the governmental body charged with oversight of the relevant port. We also rely on the security procedures carried out by our shipping line customers and the port facilities that such cargo has previously passed through to supplement our own inspection to varying degrees. We attempt to mitigate security-related risks as much as possible and believe that we maintain standards for security at our terminals, including with respect to compliance with the ISPS Code and internationally recognised efficient security management systems, that meet or exceed those generally adopted by the container terminal industry. However, we cannot guarantee that none of the cargo that passes through our terminals will be impacted by breaches in security or acts of terrorism either directly against us or indirectly in other areas of the supply chain that will impact on us. A security breach or act of terrorism that occurs at one or more of our facilities, or at a shipping line or other port facility that has handled cargo before us, could subject us to significant liability, including the risk of litigation and loss of goodwill. In addition, a major security breach or act of terrorism that occurs at one of our facilities or one of our competitors' facilities may result in a temporary shutdown of the container terminal industry and/or the introduction of additional or more stringent security measures and other regulations affecting the container terminal industry, including us. See "—Additional security requirements may increase our operating costs and restrict our ability to conduct our ports business" above. The costs associated with any such outcome could have a material adverse effect on our financial condition, results of operations and prospects.

We are subject to the risks of political, social and economic instability associated with countries and regions in which we operate or may seek to operate.

We conduct our business in a number of countries and regions with developing economies, many of which do not have firmly established legal and regulatory systems and some of which from time to time have experienced economic or political instability. Some of these countries are also in the process of transitioning to a market economy and, as a result, are experiencing changes in their economies and their government policies that can affect our investments in these countries. Governments in these jurisdictions and countries, as well as in more developed jurisdictions and countries, may be influenced by political or commercial considerations outside of our control, and may act arbitrarily, selectively or unlawfully, including in a manner that benefits our competitors.

Specific country risks that may have a material adverse effect on our financial condition and results of operations include:

- political instability and violence;
- war and civil disturbance;
- government interventions, including expropriation or nationalisation of assets, increased protectionism and the introduction of tariffs or subsidies;
- changing fiscal, regulatory and tax regimes;
- arbitrary or inconsistent government action, including capricious application of tax laws and selective tax audits;
- cancellation, nullification or unenforceability of contractual rights; and
- underdeveloped industrial and economic infrastructure, including railway and road systems that are unable to deal with the high volumes handled at a particular terminal.

In addition, to the extent that any of our operations is located in a country or region that is designated a Hull, War, Strikes, Terrorism and Related Perils Listed Area by Lloyd's Joint War Committee, any insurance that we obtain for such operation will likely require the payment of a war risk premium, which may be significant. Two of our container terminals are located in countries that are currently designated Hull, War, Strikes, Terrorism and Related Perils Listed Areas, namely Djibouti and Pakistan. Because shipping lines also must pay war risk premiums in respect of insurance that they obtain for vessels travelling in such areas, we are generally unable to recover increased costs associated with war risk premiums from our customers.

Changes in investment policies or shifts in the prevailing political climate in any of the countries in which we operate could result in the introduction of increased government regulations with respect to, among other things:

- price controls;
- export, import and throughput controls;
- income and other taxes;
- environmental legislation;
- foreign ownership restrictions;
- foreign exchange and currency controls;
- labour and welfare benefit policies; and
- land and water use.

As the political, economic and social environments in certain countries in which we have made, or may consider making, investments remain subject to continuing development, investments in such countries are characterised by a significant degree of uncertainty. Any unexpected changes in the political, social, economic or other conditions in such countries, or in countries that neighbour such countries, could have a material adverse effect on the investments that we have made or may make in the future, which in turn could have a material adverse effect on our financial condition and results of operations. For risks relating to political and economic conditions in Dubai and the UAE, see "—We are subject to political and economic conditions in Dubai, as well as the UAE as a whole" above.

We are subject to a wide variety of regulations and may face substantial liability if we fail to comply with existing or future regulations applicable to our businesses.

Our terminal operations are subject to extensive international, national and local laws and regulations governing, among other things, the fees that we are permitted to charge at certain ports, the loading, unloading and storage of hazardous materials, environmental protection and health and safety. Our ability to operate our ports business is contingent on our ability to comply with these laws and regulations and to obtain, maintain and renew as necessary related permits and licences from governmental agencies and authorities in the countries in which we operate. As the laws and regulations governing our terminal operations are not uniform across the countries in which we operate, we are exposed to the costs and administrative difficulties involved in keeping ourselves informed of new and evolving legislation and regulations that span many jurisdictions. Because of the complexities involved in ensuring compliance with different and sometimes inconsistent national and international regulatory regimes, we cannot assure you that we will remain in compliance with all of the regulatory and licensing requirements imposed on us by each relevant jurisdiction. Our failure to comply with all applicable regulations and obtain and maintain requisite certifications, permits and licences could lead to substantial penalties, including criminal or administrative penalties, other punitive measures and/or increased regulatory scrutiny, trigger a default under one or more of our financing agreements or invalidate or increase the cost of the insurance that we maintain for our ports business. Additionally, our failure to comply with regulations that affect our staff, such as health and safety regulations, could affect our ability to attract and retain staff. See "—If we fail to retain and attract qualified and experienced employees, our business may be harmed" above. We could also incur civil liabilities such as abatement and compensation for loss in amounts in excess of, or that are not covered by, our insurance. See "—We may not maintain sufficient insurance coverage for the risks associated with the operation of our business" above. For the most serious violations we could also be forced to suspend operations until we obtain such certifications, permits or licences or otherwise bring our operations into compliance.

In addition, changes to existing regulations or tariffs or the introduction of new regulations or licensing requirements are beyond our control and may be influenced by political or commercial considerations not aligned with our interests. Any such regulations, tariffs and licensing requirements could adversely affect our business by reducing our revenue, increasing our operating costs or both and we may be unable to mitigate the impact of such changes. For example, the Tariff Authority for Major Ports in India reduced the stevedoring tariff payable at DP World Nhava Sheva by 16% in July 2005 and an additional 12% in May 2006, which, although significantly offset by the effects of cost reductions, higher volumes and revenue enhancement measures, adversely affected revenues and profits at the terminal. Further or future tariff reductions at one or more of our terminals could have a negative effect on our results of operations.

Finally, any expansion of the scope of the regulations governing our environmental obligations, in particular, would likely involve substantial additional costs, including costs relating to maintenance and inspection, development and implementation of emergency procedures and insurance coverage or other financial assurance of our ability to address environmental incidents or external threats. If we are unable to control the costs involved in complying with these and other laws and regulations, or recover the full amount of such costs from our customers, our business, financial condition and results of operations could be adversely affected.

Policies relating to the container terminal industry are currently being reviewed in the United Kingdom and the rest of the EU, and any changes required by those reviews could have a material effect on the financial condition and results of operations on operators in these markets.

In June 2006, following the rejection by the European Parliament in January 2006 of the second iteration of a proposed ports services directive, the European Commission launched a consultation to redefine the foundations of the future EU ports policy. It is contemplated that this policy will address, among other things, necessary investments for meeting EU port capacity needs, competition, rules for public contribution to investments and environmental and social concerns. Similarly, in connection with its review of the policy framework for ports in the United Kingdom, the UK Government issued for public comment in May 2006 a discussion document that examines, among other things, the likely future demand for UK port capacity, the means of ensuring sustainable development, the relative importance of regional development objectives in encouraging the future provision of UK ports capacity and the appropriate level of government aid for smaller UK ports. Upon the completion by the European Commission and the UK Government of their respective reviews, we and the rest of the container terminal industry may be required to change aspects of the way that we conduct business in the United Kingdom and the rest of the EU, which could have a material effect on our financial condition, results of operations and prospects to the extent that current policies differ significantly from the policies ultimately promulgated by the UK Government and the European Commission.

Industrial action or adverse labour relations could disrupt our business operations and have an adverse effect on operating results.

Our operations depend on employees who are parties to national or local collective bargaining arrangements or benefit from local applicable law, regulation or custom regarding employee rights and benefits. If we are unable to negotiate acceptable labour agreements or maintain satisfactory employee relations, the results could include work stoppages, strikes or other industrial action or labour difficulties (including higher labour costs) at one of our facilities or, in the case of our operations in India and Australia, at all of our facilities in a particular country, any of which could have a material adverse effect on our operating results.

Failure in our information and technology systems could result in delays to our business operations.

Our information and technology systems are designed to enable us to use our infrastructure resources as efficiently as possible and monitor and control all aspects of our operations. Although each of our terminals, based on the nature of its business, is configured to keep its systems operational under abnormal conditions, including with respect to business processes and procedures, any failure or breakdown in these systems could interrupt its normal business operations and result in a significant slowdown in operational and management efficiency for the duration of such failure or breakdown. Any prolonged failure or breakdown could dramatically impact our ability to offer services to our customers, which could have a material adverse effect on our business and results of operations. Similarly, any significant delays or interruptions in our loading or unloading of a customer's cargo could negatively impact our reputation as an efficient and reliable terminal operator.

In addition, we are reliant on third party vendors to supply and maintain much of our information technology. In particular, as is the case for many of our competitors, a significant percentage of our core operations currently use information and technology systems provided by Navis, LLC ("**Navis**"), which we rely on for related support and upgrades. In the event that Navis or one or more of the other third party vendors that we engage to provide support and upgrades with respect to components of our information technology ceased operations or became otherwise unable or unwilling to meet our needs, we cannot assure you that we would be able to replace any such vendor promptly or on commercially reasonable terms, if at all. Delay or failure in finding a suitable replacement could adversely affect our financial condition, results of operations and prospects.

Risks Related to the Notes

The Notes may not be a suitable investment for all investors and the failure by an investor to fully understand their investment may result in losses.

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained in this Prospectus;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such investment will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes including where the currency for principal or interest payments is different from the potential investor's currency;
- understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Notes are complex financial instruments and such instruments may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in the Notes unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio.

The terms of the Notes will contain provisions allowing for modification, waivers and substitution thereof, and as a result, the Terms and Conditions of the Notes may change.

The Terms and Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The Terms and Conditions of the Notes also provide that, if in the opinion of the Trustee it is not materially prejudicial to the interests of the Noteholders, the Trustee may, without the consent of Noteholders, agree to (i) any modification (subject as provided in the Trust Deed) of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes or (ii) determine without the consent of the Noteholders that any Event of Default or potential Event of Default shall not be treated as such or (iii) the substitution of another company as principal debtor under any Notes in place of us or any previously substituted company, as described in Condition 11 of the Terms and Conditions of the Notes.

Certain investors may be affected by provisions under the EC Savings Directive.

Under EC Council Directive 2003/48/EC on the taxation of savings income, each Member State is required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State. However, for a transitional period, Belgium, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other counties). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland) with effect from the same date.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither us nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. If a withholding tax is imposed on payment made by a Paying Agent, we will be required to maintain a Paying Agent in a Member State that will not be obliged to withhold or deduct tax pursuant to the Directive.

There is no assurance as to the possible impact of a judicial decision, or change of law, with respect to the Notes.

The Terms and Conditions of the Notes are based on English law in effect as at the date of issue of the relevant Notes. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of issue of any Notes.

There has been no prior market for the Notes and we cannot assure you that an active, stable or liquid market for the Notes will develop.

The Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Notes.

The Notes may be subject to fluctuations in currency exchange rates.

We will pay principal and interest on the Notes in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency equivalent value of the principal payable on the Notes and (3) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

We are a DIFC company, and it may be difficult for you to enforce judgments against us.

We are a company limited by shares incorporated in, and under the laws issued by, the DIFC, with our headquarters in the Emirate of Dubai in the UAE. A substantial portion of our assets are located in a number of jurisdictions outside the United Kingdom and the United States. As such, it may be difficult or impossible to effect service of process within the United States or the United Kingdom upon us or to recover on judgments of US or UK courts against us, including judgments predicated upon civil liability provisions of US federal securities laws or UK laws, as the case may be. In addition, Law No. 10 of 2005 grants to the Government of Dubai and it affiliates (including DP World Limited) immunity in respect of its assets in the following terms: No debt or obligation owing from the Ruler or the Government may be recovered by laying hold, attachment, sale in auction or taking possession in any legal action of the Ruler's or the Government's properties and assets whether or not a final judgment is issued in respect of such debt or obligation. As we are indirectly wholly-owned by the Government of Dubai, we may be able to claim sovereign immunity. We have waived this right, but there is a risk that any judgments obtained in actions against us may not be enforceable in the DIFC if the DIFC courts decide that such waiver is not legal or binding.

Further, no claim may be brought in the DIFC courts against us in the first instance for violation of US federal securities laws because these laws have no extraterritorial application under DIFC law and do not have force of law in the DIFC. Similarly, you should not expect to have recourse to the courts of the Emirate of Dubai (other than the courts of the DIFC) or to the federal courts of the UAE.

We have been advised by our counsel that it is currently unclear as to whether the courts of the DIFC would enforce judgments of US or UK courts obtained in actions against us, predicated upon the civil liability provisions of the US federal securities laws, or original actions brought in the DIFC against us or such persons predicated solely upon US federal securities laws or UK laws, as the case may be. Further, we have been advised by our counsel that there is no treaty in effect between either the United States or the United Kingdom and the UAE providing for the enforcement of judgments of US or UK courts in civil and commercial matters, and the grounds upon which DIFC courts may decline to enforce the judgments of US or UK courts, as the case may be, are unclear as they remain untested. Some remedies available under UK laws or the laws of US jurisdictions, including some remedies available under the US federal securities laws, may not be allowed in DIFC courts as contrary to public policy in the DIFC. Because judgments of US and UK courts are not automatically enforceable in the DIFC, it may be difficult for you to recover against us based upon such judgments. In addition, notwithstanding that the UAE has acceded to the United Nations Convention on the Recognition and Enforcement of Arbitral Awards (New York 1958) in 2006 regarding the recognition and enforcement of foreign arbitral awards, you may also have difficulties in enforcing judgments of DIFC courts and arbitration awards ratified by DIFC courts against us in jurisdictions outside the DIFC because the mechanism for enforcement of judgments and awards issued by the DIFC courts is as yet untested.

Because we are a holding company and substantially all of our operations are conducted through our subsidiaries, unconsolidated joint ventures and associates, our ability to pay interest on the Notes depends on our ability to obtain cash dividends or other cash payments or obtain loans from such entities.

We currently conduct substantially all of our operations through our subsidiaries, unconsolidated joint ventures and associates, and such entities generate substantially all of our operating income and cash flow.

Because we have no direct operations or significant assets other than the capital stock of these entities, we rely on free cash flow of our subsidiaries, cash dividends from our joint ventures and associates, investment income, financing proceeds and other permitted payments from our subsidiaries, joint ventures and associates to make principal and interest payments on our debt (including the Notes), pay operating expenses and pay other obligations of ours that may arise from time to time.

The ability of our subsidiaries, joint ventures and associates to make payments to us depends largely on their financial condition and ability to generate profits. In addition, because our subsidiaries, joint ventures and associates are separate and distinct legal entities, they will have no obligation to pay any dividends or to lend or advance us funds and may be restricted from doing so by contract, including other financing arrangements, charter provisions, other shareholders or partners or the applicable laws and regulations of the various countries in which they operate. Similarly, because of our holding company structure, claims of the creditors of our subsidiaries, joint ventures and associates, including trade creditors, banks and other lenders, effectively have priority over any claims that we may have with respect to the assets of these entities.

We cannot assure you that our subsidiaries, joint ventures or associates will generate sufficient profits and cash flows, or otherwise prove willing or able, to pay dividends or lend or advance us sufficient funds to enable us to meet our obligations, pay interest and pay expenses. The inability of one or more of these entities to pay dividends or lend or advance us funds could have a material adverse effect on our business, financial condition and results of operations.

Because the Global Notes are held by or on behalf of Euroclear and Clearstream, Luxembourg or DTC, investors will have to rely on their procedures for transfer, payment and communication with us.

The Notes may be represented by one or more Global Notes (in the case of Bearer Notes) or Global Certificates (in the case of Registered Notes). Such Global Notes and Global Certificates will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg, and in the case of Global Certificates, with the Custodian and registered nominee in the name of DTC.

Except in the circumstances described in the relevant Global Note, investors will not be entitled to receive Definitive Notes. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Notes. While the Notes are represented by one or more Global Notes, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg.

While the Notes are represented by one or more Global Notes or Global Certificates, as the case may be, we will discharge our payment obligations under the Notes by making payments to the common depositary for Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder of a beneficial interest in a Global Note must rely on the procedures of Euroclear, Clearstream, Luxembourg or DTC to receive payments under the Notes. We have no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes.

Holders of beneficial interests in the Global Notes or Global Certificates, as the case may be, will not have a direct right to vote in respect of the Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear, Clearstream, Luxembourg or DTC to appoint appropriate proxies.

Although the Notes may receive credit ratings, those ratings may not reflect all risks associated with an investment in the Notes.

One or more independent credit rating agencies may assign credit ratings to the Notes. Any such ratings may not, however, reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

Legal investment considerations may restrict the ability of certain investors to make investments in the Notes.

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent the Notes are legal investments for it, whether the Notes can be used as collateral for various types of borrowing and whether other restrictions apply to its purchase or pledge of the Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

Transfer of the Notes will be restricted, which may adversely affect the value of the Notes.

The Notes have not been and will not be registered under the Securities Act or any US state securities laws and we have not undertaken to effect any exchange offer for the Notes in the future. You may not offer the Notes in the United States except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the Securities Act and applicable US state securities laws, or pursuant to an effective registration statement. The Notes and the Agency Agreement (as defined in "Terms and Conditions of the Notes") will contain provisions that will restrict the Notes from being offered, sold or otherwise transferred except pursuant to the exemptions available pursuant to Rule 144A and Regulation S, or other exceptions, under the Securities Act. Furthermore, we have not registered the Notes under any other country's securities laws. It is your obligation to ensure that your offers and sales of the Notes within the United States and other countries comply with applicable securities laws. See "Transfer Restrictions".

Investments in emerging markets are subject to greater risk than investments in more developed markets.

Investors in emerging markets should be aware that these markets are subject to greater risks than more developed markets, including in some cases significant legal, economic and political risks. Accordingly, investors should exercise particular care in evaluating the risks involved and must decide for themselves whether, in the light of those risks, their investment is appropriate. Generally, investment in emerging markets is only suitable for sophisticated investors who fully appreciate the significance of the risk involved.

Risks Relating to the Structure of a Particular Issue of Notes

Notes are subject to optional redemption by the Company.

An optional redemption feature is likely to limit the market value of Notes. During any period when we may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

We may be expected to redeem Notes when our cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

We may issue Notes whose principal and interest is determined by reference to an index, formula or changes in security prices, interest rates and other factors.

We may issue Notes with principal or interest determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or other factors (each, a "**Relevant Factor**"). In addition, we may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

(i) the market price of such Notes may be volatile;

(ii) they may receive no interest;

(iii) payment of principal or interest may occur at a different time or in a different currency than expected;

(iv) the amount of principal payable at redemption may be less than the nominal amount of such Notes or even zero;

(v) a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;

(vi) if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable may be magnified; and

(vii) the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

The historical experience of an index shall not be viewed as an indication of the future performance of such index during the term of any Index Linked Notes. Accordingly, each potential investor should consult its own financial and legal advisers about the risk entailed in an investment in any Index Linked Notes and the suitability of such Notes in light of its particular circumstances.

We may issue Notes where the issue price is payable in multiple instalments.

We may issue Notes where the issue price is payable in more than one instalment. Failure to pay any subsequent instalment could result in an investor losing all of its investment.

We may issue Notes with variable interest rates.

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as LIBOR. The market values of such Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

We may elect to convert the interest rate of Notes.

Fixed/Floating Rate Notes may bear interest at a rate that we may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Our ability to convert the interest rate will affect the secondary market and the market value of such Notes since we may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If we convert from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If we convert from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on its Notes.

Notes may be issued at a substantial discount or premium, which would affect their market value.

The market values of securities issued at a substantial discount or premium to their nominal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

We may redeem Notes prior to their final maturity date.

In the event that we would be obliged to increase the amounts payable in respect of any Tranche due to certain changes affecting taxation in the UAE, the Emirate of Dubai or the DIFC or any political subdivision thereof, we may redeem all but not some only of the outstanding Notes of such Tranche in accordance with the Terms and Conditions of the Notes.

Claims in respect of the Notes will generally be structurally subordinated to claims of creditors of any of our subsidiaries.

Generally, in the event of a winding-up or insolvency of one of our subsidiaries, claims of secured and unsecured creditors of such subsidiary will have priority with respect to the assets and revenues of such subsidiary over the claims of our creditors. Claims in respect of the Notes will therefore be effectively subordinated to creditors of our subsidiaries.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions that, subject to completion and amendment and as supplemented or varied in accordance with the provisions of Part A of the relevant Final Terms, shall be applicable to the Notes in definitive form (if any) issued in exchange for the Global Note(s) representing each Series. Either (i) the full text of these terms and conditions together with the relevant provisions of Part A of the Final Terms or (ii) these terms and conditions as so completed, amended, supplemented or varied (and subject to simplification by the deletion of non-applicable provisions), shall be endorsed on such Bearer Notes or on the Certificates relating to such Registered Notes. All capitalised terms that are not defined in these terms and conditions will have the meanings given to them in Part A of the relevant Final Terms. Those definitions will be endorsed on the definitive Notes or Certificates, as the case may be. References in these terms and conditions to "Notes" are to the Notes of one Series only, not to all Notes that may be issued under the Programme.

The Notes are constituted by a Trust Deed (as amended or supplemented as at the date of issue of the Notes (the "**Issue Date**"), the "**Trust Deed**") dated June 27, 2007 between the Issuer and Deutsche Trustee Company Limited (the "**Trustee**", which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the Noteholders (as defined below). These terms and conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Bearer Notes, Certificates, Receipts, Coupons and Talons referred to below. An Agency Agreement (as amended or supplemented as at the Issue Date, the "**Agency Agreement**") dated June 27, 2007 has been entered into in relation to the Notes between the Issuer, the Trustee, Deutsche Bank AG, London Branch as initial issuing and paying agent and the other agents named in it. The issuing and paying agent, the paying agents, the registrar, the transfer agents and the calculation agent(s) for the time being (if any) are referred to below respectively as the "**Issuing and Paying Agent**", the "**Paying Agents**" (which expression shall include the Issuing and Paying Agent), the "**Registrar**", the "**Transfer Agents**" (which expression shall include the Registrar) and the "**Calculation Agent(s)**". Copies of the Trust Deed and the Agency Agreement are available for inspection during usual business hours at the principal office of the Trustee (presently at Winchester House, 1 Great Winchester Street, London EC2N 2DB) and at the specified offices of the Paying Agents and the Transfer Agents.

The Noteholders, the holders of the interest coupons (the "**Coupons**") relating to interest bearing Notes in bearer form and, where applicable in the case of such Notes, talons for further Coupons (the "**Talons**") (the "**Couponholders**") and the holders of the receipts for the payment of instalments of principal (the "**Receipts**") relating to Notes in bearer form of which the principal is payable in instalments are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of those provisions applicable to them of the Agency Agreement.

As used in these Conditions, "**Tranche**" means Notes which are identical in all respects.

1 Form, Denomination and Title

The Notes are issued in bearer form ("**Bearer Notes**", which expression includes Notes that are specified to be Exchangeable Bearer Notes), in registered form ("**Registered Notes**") or in bearer form exchangeable for Registered Notes ("**Exchangeable Bearer Notes**") in each case in the Specified Denomination(s) shown hereon provided that in the case of any Notes which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a Prospectus under the Prospectus Directive, the minimum Specified Denomination shall be €50,000 (or its equivalent in any other currency as at the date of issue of the relevant Notes).

All Registered Notes shall have the same Specified Denomination. Where Exchangeable Bearer Notes are issued, the Registered Notes for which they are exchangeable shall have the same Specified Denomination as the lowest denomination of Exchangeable Bearer Notes.

This Note is a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note, an Index Linked Redemption Note, an Instalment Note, a Dual Currency Note or a Partly Paid Note, a combination of any of the foregoing or any other kind of Note, depending upon the Interest and Redemption/Payment Basis shown hereon.

Bearer Notes are serially numbered and are issued with Coupons (and, where appropriate, a Talon) attached, save in the case of Zero Coupon Notes in which case references to interest (other than in relation to interest due after the Maturity Date), Coupons and Talons in these Conditions are not applicable. Instalment Notes are issued with one or more Receipts attached.

Registered Notes are represented by registered certificates ("**Certificates**") and, save as provided in Condition 2, each Certificate shall represent the entire holding of Registered Notes by the same holder.

Title to the Bearer Notes, the Receipts, the Coupons and the Talons shall pass by delivery. Title to the Registered Notes shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the "**Register**"). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Note, Receipt, Coupon or Talon shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on it (or on the Certificate representing it) or its theft or loss (or that of the related Certificate) and no person shall be liable for so treating the holder.

In these Conditions, "**Noteholder**" means the bearer of any Bearer Note and the Receipts relating to it or the person in whose name a Registered Note is registered (as the case may be), "**holder**" (in relation to a Note, Receipt, Coupon or Talon) means the bearer of any Bearer Note, Receipt, Coupon or Talon or the person in whose name a Registered Note is registered (as the case may be) and capitalised terms have the meanings given to them hereon, the absence of any such meaning indicating that such term is not applicable to the Notes.

2 Exchanges of Exchangeable Bearer Notes and Transfers of Registered Notes

(a) **Exchange of Exchangeable Bearer Notes:** Subject as provided in Condition 2(f), Exchangeable Bearer Notes may be exchanged for the same nominal amount of Registered Notes at the request in writing of the relevant Noteholder and upon surrender of each Exchangeable Bearer Note to be exchanged, together with all unmatured Receipts, Coupons and Talons relating to it, at the specified office of any Transfer Agent; provided, however, that where an Exchangeable Bearer Note is surrendered for exchange after the Record Date (as defined in Condition 7(b)) for any payment of interest, the Coupon in respect of that payment of interest need not be surrendered with it. Registered Notes may not be exchanged for Bearer Notes. Bearer Notes of one Specified Denomination may not be exchanged for Bearer Notes of another Specified Denomination. Bearer Notes that are not Exchangeable Bearer Notes may not be exchanged for Registered Notes.

(b) **Transfer of Registered Notes:** One or more Registered Notes may be transferred upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate representing such Registered Notes to be transferred, together with the form of transfer endorsed on such Certificate (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or Transfer Agent may reasonably require. In the case of a transfer of part only of a holding of Registered Notes represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. In the case of a transfer of Registered Notes to a person who is already a holder of Registered Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding. All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning transfers of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Trustee. A copy of the current regulations will be made available by the Registrar to any Noteholder upon request.

(c) **Exercise of Options or Partial Redemption in Respect of Registered Notes:** In the case of an exercise of an Issuer's or Noteholders' option in respect of, or a redemption of, some only of a holding of Registered Notes represented by a single Certificate, a new Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed. New Certificates shall only be issued against surrender of the existing Certificates to the Registrar or any Transfer Agent.

(d) **Delivery of New Certificates:** Each new Certificate to be issued pursuant to Conditions 2(a), (b) or (c) shall be available for delivery within three business days of receipt of the request for exchange, form of transfer or Exercise Notice (as defined in Condition 6(e)) and surrender of the Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such request for exchange, form of transfer, Exercise Notice or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant request for exchange, form of transfer, Exercise Notice or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(d), "**business day**" means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

(e) **Exchange and Transfer—Free of Charge:** Exchange and transfer of Notes and Certificates on registration, transfer, exercise of an option or partial redemption shall be effected without charge by or on behalf of the Issuer, the Registrar or the Transfer Agents, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the Registrar or the relevant Transfer Agent may require).

(f) **Closed Periods:** No Noteholder may require the transfer of a Registered Note to be registered or an Exchangeable Bearer Note to be exchanged for one or more Registered Note(s) (i) during the period of 15 days ending on the due date for redemption of, or payment of any Instalment Amount in respect of, that Note, (ii) during the period of 15 days prior to any date on which Notes may be called for redemption by the Issuer at its option pursuant to Condition 6(d), (iii) after any such Note has been called for redemption or (iv) during the period of seven days ending on (and including) any Record Date (as defined in Condition 7(b)). An Exchangeable Bearer Note called for redemption may, however, be exchanged for one or more Registered Note(s) in respect of which the Certificate is simultaneously surrendered not later than the relevant Record Date.

3 Status

The Notes and the Receipts and Coupons relating to them constitute direct, unconditional and (subject to Condition 4) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Notes, the Receipts and the Coupons relating to them shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4, at all times rank at least equally with all other unsecured and unsubordinated indebtedness and other monetary obligations of the Issuer, present and future.

4 Negative Pledge

So long as any Note or Coupon remains outstanding (as defined in the Trust Deed), the Issuer will not, and will ensure that none of its Subsidiaries will create, or have outstanding, any mortgage, charge, lien, pledge or other security interest (each a "**Security Interest**"), other than a Permitted Security Interest, upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness, or any guarantee or indemnity in respect of any Relevant Indebtedness, without at the same time or prior thereto according to the Notes and the Coupons the same security as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity or such other security as either (i) the Trustee shall in its absolute discretion deem not materially less beneficial to the interests of the Noteholders or (ii) shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders.

In these Conditions:

"**Excluded Subsidiary**" means any Subsidiary:

(i) which is a single purpose company whose principal assets and business are constituted by the ownership, acquisition, leasing, construction, development (including any subsequent development) or operation of any project or asset (or group of related assets); and

(ii) whose indebtedness for borrowed money in respect of the financing of such ownership, acquisition, leasing, construction, development (including any subsequent development) or operation of any project or asset (or group of related assets) is subject to no recourse (other than any Permitted Recourse) to the Issuer or any Subsidiary (other than another Excluded Subsidiary) in respect of the repayment thereof;

"**Permitted Recourse**" means recourse to the Issuer or any Subsidiary in respect of any financing or refinancing of all or part of the costs of the ownership, acquisition, leasing, construction, development (including any subsequent development) or operation of any project or asset (or group of related assets), so long as the terms of such recourse are restricted such that:

(i) it shall be released following completion of the development or construction of the relevant asset (or group of related assets) to the satisfaction of the holders of such indebtedness; or

(ii) it is limited to:

(1) an agreed cash amount, and may only be enforced in the event that the development or construction of such project or asset (or group of related assets) cannot be completed or is subject to cost overruns or delays; or

(2) the cash flow or net cash flow (other than historic cash flow or historic net cash flow) from such project or asset (or group of related assets); or

(3) shares, securities or other instruments representing ownership in, or indebtedness of, an Excluded Subsidiary; or

(4) an agreement by the Issuer or any Subsidiary not to dispose of any or all of such shares, securities or other instruments as are referred to in paragraph (3) above; or

(5) an agreement by the Issuer or any Subsidiary to subordinate its rights in respect of such shares, securities or other instruments for the benefit of the holders of indebtedness incurred by an Excluded Subsidiary; or

(6) recourse in respect of any policy of insurance (or similar instrument, but for the avoidance of doubt not including any financial guarantee) which may be granted by the Issuer or any Subsidiary (other than an Excluded Subsidiary) for the benefit of an Excluded Subsidiary;

"**Permitted Security Interest**" means:

(i) any Security Interest existing on the date on which agreement is reached to issue the first Tranche of the Notes;

(ii) any Security Interest securing Relevant Indebtedness of a person and/or its subsidiaries existing at the time that such person is merged into, or consolidated with, the Issuer or any Subsidiary, provided that such Security Interest was not created in contemplation of such merger or consolidation and does not extend to any other assets or property of the Issuer or any Subsidiary;

(iii) any Security Interest existing on any property or assets prior to the acquisition thereof by the Issuer or any Subsidiary and not created in contemplation of such acquisition;

(iv) any renewal of or substitution for any Security Interest permitted by any of paragraphs (i) to (iii) (inclusive) of this definition, provided that with respect to any such Security Interest the principal amount secured has not increased and the Security Interest has not been extended to any additional assets (other than the proceeds of such assets); or

(v) any Security Interest in respect of any Relevant Indebtedness not otherwise permitted under any other paragraph of this definition, provided that the aggregate outstanding amount secured thereby shall not at any time exceed an amount equal to 10% of Total Assets of the Issuer;

"**Pro-forma Financial Statements**" means the pro-forma financial statements of the Issuer as of and for the year ended 31 December 2006;

"**Project Financing Indebtedness**" means any indebtedness incurred in connection with the financing or refinancing of all or part of the costs of the ownership, acquisition, leasing, construction, development (including any subsequent development) or operation of any project or asset (or group of related assets), provided that the principal source of payment or repayment of such indebtedness is (i) the project or asset (or group of related assets) so financed or refinanced and/or the revenues or cashflows derived from such project or asset; or (ii) the assets and undertaking of an Excluded Subsidiary and/or shares, securities or other instruments representing ownership in, or indebtedness of, an Excluded Subsidiary and provided further that the person or persons to whom any such indebtedness is or may be owed by the relevant obligor has no recourse (other than Permitted Recourse) to the Issuer or any Subsidiary;

"**Relevant Indebtedness**" means any indebtedness other than (i) Project Financing Indebtedness and (ii) Securitisation Indebtedness which is in the form of, or represented or evidenced by, bonds, notes, debentures, loan stock, sukuk certificates or other securities which for the time being are, or are intended to be, or capable of being, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market;

"**Securitisation**" means any securitisation (Islamic or otherwise) of existing or future assets and/or revenues, provided that (i) any Security Interest given by the Issuer or any Subsidiary in connection therewith is limited solely to the assets and/or revenues which are the subject of the securitisation; (ii) each person participating in such securitisation expressly agrees to limit its recourse to the assets and/or revenues so securitised as the principal source of repayment for the money advanced or payment of any other liability; and (iii) there is no other recourse to the Issuer or any Subsidiary in respect of any default by any person under the securitisation;

"**Securitisation Indebtedness**" means any indebtedness incurred in connection with Securitisation;

"**Subsidiary**" means, at any particular time, any company which is then directly or indirectly controlled, or more than 50 per cent. of whose issued equity share capital (or equivalent) is then beneficially owned, by the Issuer. For a company to be "**controlled**" by the Issuer means that the Issuer (whether directly or indirectly and whether by the ownership of share capital, the possession of voting power, contract, trust or otherwise) has the power to appoint and/or remove all or the majority of the members of the board of directors or other governing body of that company or otherwise controls, or has the power to control, the affairs and policies of that company; and

"**Total Assets**" means at any time (i) in relation to the Issuer, the consolidated total assets of the Issuer, calculated by reference to the then latest audited consolidated financial statements of the Issuer (or until publication of the first such audited consolidated financial statements, the Pro-forma Financial Statements) and (ii) in relation to any Subsidiary, the total assets (consolidated in the case of a Subsidiary which itself has subsidiaries) of such Subsidiary calculated by reference to the then latest financial statements (consolidated or, as the case may be, unconsolidated) of such Subsidiary, provided that for this purpose in calculating the amount of the total assets of any Subsidiary any receivables due from the Issuer or any other Subsidiary shall be excluded and provided, further, that if at any time the relevant financial statements do not include a line item for "total assets", the relevant amount shall be that which the Issuer determines (after consultation with its external auditors) to be the amount of the relevant total assets (consolidated or, as the case may be, unconsolidated) in accordance with the accounting principles used in preparation of the then latest consolidated financial statements or, where applicable, until publication of the first such audited consolidated financial statements, the Pro-forma Financial Statements.

5 Interest and Other Calculations

(a) **Interest on Fixed Rate Notes:** Each Fixed Rate Note bears interest on its outstanding nominal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 5(h).

(b) **Interest on Floating Rate Notes and Index Linked Interest Notes:**

(i) *Interest Payment Dates:* Each Floating Rate Note and Index Linked Interest Note bears interest on its outstanding nominal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 5(h). Such Interest Payment Date(s) is/are either shown hereon as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are shown hereon, Interest Payment Date shall mean each date which falls the number of months or other period shown hereon as the Interest Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

(ii) *Business Day Convention:* If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.

(iii) *Rate of Interest for Floating Rate Notes:* The Rate of Interest in respect of Floating Rate Notes for each Interest Accrual Period shall be determined in the manner specified hereon and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified hereon.

(A) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate. For the purposes of this sub-paragraph (A), "**ISDA Rate**" for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

(x) the Floating Rate Option is as specified hereon

(y) the Designated Maturity is a period specified hereon and

(z) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified hereon.

For the purposes of this sub-paragraph (A), "**Floating Rate**", "**Calculation Agent**", "**Floating Rate Option**", "**Designated Maturity**", "**Reset Date**" and "**Swap Transaction**" have the meanings given to those terms in the ISDA Definitions.

(B) Screen Rate Determination for Floating Rate Notes

(x) Where Screen Rate Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period will, subject as provided below, be either:

(1) the offered quotation; or

(2) the arithmetic mean of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at either 11.00 a.m. (London time in the case of LIBOR or Brussels time in the case of EURIBOR) on the Interest Determination Date in question as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified hereon as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Notes will be determined as provided hereon.

(y) If the Relevant Screen Page is not available or if sub-paragraph (x)(1) applies and no such offered quotation appears on the Relevant Screen Page or if sub-paragraph (x)(2) applies and fewer than three such offered quotations appear on the Relevant Screen Page in each case as at the time specified above, subject as provided below, the Calculation Agent shall request, if the Reference Rate is LIBOR, the principal London office of each of the Reference Banks or, if the Reference Rate is EURIBOR, the principal Euro-zone office of each of the Reference Banks, to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately 11.00 a.m. (London time, if the Reference Rate is LIBOR or Brussels time, if the Reference Rate is EURIBOR) on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent.

(z) If paragraph (y) above applies and the Calculation Agent determines that fewer than two Reference Banks are providing offered quotations, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered at approximately 11.00 a.m. (London time, if the Reference Rate is LIBOR or Brussels time, if the Reference Rate is EURIBOR) on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, as the case may be, or, if fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, at approximately 11.00 a.m. (London time, if the Reference Rate is LIBOR or Brussels time, if the Reference Rate is EURIBOR), on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Trustee and the Issuer suitable for such purpose) informs the Calculation Agent it is quoting to leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, as the case may be, provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period).

(iv) *Rate of Interest for Index Linked Interest Notes*: The Rate of Interest in respect of Index Linked Interest Notes for each Interest Accrual Period shall be determined in the manner specified hereon and interest will accrue by reference to an Index or Formula as specified hereon.

(c) **Zero Coupon Notes:** Where a Note the Interest Basis of which is specified to be Zero Coupon is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Note. As from the Maturity Date, the Rate of Interest for any overdue principal of such a Note shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as described in Condition 6(b)(i)).

(d) **Dual Currency Notes:** In the case of Dual Currency Notes, if the rate or amount of interest falls to be determined by reference to a Rate of Exchange or a method of calculating Rate of Exchange, the rate or amount of interest payable shall be determined in the manner specified hereon.

(e) **Partly Paid Notes:** In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified hereon.

(f) **Accrual of Interest:** Interest shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (after as well as before judgment) at the Rate of Interest in the manner provided in this Condition 5 to the Relevant Date (as defined in Condition 8).

(g) **Margin, Maximum/Minimum Rates of Interest, Instalment Amounts and Redemption Amounts and Rounding:**

(i) If any Margin is specified hereon (either (x) generally, or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with Condition 5(b) above by adding (if a positive number) or subtracting the absolute value (if a negative number) of such Margin, subject always to the next paragraph.

(ii) If any Maximum or Minimum Rate of Interest, Instalment Amount or Redemption Amount is specified hereon, then any Rate of Interest, Instalment Amount or Redemption Amount shall be subject to such maximum or minimum, as the case may be. Unless otherwise specified hereon, the Minimum Rate of Interest shall be zero.

(iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up), (y) all figures shall be rounded to seven significant figures (with halves being rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes "**unit**" means the lowest amount of such currency that is available as legal tender in the country or countries, as the case may be, of such currency.

(h) **Calculations:** The amount of interest payable per Calculation Amount in respect of any Note for any Interest Accrual Period shall be equal to the product of the Rate of Interest, the Calculation Amount specified hereon, and the Day Count Fraction for such Interest Accrual Period, unless an Interest Amount (or a formula for its calculation) is applicable to such Interest Accrual Period, in which case the amount of interest payable per Calculation Amount in respect of such Note for such Interest Accrual Period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable per Calculation Amount in respect of such Interest Period shall be the sum of the Interest Amounts payable in respect of each of those Interest Accrual Periods. In respect of any other period for which interest is required to be calculated, the provisions above shall apply save that the Day Count Fraction shall be for the period for which interest is required to be calculated.

(i) **Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts and Instalment Amounts:** The Calculation Agent shall, as soon as practicable on each Interest Determination Date, or such other time on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any other determination or calculation, determine such rate and calculate the Interest Amounts for the relevant Interest Accrual Period, calculate the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or Instalment Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Accrual Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or any Instalment Amount to be notified to the Trustee, the Issuer, each of the Paying Agents, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the Notes are listed on a stock exchange and the rules of such exchange or other relevant authority so require, such exchange or other relevant authority as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 5(b)(ii), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made with the consent of the Trustee by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and payable under Condition 10, the accrued interest and the Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Rate of Interest or the Interest Amount so calculated need be made unless the Trustee otherwise requires. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.

(j) **Determination or Calculation by Trustee:** If the Calculation Agent does not at any time for any reason determine or calculate the Rate of Interest for an Interest Accrual Period or any Interest Amount, Instalment Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, the Trustee (or an agent appointed by it) shall at the cost of the Issuer do so (or shall at the expense of the Issuer appoint an agent on its behalf to do so) and such determination or calculation shall be deemed to have been made by the Calculation Agent. In doing so, the Trustee shall apply the foregoing provisions of this Condition, with any necessary consequential amendments, to the extent that, in its opinion, it can do so, and, in all other respects it shall do so in such manner as it shall deem fair and reasonable in all the circumstances. Any such determination or calculation made by the Trustee shall (in the absence of manifest error) be final and binding upon all parties.

(k) **Definitions:** In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

"**Business Day**" means:

(i) in the case of a currency other than euro, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency and/or

(ii) in the case of euro, a day on which the TARGET system is operating (a "**TARGET Business Day**") and/or

(iii) in the case of a currency and/or one or more Business Centres a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in the Business Centre(s) or, if no currency is indicated, generally in each of the Business Centres.

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest on any Note for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period or Interest Accrual Period, the "**Calculation Period**"):

(i) if "**Actual/365**" or "**Actual/Actual—ISDA**" is specified hereon, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365)

(ii) if "**Actual/365 (Fixed)**" is specified hereon, the actual number of days in the Calculation Period divided by 365

(iii) if "**Actual/360**" is specified hereon, the actual number of days in the Calculation Period divided by 360

(iv) if "**30/360**", "**360/360**" or "**Bond Basis**" is specified hereon, the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (a) the last day of the Calculation Period is the

31st day of a month but the first day of the Calculation Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (b) the last day of the Calculation Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month))

(v) if "**30E/360**" or "**Eurobond Basis**" is specified hereon, the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months, without regard to the date of the first day or last day of the Calculation Period unless, in the case of a Calculation Period ending on the Maturity Date, the Maturity Date is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month) and

(vi) if "**Actual/Actual-ICMA**" is specified hereon,

(a) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year and

(b) if the Calculation Period is longer than one Determination Period, the sum of:

(x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year and

(y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year

where:

"**Determination Period**" means the period from and including a Determination Date in any year to but excluding the next Determination Date and

"**Determination Date**" means the date specified as such hereon or, if none is so specified, the Interest Payment Date.

"**Euro-zone**" means the region comprised of member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended.

"**Instalment Amount**" means the amount (if any) specified as such hereon.

"**Instalment Date**" means the date (if any) specified as such hereon.

"**Interest Accrual Period**" means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Period Date and each successive period beginning on (and including) an Interest Period Date and ending on (but excluding) the next succeeding Interest Period Date.

"**Interest Amount**" means:

(i) in respect of an Interest Accrual Period, the amount of interest payable per Calculation Amount for that Interest Accrual Period and which, in the case of Fixed Rate Notes, and unless otherwise specified hereon, shall mean the Fixed Coupon Amount or Broken Amount specified hereon as being payable on the Interest Payment Date ending the Interest Period of which such Interest Accrual Period forms part; and

(ii) in respect of any other period, the amount of interest payable per Calculation Amount for that period.

"**Interest Commencement Date**" means the Issue Date or such other date as may be specified hereon.

"**Interest Determination Date**" means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such hereon or, if none is so specified, (i) the first day of such

Interest Accrual Period if the Specified Currency is Sterling or (ii) the day falling two Business Days in London for the Specified Currency prior to the first day of such Interest Accrual Period if the Specified Currency is neither Sterling nor euro or (iii) the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is euro.

"**Interest Period**" means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date.

"**Interest Period Date**" means each Interest Payment Date unless otherwise specified hereon.

"**ISDA Definitions**" means the 2000 ISDA Definitions (or, if specified hereon, the 2006 ISDA Definitions) as published by the International Swaps and Derivatives Association, Inc., unless otherwise specified hereon.

"**Rate of Interest**" means the rate of interest payable from time to time in respect of this Note and that is either specified or calculated in accordance with the provisions hereon.

"**Reference Banks**" means, in the case of a determination of LIBOR, the principal London office of four major banks in the London inter-bank market and, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market, in each case selected by the Calculation Agent or as specified hereon.

"**Reference Rate**" means the rate specified as such hereon.

"**Relevant Screen Page**" means such page, section, caption, column or other part of a particular information service as may be specified hereon.

"**Specified Currency**" means the currency specified as such hereon or, if none is specified, the currency in which the Notes are denominated.

"**TARGET System**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System or any successor thereto.

(l) **Calculation Agent:** The Issuer shall procure that there shall at all times be one or more Calculation Agents if provision is made for them hereon and for so long as any Note is outstanding (as defined in the Trust Deed). Where more than one Calculation Agent is appointed in respect of the Notes, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Accrual Period or to calculate any Interest Amount, Instalment Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, or to comply with any other requirement, the Issuer shall (with the prior approval of the Trustee) appoint a leading bank or investment banking firm engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

6 Redemption, Purchase and Options

(a) **Redemption by Instalments and Final Redemption:**

(i) Unless previously redeemed, purchased and cancelled as provided in this Condition 6, each Note that provides for Instalment Dates and Instalment Amounts shall be partially redeemed on each Instalment Date at the related Instalment Amount specified hereon. The outstanding nominal amount of each such Note shall be reduced by the Instalment Amount (or, if such Instalment Amount is calculated by reference to a proportion of the nominal amount of such Note, such proportion) for all purposes with effect from the related Instalment Date, unless payment of the Instalment Amount is improperly withheld or refused, in which case, such amount shall remain outstanding until the Relevant Date relating to such Instalment Amount.

(ii) Unless previously redeemed, purchased and cancelled as provided in this Condition 6, each Note shall be finally redeemed on the Maturity Date specified hereon at its Final Redemption Amount (which, unless otherwise provided hereon, is its nominal amount) or, in the case of a Note falling within paragraph (i) above, its final Instalment Amount.

(b) **Early Redemption:**

(i) *Zero Coupon Notes:*

(A) The Early Redemption Amount payable in respect of any Zero Coupon Note, the Early Redemption Amount of which is not linked to an index and/or a formula, upon redemption of such Note pursuant to Condition 6(c) or upon it becoming due and payable as provided in Condition 10 shall be the Amortised Face Amount (calculated as provided below) of such Note unless otherwise specified hereon.

(B) Subject to the provisions of sub-paragraph (C) below, the Amortised Face Amount of any such Note shall be the scheduled Final Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is shown hereon, shall be such rate as would produce an Amortised Face Amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date) compounded annually.

(C) If the Early Redemption Amount payable in respect of any such Note upon its redemption pursuant to Condition 6(c) or upon it becoming due and payable as provided in Condition 10 is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall be the Amortised Face Amount of such Note as defined in sub-paragraph (B) above, except that such sub-paragraph shall have effect as though the date on which the Note becomes due and payable were the Relevant Date. The calculation of the Amortised Face Amount in accordance with this sub-paragraph shall continue to be made (both before and after judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount of such Note on the Maturity Date together with any interest that may accrue in accordance with Condition 5(c).

Where such calculation is to be a made for a period of less than one year, it shall be made on the basis of the Day Count Fraction shown hereon.

(ii) *Other Notes:* The Early Redemption Amount payable in respect of any Note (other than Notes described in (i) above), upon redemption of such Note pursuant to Condition 6(c) or upon it becoming due and payable as provided in Condition 10, shall be the Final Redemption Amount unless otherwise specified hereon.

(c) **Redemption for Taxation Reasons:** The Notes may be redeemed at the option of the Issuer in whole, but not in part, on any Interest Payment Date (if this Note is either a Floating Rate Note, an Index Linked Note or a Dual Currency Note) or at any time (if this Note is neither a Floating Rate Note, an Index Linked Note nor a Dual Currency Note), on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable) at their Early Redemption Amount (as described in Condition 6(b) above) (together with interest accrued to the date fixed for redemption), if (i) the Issuer satisfies the Trustee immediately before the giving of such notice that it has or will become obliged to pay additional amounts as described under Condition 8 as a result of any change in, or amendment to, the laws or regulations of the United Arab Emirates or the Emirate of Dubai or the Dubai International Financial Centre or, in each case, any authority therein or thereof having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due. Before the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Trustee a certificate signed by two duly authorised officers of the Issuer stating that the obligation referred to in (i) above cannot be avoided by the Issuer taking reasonable measures available to it and the Trustee shall be entitled to accept such certificate as sufficient evidence of the satisfaction of the condition precedent set out in (ii) above in which event it shall be conclusive and binding on Noteholders and Couponholders.

(d) **Redemption at the Option of the Issuer:** If Call Option is specified hereon, the Issuer may, on giving not less than 15 nor more than 30 days' irrevocable notice to the Noteholders (or such other notice period as may be specified hereon) redeem all or, if so provided, some of the Notes on any Optional Redemption Date. Any such redemption of Notes shall be at their Optional Redemption Amount together with interest accrued to the date fixed for redemption. Any such redemption or exercise must relate to Notes of a nominal amount at least equal to the Minimum Redemption Amount (if any) to be redeemed specified hereon and no greater than the Maximum Redemption Amount (if any) to be redeemed specified hereon.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition.

In the case of a partial redemption the notice to Noteholders shall also contain the certificate numbers of the Bearer Notes, or, in the case of Registered Notes, shall specify the nominal amount of Registered Notes drawn and the holder(s) of such Registered Notes to be redeemed, which shall have been drawn in such place as the Trustee may approve and in such manner as it deems appropriate, subject to compliance with any applicable laws and stock exchange or other relevant authority requirements.

(e) **Redemption at the Option of Noteholders:**

(i) If Put Option is specified hereon, the Issuer shall, at the option of the holder of any such Note, upon the holder of such Note giving not less than 15 nor more than 30 days' notice to the Issuer (or such other notice period as may be specified hereon), redeem such Note on the Optional Redemption Date(s) at its Optional Redemption Amount together (if applicable) with interest accrued to the date fixed for redemption.

(ii) If a Change of Control Event occurs, the Issuer shall, at the option of the holder of any such Note, upon the holder of such Note giving notice to the Issuer at any time during the Redemption Period, redeem such Note on the Redemption Date at its principal amount (or such other amount as may be specified in the relevant Final Terms) together (if applicable) with interest accrued to the date fixed for redemption.

Immediately upon the Issuer becoming aware that a Change of Control Event has occurred, the Issuer shall, and, at any time following the occurrence of a Change of Control Event, the Trustee, if so requested by the holders of at least one-fifth in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution, shall, give notice (a "**Change of Control Notice**") to the Noteholders in accordance with Condition 16 specifying the nature of the Change of Control Event.

For the purpose of this paragraph (ii):

a "**Change of Control Event**" will occur if at any time the Government of Dubai ceases to own, directly or indirectly, at least 50% of the issued share capital of the Issuer or otherwise ceases to control, directly or indirectly, the Issuer. For the purpose of this Condition, the Government of Dubai will be deemed to "**control**" the Issuer if (whether directly or indirectly and whether by the ownership of share capital, the possession of voting power, contract, trust or otherwise) it has the power to appoint and/or remove all or the majority of the members of the board of directors or other governing body of the Issuer or otherwise controls, or has the power to control, the affairs and policies of the Issuer;

"**Redemption Date**" means, in respect of any Redemption Period, the date which falls 14 days after the date on which the relevant holder exercises its option in accordance with Condition 6(e)(iii); and

"**Redemption Period**" means, in relation to any Change of Control Event, the period from and including the date on which a Change of Control Event occurs (whether or not the Issuer or the Trustee has given the notice referred to in the second paragraph of this Condition 6(e)(ii) in respect of such event) to and including the date falling 60 days after the date on which any such notice is given, provided that if no such notice is given, the Redemption Period shall not terminate.

The Trustee is under no obligation to ascertain whether a Change of Control Event or any event which could lead to the occurrence of or could constitute a Change of Control Event has occurred and, until it shall have actual knowledge or notice pursuant to the Trust Deed to the contrary, the Trustee may assume that no Change of Control Event or other such event has occurred.

(iii) To exercise any option pursuant to Condition 6(e)(i) or (ii), the holder must deposit (in the case of a Bearer Note) such Note (together with all unmatured Receipts and Coupons and unexchanged Talons) with any Paying Agent or (in the case of a Registered Note) the Certificate representing such Note(s) with the Registrar or any Transfer Agent at its specified office, together with a duly completed option exercise notice ("**Exercise Notice**") in the form obtainable from any Paying Agent, the Registrar or any Transfer Agent (as applicable) within the relevant period. No Note, Receipt, Coupon or Certificate so deposited and option so exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer.

(f) **Partly Paid Notes:** Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the provisions specified hereon.

(g) **Purchases:** The Issuer and any Subsidiary may at any time purchase Notes (provided that all unmatured Receipts and Coupons and unexchanged Talons relating thereto are attached thereto or surrendered therewith) in the open market or otherwise at any price. Notes so purchased, while held by or on behalf of the Issuer or any Subsidiary, shall not entitle the holder to vote at any meeting of the Noteholders and shall not be deemed to be outstanding for the purposes of calculating the quorum at any meeting of Noteholders or for the purposes of Conditions 10, 11(a) and 12.

(h) **Cancellation:** All Notes purchased by or on behalf of the Issuer or any Subsidiary may be surrendered for cancellation, in the case of a Bearer Note by surrendering such Note together with all unmatured Receipts and Coupons and all unexchanged Talons to the Issuing and Paying Agent and, in the case of a Registered Note, by surrendering the Certificate representing such Notes to the Registrar and, in each case, if so surrendered, shall, together with all Notes redeemed by the Issuer, be cancelled forthwith (together with all unmatured Receipts and Coupons and unexchanged Talons attached thereto or surrendered therewith). Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged.

7 Payments and Talons

(a) **Bearer Notes:** Payments of principal and interest in respect of Bearer Notes shall, subject as mentioned below, be made against presentation and surrender or, in the case of part payment of any sum due, endorsement, of the relevant Receipts (in the case of payments of Instalment Amounts other than on the due date for redemption and provided that the Receipt is presented for payment together with its relative Note), Notes (in the case of all other payments of principal and, in the case of interest, as specified in Condition 7(f)(vi)) or Coupons (in the case of interest, save as specified in Condition 7(f)(ii)), as the case may be, at the specified office of any Paying Agent outside the United States by a cheque payable in the relevant currency drawn on, or, at the option of the holder, by transfer to an account denominated in such currency with, a Bank. For the purpose of this Condition 7 "**Bank**" means a bank in the principal financial centre for such currency or, in the case of euro, in a city in which banks have access to the TARGET System.

(b) **Registered Notes:**

(i) Payments of principal (which for the purposes of this Condition 7(b) shall include final Instalment Amounts but not other Instalment Amounts) in respect of Registered Notes shall be made against presentation and surrender or, in the case of part payment of any sum due, endorsement, of the relevant Certificates at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided in paragraph (ii) below.

(ii) Interest (which for the purpose of this Condition 7(b) shall include all Instalment Amounts other than final Instalment Amounts) on Registered Notes shall be paid to the person shown on the Register at the close of business on the fifteenth day before the due date for payment thereof (the "**Record Date**"). Payments of interest on each Registered Note shall be made in the relevant currency by cheque drawn on a Bank and mailed to the holder (or to the first named of joint holders) of such Note at its address appearing in the Register. Upon application by the holder to the specified office of the Registrar or any Transfer Agent before the Record Date, such payment of interest may be made by transfer to an account in the relevant currency maintained by the payee with a Bank.

(c) **Payments in the United States:** Notwithstanding the foregoing, if any Bearer Notes are denominated in US dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if (i) the Issuer shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Notes in the manner provided above when due, (ii) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts and (iii) such payment is then permitted by United States law, without involving, in the opinion of the Issuer, any adverse tax consequence to the Issuer.

(d) **Payments subject to laws:** All payments are subject in all cases to any applicable laws, regulations and directives in the place of payment, but without prejudice to the provisions of Condition 8. No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

(e) **Appointment of Agents:** The Issuing and Paying Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent initially appointed by the Issuer and their respective specified offices are listed below. Subject as provided in the Agency Agreement, the Issuing and Paying Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Noteholder or Couponholder. The Issuer reserves the right at any time with the prior written approval of the Trustee to vary or terminate the appointment of the Issuing and Paying Agent, any other Paying Agent, the Registrar, any Transfer Agent or the Calculation Agent(s) and to appoint additional or other Paying Agents or Transfer Agents, provided that the Issuer shall at all times maintain (i) an Issuing and Paying Agent, (ii) a Registrar in relation to Registered Notes, (iii) a Transfer Agent in relation to Registered Notes, (iv) one or more Calculation Agent(s) where the Conditions so require, (v) such other agents as may be required by any other stock exchange on which the Notes may be listed in each case, as approved by the Trustee and (vi) a Paying Agent with a specified office in a European Union member state that will not be obliged to withhold or deduct tax pursuant to any law implementing European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN council meeting of 26–27 November 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive.

In addition, the Issuer shall forthwith appoint a Paying Agent in New York City in respect of any Bearer Notes denominated in US dollars in the circumstances described in paragraph (c) above.

Notice of any such change or any change of any specified office shall promptly be given to the Noteholders.

(f) **Unmatured Coupons and Receipts and unexchanged Talons:**

(i) Upon the due date for redemption of Bearer Notes which comprise Fixed Rate Notes (other than Dual Currency Notes or Index Linked Notes) they should be surrendered for payment together with all unmatured Coupons (if any) relating thereto, failing which an amount equal to the face value of each missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmatured Coupon that the sum of principal so paid bears to the total principal due) shall be deducted from the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, due for payment. Any amount so deducted shall be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 9).

(ii) Upon the due date for redemption of any Bearer Note comprising a Floating Rate Note, Dual Currency Interest Note or Index Linked Note, unmatured Coupons relating to such

Note (whether or not attached) shall become void and no payment shall be made in respect of them.

(iii) Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.

(iv) Upon the due date for redemption of any Bearer Note that is redeemable in instalments, all Receipts relating to such Note having an Instalment Date falling on or after such due date (whether or not attached) shall become void and no payment shall be made in respect of them.

(v) Where any Bearer Note that provides that the relative unmatured Coupons are to become void upon the due date for redemption of those Notes is presented for redemption without all unmatured Coupons, and where any Bearer Note is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may reasonably require.

(vi) If the due date for redemption of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Note. Interest accrued on a Note that only bears interest after its Maturity Date shall be payable on redemption of such Note against presentation of the relevant Note or Certificate representing it, as the case may be.

(g) **Talons:** On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Bearer Note, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Issuing and Paying Agent in exchange for a further Coupon sheet (and if necessary another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 9).

(h) **Non-Business Days:** If any date for payment in respect of any Note, Receipt or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this paragraph, "**business day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in the relevant place of presentation, in such jurisdictions as shall be specified as "**Financial Centres**" hereon and:

(i) (in the case of a payment in a currency other than euro) where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency or

(ii) (in the case of a payment in euro) which is a TARGET Business Day.

8 Taxation

All payments of principal and interest by or on behalf of the Issuer in respect of the Notes, the Receipts and the Coupons shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the United Arab Emirates or the Emirate of Dubai or the Dubai International Financial Centre or, in each case, any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer shall pay such additional amounts as shall result in receipt by the Noteholders and Couponholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable with respect to any Note, Receipt or Coupon:

(a) **Other connection:** to, or to a third party on behalf of, a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note, Receipt or Coupon by reason of his having some connection with the United Arab Emirates or the Emirate of Dubai or the Dubai International Financial Centre other than the mere holding of the Note, Receipt or Coupon or

(b) **Presentation/surrender more than 30 days after the Relevant Date:** presented or (if applicable) surrendered (or (if applicable) in respect of which the relevant Certificate is presented or (if applicable) surrendered) for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such additional amounts on presenting or, as the case may be, surrendering it for payment on such thirtieth day or

(c) **Payment to individuals:** where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN council meeting of 26–27 November 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive or

(d) **Payment by another Paying Agent:** presented or (if applicable) surrendered (or (if applicable) in respect of which the relevant Certificate is presented or (if applicable) surrendered) for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting or, as the case may be, surrendering the relevant Note, Receipt or Coupon (or (if applicable) the relevant Certificate) to another Paying Agent in a Member State of the European Union.

As used in these Conditions, "**Relevant Date**" in respect of any Note, Receipt or Coupon means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders that, upon further presentation or, as the case may be, surrender of the Note, Receipt or Coupon (or (if applicable) the relevant Certificate) being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such presentation. References in these Conditions to (i) "**principal**" shall be deemed to include any premium payable in respect of the Notes, all Instalment Amounts (except as provided in Condition 7(a)), Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts, Amortised Face Amounts and all other amounts in the nature of principal payable pursuant to Condition 6 or any amendment or supplement to it, (ii) "**interest**" shall (except as provided in Condition 7(a)) be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 5 or any amendment or supplement to it and (iii) "**principal**" and/or "**interest**" shall be deemed to include any additional amounts that may be payable under this Condition or any undertaking given in addition to or in substitution for it under the Trust Deed.

9 Prescription

Claims against the Issuer for payment in respect of the Notes, Receipts and Coupons (which, for this purpose, shall not include Talons) shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

10 Events of Default

If any of the following events ("**Events of Default**") occurs, the Trustee at its discretion may, and if so requested by holders of at least one-fifth in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall (subject in each case to being indemnified and/or secured to its satisfaction), give notice to the Issuer that the Notes are, and they shall immediately become, due and payable at their Early Redemption Amount together with accrued interest:

(a) **Non-Payment:** default is made for more than 14 days (in the case of interest) or seven days (in the case of principal) in the payment on the due date of interest or principal, as the case may be, in respect of any of the Notes or

(b) **Breach of Other Obligations:** the Issuer does not perform or comply with any one or more of its other obligations in the Notes or the Trust Deed which default is incapable of remedy or, if in the opinion of the Trustee capable of remedy, is not in the opinion of the Trustee remedied within 30 days after notice of such default shall have been given to the Issuer by the Trustee or

(c) **Cross-Acceleration:** (i) any other present or future indebtedness of the Issuer or any Material Subsidiary for or in respect of moneys borrowed or raised becomes due and payable prior to its stated maturity by reason of any event of default or the like (howsoever described), or (ii) any such indebtedness is not paid when due or, as the case may be, within any applicable grace period, or (iii) the Issuer or any Material Subsidiary fails to pay when due or, as the case may be, within any applicable grace period any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised, save in each case where the liability in respect of the relevant indebtedness, guarantee or indemnity is being contested by the Issuer or such Material Subsidiary, as the case may be, in good faith and by all appropriate means and provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this paragraph (c) have occurred equals or exceeds US$50,000,000 or its equivalent (as determined by the Trustee on the basis of the middle spot rate for the relevant currency against the US dollar as determined by any leading bank on the day on which this paragraph falls to be applied) or

(d) **Enforcement Proceedings:** a distress, attachment, execution or other legal process is levied, enforced or sued out on or against all or (in the opinion of the Trustee) a material part of the property, assets or revenues of the Issuer or any Material Subsidiary and is not discharged, withdrawn or stayed within 60 days or

(e) **Security Enforced:** any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer or any Material Subsidiary in respect of all or (in the opinion of the Trustee) a material part of the property, assets or revenues of the Issuer or such Material Subsidiary, as the case may be, becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, administrative receiver, manager or other similar person) or

(f) **Insolvency:** the Issuer or any Material Subsidiary is (or is deemed by a court to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend payment of all or (in the opinion of the Trustee) a material part of its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or any part of the debts of the Issuer, or any Material Subsidiary or

(g) **Winding-up:** an order is made or an effective resolution passed for the winding-up or dissolution of the Issuer or any Material Subsidiary or the Issuer or any Material Subsidiary ceases or threatens to cease, or is required to cease, to carry on all or (in the opinion of the Trustee) substantially all of its business or operations, in each case except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (i) on terms approved by the Trustee or by an Extraordinary Resolution of the Noteholders or (ii) in the case of a Material Subsidiary, whereby the undertaking and assets of the Material Subsidiary are transferred to or otherwise vested in another Subsidiary or

(h) **Authorisation and Consents:** any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under the Notes and the Trust Deed, (ii) to ensure that those obligations are legally binding and enforceable and (iii) to make the Notes and the Trust Deed admissible in evidence in the courts of the United Arab Emirates or the Emirate of Dubai is not taken, fulfilled or done or

(i) **Illegality:** it is or will become unlawful for the Issuer to perform or comply with any one or more of its obligations under any of the Notes or the Trust Deed or

(j) **Analogous Events:** any event occurs that under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of the foregoing paragraphs,

provided that (other than in the case of paragraphs (a) and (c), paragraph (f) and paragraph (g) (to the extent it relates to the winding up or dissolution of the Issuer)) the Trustee shall have certified that in its opinion such event is materially prejudicial to the interests of the Noteholders.

For the purpose of this Condition,

"**EBITDA**" means, in respect of any period, profit in respect of such period, plus (i) finance costs (net of interest income), (ii) income tax (if any) and (iii) depreciation and amortisation, in each case in respect of such period and at any time (a) in relation to the Issuer, shall be calculated by reference to the relevant amounts shown in the then latest audited consolidated financial statements of the Issuer (or until publication of the first such audited consolidated financial statements, the Pro-forma Financial Statements) and (b) in relation to any Subsidiary, shall be calculated by reference to the relevant amounts (consolidated in the case of a Subsidiary which itself has subsidiaries) shown in the then latest financial statements (consolidated or, as the case may be, unconsolidated) of such Subsidiary; and

"**Material Subsidiary**" means any Subsidiary:

(i) whose EBITDA (consolidated in the case of a Subsidiary which itself has subsidiaries) or whose Total Assets (consolidated in the case of a Subsidiary which itself has subsidiaries) represent not less than 10% of the consolidated EBITDA of the Issuer, or, as the case may be, the consolidated Total Assets of the Issuer and/or

(ii) to which is transferred all or substantially all of the business, undertaking and assets of another Subsidiary which immediately prior to such transfer is a Material Subsidiary, whereupon (a) in the case of a transfer by a Material Subsidiary, the transferor Material Subsidiary shall immediately cease to be a Material Subsidiary and (b) the transferee Subsidiary shall immediately become a Material Subsidiary, provided that on or after the date on which the relevant audited financial statements for the financial period current at the date of such transfer are published, whether such transferor Subsidiary or such transferee Subsidiary is or is not a Material Subsidiary shall be determined pursuant to the provisions of sub-paragraph (i) above,

provided that if any acquisition or disposal has occurred after the end of the financial period to which the then latest audited consolidated financial statements of the Issuer, or, as the case may be, the Pro-forma Financial Statements relate, in applying each of the above tests the reference in the relevant defined terms to the latest audited consolidated financial statements or, as the case may be, the Pro-forma Financial Statements, shall be deemed to be a reference to such audited consolidated financial statements or, as the case may be, the Pro-forma Financial Statements as if the relevant acquisition or disposal had been reflected in such audited consolidated financial statements or, as the case may be, the Pro-forma Financial Statements by reference (where applicable) to any relevant Subsidiary's then latest relevant financial statements (consolidated in the case of a Subsidiary which itself has subsidiaries), adjusted as set out in the immediately following paragraph.

A report by two duly authorised officers of the Issuer that in their opinion (making such adjustments (if any) as they shall deem appropriate) a Subsidiary is or is not or was or was not at any particular time or during any particular period a Material Subsidiary shall, in the absence of manifest error, be conclusive and binding on the Issuer, the Trustee and the Noteholders.

11 Meetings of Noteholders, Modification, Waiver and Substitution

(a) **Meetings of Noteholders:** The Trust Deed contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Trust Deed. Such a meeting may be convened by Noteholders holding not less than 10% in nominal amount of the Notes for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution shall be two or more persons holding or representing a clear majority in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting two or more persons being or representing Noteholders whatever the nominal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to amend the dates of maturity or redemption of the Notes, any Instalment Date or any date for payment of interest or Interest Amounts on the Notes, (ii) to reduce or cancel the nominal amount of, or any Instalment Amount of, or any premium payable on redemption of, the Notes, (iii) to reduce the rate or rates of interest in respect of the Notes or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any Interest Amount in respect of the Notes, (iv) if a Minimum and/or a Maximum Rate of Interest, Instalment Amount or Redemption Amount is shown hereon, to reduce any such Minimum and/or Maximum, (v) to vary any method of, or basis for, calculating the Final Redemption Amount, the Early Redemption Amount or the Optional Redemption Amount, including the method of calculating the Amortised Face Amount, (vi) to vary the currency or currencies of payment or denomination of the Notes, (vii) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass the Extraordinary Resolution, or (viii) to change the governing law of the Notes, in which case the necessary quorum shall be two or more persons holding or representing not less than 75%, or at any adjourned meeting not less than 25%, in nominal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on

Noteholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders.

These Conditions may be amended, modified or varied in relation to any Series of Notes by the terms of the relevant Final Terms in relation to such Series.

(b) **Modification of the Trust Deed and Waiver:** The Trustee may, without the consent of the Noteholders or Couponholders (i) agree to any modification of any of the provisions of the Trust Deed that is, in the opinion of the Trustee, of a formal, minor or technical nature or is made to correct a manifest error (ii) agree to any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed and (iii) determine that any Event of Default or Potential Event of Default (as defined in the Trust Deed) shall not be treated as such if in the case of (ii) and (iii), in the opinion of the Trustee, it is not materially prejudicial to the interests of the Noteholders. Any such modification, authorisation or waiver shall be binding on the Noteholders and the Couponholders and, if the Trustee so requires, such modification shall be notified by the Issuer to the Noteholders as soon as practicable.

(c) **Substitution:** The Trust Deed contains provisions permitting the Trustee to agree, subject to such amendment of the Trust Deed and such other conditions as the Trustee may require, but without the consent of the Noteholders or the Couponholders, to the substitution of the Issuer's successor in business (as defined in the Trust Deed) or any subsidiary of the Issuer or its successor in business in place of the Issuer, or of any previous substituted company, as principal debtor under the Trust Deed and the Notes. In the case of such a substitution the Trustee may agree, without the consent of the Noteholders or the Couponholders, to a change of the law governing the Notes, the Receipts, the Coupons, the Talons and/or the Trust Deed provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Noteholders.

(d) **Entitlement of the Trustee:** In connection with the exercise of its functions (including but not limited to those referred to in this Condition) the Trustee shall have regard to the interests of the Noteholders as a class and shall not have regard to the consequences of such exercise for individual Noteholders or Couponholders and the Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the Issuer any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders or Couponholders.

12 Enforcement

At any time after the Notes become due and payable, the Trustee may, at its discretion and without further notice, institute such proceedings against the Issuer as it may think fit to enforce the terms of the Trust Deed, the Notes, the Receipts and the Coupons, but it need not take any such proceedings unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Noteholders holding at least one-fifth in nominal amount of the Notes outstanding, and (b) it shall have been indemnified and/or secured to its satisfaction. No Noteholder, Receiptholder or Couponholder may proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

13 Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility. The Trustee is entitled to enter into business transactions with the Issuer, and any entity related to the Issuer without accounting for any profit.

14 Replacement of Notes, Receipts, Coupons and Talons

If a Note, Certificate, Receipt, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws and stock exchange or other relevant authority regulations, at the specified office of the Issuing and Paying Agent in London (in the case of Bearer Notes, Receipts, Coupons or Talons) and of the Registrar (in the case of Certificates) or such other Paying Agent or Transfer Agent, as the case may be, as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Noteholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Note, Certificate, Receipt, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Notes, Certificate, Receipts, Coupons or further Coupons) and otherwise as the Issuer may reasonably require. Mutilated or defaced Notes, Certificate, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

15 Further Issues

The Issuer may from time to time without the consent of the Noteholders or Couponholders create and issue further securities either having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with the outstanding securities of any series (including the Notes) or upon such terms as the Issuer may determine at the time of their issue. References in these Conditions to the Notes include (unless the context requires otherwise) any other securities issued pursuant to this Condition and forming a single series with the Notes. Any further securities forming a single series with the outstanding securities of any series (including the Notes) constituted by the Trust Deed or any deed supplemental to it shall, and any other securities may (with the consent of the Trustee), be constituted by the Trust Deed. The Trust Deed contains provisions for convening a single meeting of the Noteholders and the holders of securities of other series where the Trustee so decides.

16 Notices

Notices to the holders of Registered Notes shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing. Notices to holders of Bearer Notes shall be valid if published in a daily newspaper of general circulation in London (which is expected to be the *Financial Times*) and in respect of any Notes listed on the Dubai International Financial Exchange (the "**DIFX**") (and for as long as such Notes remain so listed) notified to the market through CANDI (Corporate Action News Disclosure for Issuers operated by the DIFX). If in the opinion of the Trustee any such publication is not practicable, notice shall be validly given if published in another leading daily English language newspaper with general circulation in Europe. The Issuer shall also ensure that notices are duly published in a manner that complies with any other relevant rules of any stock exchange or other relevant authority on which the Notes are for the time being or by which they have for the time being admitted to trading.

Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made, as provided above.

Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Noteholders in accordance with this Condition.

17 Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

18 Governing Law and Jurisdiction

(a) **Governing Law:** The Trust Deed, the Notes, the Receipts, the Coupons and the Talons are governed by, and shall be construed in accordance with, English law.

(b) **Jurisdiction:** The Courts of England are to have jurisdiction to settle any disputes that may arise out of or in connection with any Notes, Receipts, Coupons or Talons and accordingly any legal action or proceedings arising out of or in connection with any Notes, Receipts, Coupons or Talons ("**Proceedings**") may be brought in such courts. The Issuer has in the Trust Deed irrevocably submitted to the jurisdiction of such courts.

(c) **Arbitration:** Without limiting the rights of the Noteholders under Condition 18(b), any dispute arising from or connected with the Trust Deed, the Notes, the Receipts, the Coupons and the Talons may be referred by the Noteholders to arbitration in Paris in accordance with the rules of the London Court of International Arbitration (the "**Rules**"), the Rules being incorporated into

Condition 18(b) by reference. The number of arbitrators shall be three and the arbitration shall be conducted in English. Any arbitration award so made shall be binding.

(d) **Service of Process:** The Issuer has in the Trust Deed irrevocably appointed an agent in England to receive, for it and on its behalf, service of process in any Proceedings in England.

(e) **Waiver:** The Issuer irrevocably agrees that, should any Proceedings be taken anywhere (whether for any injunction, specific performance, damages or otherwise), no immunity (to the extent that it may at any time exist, whether on the grounds of sovereignty or otherwise) in relation to those Proceedings (including without limitation, immunity from the jurisdiction of any court or tribunal, suit, service of process, injunctive or other interim relief, any order for specific performance, any order for recovery of land, any attachment (whether in aid of execution, before judgment or otherwise) of its assets, any process for execution of any award or judgement or other legal process) shall be claimed by it or on its behalf or with respect to its assets, any such immunity being irrevocably waived. The Issuer irrevocably agrees that it and its assets are, and shall be, subject to such Proceedings, attachment or execution in respect of its obligations under the Notes or the Trust Deed.

(f) **Consent:** The Issuer irrevocably and generally consents in respect of any Proceedings anywhere to the giving of any relief or the issue of any process in connection with those Proceedings including, without limitation, the making, enforcement or execution against any assets whatsoever (irrespective of their use or intended use) of any order or judgment which may be made or given in those Proceedings.

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

Initial Issue of Notes

Upon the initial deposit of a Global Note with a common depositary for Euroclear and Clearstream, Luxembourg (the "**Common Depositary**") or registration of Registered Notes in the name of any nominee for Euroclear and Clearstream, Luxembourg and delivery of the relative Global Certificate to the Common Depositary, Euroclear or Clearstream, Luxembourg will credit each subscriber with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid. Upon the initial deposit of a Global Certificate in respect of, and registration of, Registered Notes in the name of a nominee for DTC and delivery of the relevant Global Certificate to the Custodian for DTC, DTC will credit each participant with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid. Notes that are initially deposited with the Common Depositary may also be credited to the accounts of subscribers with (if indicated in the relevant Final Terms) other clearing systems through direct or indirect accounts with Euroclear and Clearstream, Luxembourg held by such other clearing systems. Conversely, Notes that are initially deposited with any other clearing system may similarly be credited to the accounts of subscribers with Euroclear, Clearstream, Luxembourg or other clearing systems.

Relationship of Accountholders with Clearing Systems

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg, DTC or any other clearing system as the holder of a Note represented by a Global Note or a Global Certificate must look solely to Euroclear, Clearstream, Luxembourg, DTC or such clearing system (as the case may be) for its share of each payment made by us to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, and in relation to all other rights arising under the Global Notes or Global Certificates, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg, DTC or such clearing system (as the case may be). Such persons shall have no claim directly against us in respect of payments due on the Notes for so long as the Notes are represented by such Global Note or Global Certificate and such obligations will be discharged by payment to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, in respect of each amount so paid.

Exchange

Temporary Global Notes

Each temporary Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date:

(i) if the relevant Final Terms indicate that such Global Note is issued in compliance with the C Rules or in a transaction to which TEFRA is not applicable (see "Overview—Overview of the Programme—Selling Restrictions"), in whole, but not in part, for the Definitive Notes defined and described below; and

(ii) otherwise, in whole or in part upon certification as to non-US beneficial ownership in the form set out in the Agency Agreement for interests in a permanent Global Note or, if so provided in the relevant Final Terms, for Definitive Notes.

Permanent Global Notes

Each permanent Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date in whole but not, except as provided under "Partial Exchange of Permanent Global Notes", in part for (i) Registered Notes, if the permanent Global Note is an Exchangeable Bearer Note, by the holder giving notice to the Issuing and Paying Agent of its election to exchange the whole or a part of such Global Note for Registered Notes represented by a corresponding interest in an Unrestricted Global Certificate or a Certificate that does not bear the Rule 144A Legend and (ii) Definitive Notes if the permanent Global Note is held on behalf of Euroclear or Clearstream, Luxembourg or any other clearing system (an "**Alternative Clearing System**") and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so.

In the event that a Global Note is exchanged for Definitive Notes, such Definitive Notes shall be issued in Specified Denomination(s) only. A Noteholder who holds a principal amount of less than the minimum

Specified Denomination will not receive a Definitive Note in respect of such holding and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more Specified Denominations.

Unrestricted Global Certificates

If the Final Terms state that the Notes are to be represented by an Unrestricted Global Certificate on issue, the following will apply in respect of transfers of Notes held in Euroclear or Clearstream, Luxembourg or an Alternative Clearing System. These provisions will not prevent the trading of interests in the Notes within a clearing system whilst they are held on behalf of such clearing system, but will limit the circumstances in which the Notes may be withdrawn from the relevant clearing system. Transfers of the holding of Notes represented by any Global Certificate pursuant to Condition 2(b) may only be made:

(i) in whole but not in part, if the relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so; or

(ii) in whole or in part, with our consent,

provided that, in the case of any transfer pursuant to (i) above, the Registered Noteholder has given the relevant Registrar not less than 30 days' notice at its specified office of the Registered Noteholder's intention to effect such transfer.

Restricted Global Certificates

If the Final Terms state that the Restricted Notes are to be represented by a Restricted Global Certificate on issue, the following will apply in respect of transfers of Notes held in DTC. These provisions will not prevent the trading of interests in the Notes within a clearing system whilst they are held on behalf of DTC, but will limit the circumstances in which the Notes may be withdrawn from DTC. Transfers of the holding of Notes represented by that Restricted Global Certificate pursuant to Condition 2(b) may only be made:

(i) in whole but not in part, if such Notes are held on behalf of a Custodian for DTC and if DTC notifies us that it is no longer willing or able to discharge properly its responsibilities as depositary with respect to that Restricted Global Certificate or DTC ceases to be a "clearing agency" registered under the Exchange Act or is at any time no longer eligible to act as such, and we are unable to locate a qualified successor within 90 days of receiving notice of such ineligibility on the part of DTC; or

(ii) in whole or in part, with our consent,

provided that, in the case of any transfer pursuant to (i) above, the relevant Registered Noteholder has given the relevant Registrar not less than 30 days' notice at its specified office of the Registered Noteholder's intention to effect such transfer. Individual Certificates issued in exchange for a beneficial interest in a Restricted Global Certificate shall bear the legend applicable to such Notes as set out in "Transfer Restrictions".

Partial Exchange of Permanent Global Notes

For so long as a permanent Global Note is held on behalf of a clearing system and the rules of that clearing system permit, such permanent Global Note will be exchangeable in part on one or more occasions (1) for Registered Notes if the permanent Global Note is an Exchangeable Bearer Note and the part submitted for exchange is to be exchanged for Registered Notes, or (2) for Definitive Notes if so provided in, and in accordance with, the Conditions (which will be set out in the relevant Final Terms) relating to Partly Paid Notes.

Delivery of Notes

On or after any due date for exchange the holder of a Global Note may, in the case of an exchange in whole, surrender such Global Note or, in the case of a partial exchange, present it for endorsement to, or to the order of, the Issuing and Paying Agent. In exchange for any Global Note, or the part thereof to be exchanged, we will (i) in the case of a temporary Global Note exchangeable for a permanent Global Note, deliver, or procure the delivery of, a permanent Global Note in an aggregate nominal amount equal to that of the whole or that part of a temporary Global Note that is being exchanged or, in the case of a subsequent exchange, endorse, or procure the endorsement of, a permanent Global Note to reflect such exchange or (ii) in the case of a Global Note exchangeable for Definitive Notes or (in the case of a permanent Global Note) Registered Notes, deliver, or procure the delivery of, an equal aggregate nominal amount of duly executed and authenticated Definitive Notes and/or Certificates, as the case may be. Global Notes and Definitive Notes will be delivered outside the United States and its possessions. In this Prospectus, "**Definitive Notes**" means, in relation to any Global Note, the definitive Bearer Notes for which such Global Note may be exchanged (if appropriate, having attached to them all Coupons and Receipts in respect of interest or Instalment Amounts that have not already been paid on the Global Note and a Talon). Definitive Notes will be security printed and Certificates will be printed in accordance with any applicable legal and stock exchange requirements in or substantially in the form set out in the Schedules to the Trust Deed. On exchange in full of each permanent Global Note, we will, if the holder so requests, procure that it is cancelled and returned to the holder together with the relevant Definitive Notes.

Exchange Date

"**Exchange Date**" means, in relation to a temporary Global Note, the day falling after the expiry of 40 days after its issue date and, in relation to a permanent Global Note, a day falling not less than 60 days, or in the case of an exchange for Registered Notes five days, after that on which the notice requiring exchange is given or, where applicable, after the 15th day on which a clearing system is closed for business, and on which banks are open for business in the city in which the specified office of the Issuing and Paying Agent is located and in the city in which the relevant clearing system is located.

Amendment to Conditions

The temporary Global Notes, permanent Global Notes and Global Certificates contain provisions that apply to the Notes that they represent, some of which modify the effect of the terms and conditions of the Notes set out in this Prospectus.

Payments

No payment falling due after the Exchange Date will be made on any Global Note unless exchange for an interest in a permanent Global Note or for Definitive Notes is improperly withheld or refused. Payments on any temporary Global Note issued in compliance with the D Rules before the Exchange Date will only be made against presentation of certification as to non-US beneficial ownership in the form set out in the Agency Agreement. All payments in respect of Notes represented by a Global Note will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Notes, surrender of that Global Note to or to the order of the Issuing and Paying Agent or such other Paying Agent as shall have been notified to the Noteholders for such purpose. A record of each payment so made will be endorsed on each Global Note, which endorsement will be prima facie evidence that such payment has been made in respect of the Notes. Condition 7(e)(vii) and Condition 8(d) will apply to the Definitive Notes only.

Prescription

Claims against us in respect of Notes that are represented by a permanent Global Note will become void unless it is presented for payment within a period of 10 years (in the case of principal) and 5 years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 8).

Meetings

The holder of a permanent Global Note or of the Notes represented by a Global Certificate shall (unless such permanent Global Note or Global Certificate represents only one Note) be treated as being two persons for the purposes of any quorum requirements of a meeting of Noteholders and, at any such meeting, the holder of a permanent Global Note shall be treated as having one vote in respect of each integral currency unit of the Specified Currency of the Notes. (All holders of Registered Notes are entitled to one vote in respect of each Note comprising such Noteholder's holding, whether or not represented by a Global Certificate.)

Cancellation

Cancellation of any Note represented by a permanent Global Note that is required by the Conditions to be cancelled (other than upon its redemption) will be effected by a reduction in the nominal amount of the relevant permanent Global Note or its presentation to or to the order of the Issuing and Paying Agent for endorsement in the relevant schedule of such permanent Global Note or, in the case of a Global Certificate, by reduction in the aggregate principal amount of the Certificates in the register of the

Certificateholders, whereupon the principal amount thereof shall be reduced for all purposes by the amount so cancelled and endorsed.

Purchase

Notes represented by a permanent Global Note or a Global Certificate may only be purchased by the Company or any of its subsidiaries if they are purchased together with the rights to receive all future payments of interest and Instalment Amounts (if any) thereon.

The Company's Option

Any option provided to us in the Conditions of any Notes while such Notes are represented by a permanent Global Note or a Global Certificate shall be exercised by us giving notice to the Noteholders within the time limits set out in and containing the information required by the Conditions, except that the notice shall not be required to contain the serial numbers of Notes drawn in the case of a partial exercise of an option and accordingly no drawing of Notes shall be required. In the event that our option is exercised in respect of some but not all of the Notes of any Series, the rights of accountholders with a clearing system in respect of the Notes will be governed by the standard procedures of Euroclear, Clearstream, Luxembourg, DTC or any other clearing system (as the case may be).

Noteholders' Option

Any option of the Noteholders provided for in the Conditions of any Notes while such Notes are represented by a permanent Global Note or a Global Certificate may be exercised by the holder of the permanent Global Note or Global Certificate, as the case may be, giving notice to the Issuing and Paying Agent within the time limits relating to the deposit of Notes with a Paying Agent set out in the Conditions substantially in the form of the notice available from any Paying Agent, except that the notice shall not be required to contain the serial numbers of the Notes in respect of which the option has been exercised, and stating the nominal amount of Notes in respect of which the option is exercised and at the same time presenting the permanent Global Note to the Issuing and Paying Agent, or to a Paying Agent acting on behalf of the Issuing and Paying Agent, for notation or, in the case of a Global Certificate, by reduction in the aggregate principal amount of the Certificate in the register of the Certificateholders.

Trustee's Powers

In considering the interests of Noteholders while any Global Note is held on behalf of, or Registered Notes are registered in the name of any nominee for, a clearing system, the Trustee may have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its accountholders with entitlements to such Global Note or Registered Notes and may consider such interests as if such accountholders were the holders of the Notes represented by such Global Note or Global Certificate.

Notices

So long as any Notes are represented by a Global Note or a Global Certificate and such Global Note or Global Certificate is held on behalf of a clearing system, notices to the holders of Notes of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions or by delivery of the relevant notice to the holder of the Global Note or Global Certificate.

Partly Paid Notes

The provisions relating to Partly Paid Notes are not set out in this Prospectus, but will be contained in the relevant Final Terms and thereby in the Global Notes. While any instalments of the subscription moneys due from the holder of Partly Paid Notes are overdue, no interest in a Global Note representing such Notes may be exchanged for an interest in a permanent Global Note or for Definitive Notes (as the case may be). If any Noteholder fails to pay any instalment due on any Partly Paid Notes within the time specified, we may forfeit such Notes and shall have no further obligation to their holder in respect of them.

USE OF PROCEEDS

We will apply the net proceeds from the issue of each Tranche of Notes for general corporate purposes. If, in respect of any particular issue, there is a particular identified use of proceeds, this will be stated in the relevant Final Terms.

EXCHANGE RATE INFORMATION

Since November 1997, the UAE Dirham has been pegged to the US dollar at a rate equal to AED3.6725 = \$1.00 or \$0.272294 = AED1.

The following table shows for each of the periods indicated (in each case rounded to the nearest hundredth) the high, low, average and period end noon buying rates for such period in The City of New York for cable transfers payable in Pounds Sterling as certified for customs purposes by the Federal Reserve Bank of New York and expenses in US dollars per £1.00. The rates set out below may differ from the actual rates used in the preparation of the financial statements and other financial information that appear elsewhere in this Prospectus. The inclusion of these exchange rates in this Prospectus is for illustrative purposes only and does not mean that any amounts reported herein actually represent a specific amount in another currency or that any such amounts could have been converted at any particular rate, if at all.

	US dollars per £1.00			
Year	**High**	**Low**	**Average**	**Period end**
2004	1.95	1.75	1.83	1.92
2005	1.93	1.71	1.82	1.72
2006	1.98	1.72	1.84	1.96
2007 (to June 22, 2007)	2.01	1.92	1.97	2.00

	US dollars per £1.00			
Month	**High**	**Low**	**Average**	**Period end**
January 2007	1.98	1.93	1.96	1.96
February 2007	1.97	1.94	1.96	1.96
March 2007	1.97	1.92	1.95	1.97
April 2007	2.01	1.96	1.99	2.00
May 2007	2.00	1.97	1.98	1.98
June 2007 (to June 22, 2007)	2.00	1.97	1.98	2.00

Fluctuations in the exchange rate between certain currencies may affect our business. See “Risk Factors—Risks Relating to the Company—Fluctuations in currency exchange rates could have an adverse effect on our results of operations”.

UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

The unaudited pro forma consolidated statement of income of the Company for the year ended December 31, 2006 and the unaudited pro forma consolidated balance sheet of the Company as of December 31, 2006 are based on the audited consolidated statement of income of DPA for the year ended December 31, 2006 included in the Audited DPA Consolidated Financial Statements appearing in this Prospectus and the audited balance sheet of the Company as of December 31, 2006, respectively.

*The unaudited pro forma consolidated statement of income for the year ended December 31, 2006 has been prepared for illustrative purposes only to show the effect of (i) the acquisition of P&O; (ii) the disposal of POPNA, the Shekou Terminals and the Colombo Terminal and the transfer to affiliates of the Company of the P&O Ferries Business and of P&O Estates; and (iii) the effective commencement of the concession agreement between DPA and DP World UAE Region FZE ("**DP World UAE**") relating to the transfer of operations of DP World Jebel Ali, Port Rashid (Dubai) and Hamriya Port (the "**Concession Agreement**") (collectively, the "**P&L Transactions**") as if such events had occurred on January 1, 2006.*

*The unaudited pro forma consolidated balance sheet as of December 31, 2006 has been prepared for illustrative purposes only to show the effect of (i) the transfer of the capital stock of DP World FZE and Thunder FZE to the Company and (ii) the disposal of POPNA, the Shekou Terminals and the Colombo Terminal and the transfer to affiliates of the Company of the P&O Ferries Business and of P&O Estates (collectively, the "**Balance Sheet Transactions**", and together with the P&L Transactions, the "**Transactions**").*

The Unaudited Pro Forma Consolidated Financial Information, because of its nature, addresses a hypothetical situation and, therefore, does not represent our actual financial position or results had the Transactions been completed at the dates assumed or any other date and should not be regarded as an indication of the operating results generated by us or of our future financial position.

The Unaudited Pro Forma Consolidated Financial Information has been prepared on a basis consistent with the accounting policies of DPA as of and for the year ended December 31, 2006 as set out in Note 2.3, "Summary of Significant Accounting Policies", of the Notes to the Consolidated Audited Financial Statements of DPA as of and for the years ended December 31, 2005 and 2006. The Company has adopted these accounting policies from January 1, 2007.

You should read the Unaudited Pro Forma Consolidated Financial Information in conjunction with the information contained in "Use of Proceeds", "Selected Historical Consolidated Financial Data of DPA", "Selected Historical Consolidated Financial Data of P&O", "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Audited DPA Consolidated Financial Statements and the P&O Consolidated Financial Statements appearing in this Prospectus.

DP WORLD LIMITED

Unaudited Pro Forma Consolidated Statement of Income

For the year ended December 31, 2006

	DPA historical	Pro forma adjustments: Results of P&O from January 1 to March 8, 2006[(1)(2)]	Pro forma adjustments: Disposal of POPNA, Shekou and Colombo and Transfer of P&O Estates and P&O Ferries Business[(3)]	Pro forma adjustments: Impact of Concession Agreement[(4)]	Company pro forma	Separately disclosable items[(5)]	Company pro forma before separately disclosable items
	(US dollars in thousands)						
Revenue from operations	$3,486,778	$ 485,448	$(1,680,670)	$ —	$ 2,291,556	$ —	$ 2,291,556
Cost of sales	(2,522,491)	(423,178)	1,422,994	(60,000)	(1,582,675)	(29,631)	(1,553,044)
Gross profit	964,287	62,270	(257,676)	(60,000)	708,881	(29,631)	738,512
General and administration expenses	(524,808)	(126,658)	180,792	—	(470,674)	(122,748)	(347,926)
	439,479	(64,388)	(76,884)	(60,000)	238,207	(152,379)	390,586
Other income	42,933	2,800	(3,433)	—	42,300	17,200	25,100
Interest income	95,113	5,400	—	—	100,513	—	100,513
Finance costs	(403,082)	(14,200)	11,857	—	(405,425)	(61,146)	(344,279)
Share of profit (loss) of joint ventures and associates	35,514	9,477	(19,269)	—	25,722	—	25,722
Profit before tax from continuing operations	209,957	(60,911)	(87,729)	(60,000)	1,317	(196,325)	197,642
Income tax	(12,277)	104,100	1,309	—	93,132	8,300	84,832
Profit after tax from continuing operations	197,680	43,189	(86,420)	(60,000)	94,449	(188,025)	282,474
Profit after tax from discontinued operations	19,233	27,137	(46,370)	—	—	—	—
Profit for the year	$ 216,913	$ 70,326	$ (132,790)	$ (60,000)	$ 94,449	$ (188,025)	$ 282,474
Attributable to:							
Equity holder of the parent	$ 191,780	$ 66,826	$ (132,790)	$ (60,000)	$ 65,816	$ (188,025)	$ 253,841
Minority interests	25,133	3,500	—	—	28,633	—	28,633

See the accompanying Notes to Unaudited Pro Forma Consolidated Statement of Income

DP WORLD LIMITED

Notes to Unaudited Pro Forma Consolidated Statement of Income

For the year ended December 31, 2006

(1) **Results of P&O from January 1, 2006 to March 8, 2006:** P&O was acquired by DP World effective March 9, 2006. Therefore, the audited financial statements of DPA as of and for the year ended December 31, 2006 include the results of P&O from March 9, 2006. This adjustment adds the results of P&O from January 1, 2006 to March 8, 2006.

(2) **Tax Credits:** Income tax includes tax credits of $118.3 million, which represent the release of deferred tax provisions made in prior years in Australia and India after favourable rulings by local tax authorities, and of provisions for potential US tax liabilities related to periods that are beyond the statute of limitations.

(3) **Disposal of POPNA, Shekou and Colombo and the transfer of P&O Estates and P&O Ferries Business:** This adjustment eliminates the results of operations of the businesses disposed of or transferred since December 31, 2006, which were reflected as discontinued operations in the audited financial statements of DPA as of and for the year ended December 31, 2006 (i.e., POPNA, the Shekou Terminals, the Colombo Terminal and P&O Estates). In addition, this adjustment also eliminates the results of the P&O Ferries Business, which was transferred post December 31, 2006 to an affiliate. Because no transfer had been agreed at December 31, 2006, the results of the P&O Ferries Business were reflected as continuing operations in the audited statement of income for DPA for the year ended December 31, 2006.

(4) **Impact of Concession Agreement:** With effect from July 1, 2006, DPA transferred all of its assets and liabilities relating to the Dubai Ports operations to DP World UAE, a subsidiary of DPA. On the date of the transfer, property, plant and equipment were revalued and transferred at fair market value, which resulted in an additional depreciation charge of $13.0 million per annum. In addition, under the Concession Agreement, a concession fee is payable by DP World to DPA in the amount of $47.0 million per annum. The total impact of these adjustments is $60.0 million per annum.

(5) **Seperately disclosable items:** A reconciliation of historical separately disclosable items as per the audited financial statements of DPA for the year ended December 31, 2006 and pro forma separately disclosable items is provided below. DPA presents, as separately disclosable items on the face of the income statement, those material items of income and expense which, because of the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow users to better understand the elements of our financial performance in the period, so as to facilitate a comparison with prior periods and a better assessment of trends in our financial performance.

(5) Separately disclosable items (Continued)

	Separately disclosable items			
	DPA historical[(a)]	Results of P&O for the period January 1 to March 8, 2006	Transfer of P&O Ferries Business[(b)]	Company pro forma
	(US dollars in thousands)			
Revenue from operations	$ —	$ —	$ —	$ —
Cost of sales	(32,400)	—	2,769	(29,631)
Gross profit	(32,400)	—	2,769	(29,631)
General and administration expenses	(51,338)	(67,800)	(3,610)	(122,748)
	(83,738)	(67,800)	(841)	(152,379)
Other income	17,000	200	—	17,200
Interest income	—	—	—	—
Finance costs	(61,146)	—	—	(61,146)
Share of profit (loss) of joint ventures and associates	—	—	—	—
Profit before tax from continuing operations	(127,884)	(67,600)	(841)	(196,325)
Income tax	8,300	—	—	8,300
Profit after tax from continuing operations	(119,584)	(67,600)	(841)	(188,025)
Profit after tax from discontinued operations	—	—	—	—
Profit for the year	$(119,584)	$(67,600)	$ (841)	$(188,025)
Attributable to:				
Equity holder of the parent	$(119,584)	$(67,600)	$ (841)	$(188,025)
Minority interests	—	—	—	—

(a) See Note 7, "Separately Disclosable Items", of the Notes to the Consolidated Audited Financial Statements of DPA as of and for the years ended December 31, 2005 and 2006 for further information.

(b) Represents the elimination of separately disclosable items relating to the P&O Ferries Business included as part of continuing operations in the audited financial statements of DPA as of and for the year ended December 31, 2006.

DP WORLD LIMITED

Unaudited Pro Forma Consolidated Balance Sheet

As at December 31, 2006

	Company historical	Pro forma adjustments: Transfer of DP World FZE and Thunder FZE(1)	Pro forma adjustments: Elimination of balances relating to business units disposed of or transferred(2)	Company pro forma
		(US dollars in thousands)		
ASSETS				
Non-current assets				
Property, plant and equipment	$ —	$ 3,702,579	$ (647,149)	$ 3,055,430
Intangible assets	—	3,440,853	(185,000)	3,255,853
Goodwill	—	3,103,870	—	3,103,870
Investment in joint ventures and associates	—	2,940,715	(5,470)	2,935,245
Deferred tax assets	—	12,119	—	12,119
Other investments	—	13,500	(16)	13,484
Accounts receivables and prepayments	—	76,271	1,056,000	1,132,271
	—	13,289,907	218,365	13,508,272
Current assets				
Property held for development and sale	—	137,400	—	137,400
Inventories	—	63,887	(20,509)	43,378
Accounts receivable and prepayments	—	902,812	(318,300)	584,512
Tax recoverable	—	18,660	—	18,660
Bank balances and cash	—*	2,225,386	952,134	3,177,520
Assets classified as held for sale	—	1,263,621	(1,263,621)	—
	—	4,611,766	(650,296)	3,961,470
Total assets	$ —	$17,901,673	$ (431,931)	$17,469,742

* On December 31, 2006, the Company's balance sheet reflected $1.00 as cash and share capital.

See the accompanying Notes to Unaudited Pro Forma Consolidated Balance Sheet

DP WORLD LIMITED

Unaudited Pro Forma Consolidated Balance Sheet (Continued)

As at December 31, 2006

	Company historical	Pro forma adjustments: Transfer of DP World FZE and Thunder FZE(1)	Pro forma adjustments: Elimination of balances relating to business units disposed of or transferred(2)	Company pro forma
		(US dollars in thousands)		
EQUITY AND LIABILITIES				
Share capital	$ —*	$ —	$ —	$ —
Retained earnings	—	—	616,610	616,610
Parent's equity	—	—	616,610	616,610
Minority interests	—	702,224	—	702,224
Total equity	—	702,224	616,610	1,318,834
Non-current liabilities				
Pension and post employment benefits	—	275,311	(148,744)	126,567
Interest bearing loans and borrowings	—	5,526,061	(104,065)	5,421,996
Deferred tax liabilities	—	1,277,528	(417)	1,277,111
Provisions	—	26,800	(44,481)	(17,681)
Accounts payable and accruals	—	191,293	(25,083)	166,210
	—	7,296,993	(322,790)	6,974,203
Current liabilities				
Accounts payable and accruals	—	1,043,258	(334,313)	708,945
Payable to an affiliate	—	8,132,655	—	8,132,655
Bank overdrafts	—	4,301	1,215	5,516
Interest bearing loans and borrowings	—	191,977	—	191,977
Pension and post-employment benefits	—	66,464	—	66,464
Provisions	—	73,800	(2,652)	71,148
Liabilities classified as held for sale	—	390,001	(390,001)	—
	—	9,902,456	(725,751)	9,176,705
Total liabilities	—	17,199,449	(1,048,541)	16,150,908
Total equity and liabilities	$ —	$17,901,673	$ (431,931)	$17,469,742

* On December 31, 2006, the Company's balance sheet reflected $1.00 as cash and share capital.

See the accompanying Notes to Unaudited Pro Forma Consolidated Balance Sheet

DP WORLD LIMITED

Notes to Unaudited Pro Forma Consolidated Balance Sheet

As at December 31, 2006

(1) **Transfer of DP World FZE and Thunder FZE:** On January 1, 2007, DP World FZE and Thunder FZE (both limited liability companies registered in the Emirate of Dubai, UAE) were transferred from DPA, an affiliate of the Company, to the Company on behalf of Port & Free Zone World FZE, at the carrying value of net assets of $8,132,655,000. The consideration is reflected as a payable to an affiliate.

The assets and liabilities of DP World FZE and Thunder FZE transferred on January 1, 2007 were as follows:

	Carrying value (US dollars in thousands)
ASSETS	
Property, plant and equipment	$3,702,579
Intangible assets	3,440,853
Goodwill	3,103,870
Investment in associates and joint ventures	2,940,715
Deferred tax assets	12,119
Other investments	13,500
Accounts receivable and prepayments	979,083
Property held for development and sale	137,400
Inventories	63,887
Tax recoverable	18,660
Bank balances and cash	2,225,386
Assets classified as held for sale	1,263,621
Total Assets	17,901,673
LIABILITIES	
Pension and post-employment benefits	341,775
Interest bearing loans and borrowings	5,718,038
Deferred tax liabilities	1,277,528
Provisions	100,600
Accounts payable and accruals	1,234,551
Bank overdrafts	4,301
Liabilities classified as held for sale	390,001
Total Liabilities	9,066,794
Net assets acquired	8,834,879
Less: Attributable to minority shareholders	(702,224)
Total acquisition value	$8,132,655

(1) Transfer of DP World FZE and Thunder FZE (Continued)

A reconciliation of the net assets transferred to the Company from those reflected in the audited financial statements for DPA as of and for the year ended December 31, 2006 is set out below:

Reconciliation Statement—Balance Sheet

	DPA audited financial statements at December 31, 2006	Balances retained in DPA	DP World FZE and Thunder FZE balances transferred to the Company
	(US dollars in thousands)		
ASSETS			
Non-current assets			
Property, plant and equipment	$ 3,681,973	$ 20,606	$ 3,702,579
Intangible assets	3,440,853	—	3,440,853
Goodwill	3,103,870	—	3,103,870
Investment in joint ventures and associates	2,940,715	—	2,940,715
Deferred tax assets	12,119	—	12,119
Other investments	13,500	—	13,500
Accounts receivables and prepayments	76,271	—	76,271
	13,269,301	20,606	13,289,907
Current assets			
Property held for development and sale	137,400	—	137,400
Inventories	63,887	—	63,887
Accounts receivable and prepayments	1,248,219	(345,407)	902,812
Tax recoverable	18,660	—	18,660
Bank balances and cash	2,241,039	(15,653)	2,225,386
Assets classified as held for sale	1,263,621	—	1,263,621
	4,972,826	(361,060)	4,611,766
Total Assets	$18,242,127	$ (340,454)	$17,901,673

DP WORLD LIMITED

Notes to Unaudited Pro Forma Consolidated Balance Sheet (Continued)

As at December 31, 2006

Reconciliation Statement—Balance Sheet

	DPA audited financial statements at December 31, 2006	Balances retained in DPA	DP World and Thunder FZE balances transferred to the Company
	(US dollars in thousands)		
EQUITY AND LIABILITIES			
Equity attributable to equity holder of the parent	$ 8,429,188	$(8,429,188)	$ —
Minority interests	702,224	—	702,224
Total equity	9,131,412	(8,429,188)	702,224
Non-current liabilities			
Pension and post-employment benefits	277,625	(2,314)	275,311
Interest bearing loans and borrowings	5,526,061		5,526,061
Deferred tax liabilities	1,277,528	—	1,277,528
Provisions	26,800	—	26,800
Accounts payable and accruals	183,736	7,557	191,293
	7,291,750	5,243	7,296,993
Current liabilities			
Accounts payable and accruals	1,092,422	(49,164)	1,043,258
Payable to an affiliate	—	8,132,655	8,132,655
Bank overdrafts	4,301	—	4,301
Interest bearing loans and borrowings	191,977	—	191,977
Pension and post-employment benefits	66,464	—	66,464
Provisions	73,800	—	73,800
Liabilities classified as held for sale	390,001	—	390,001
	1,818,965	8,083,491	9,902,456
Total liabilities	9,110,715	8,088,734	17,199,449
Total equity and liabilities	$18,242,127	$ (340,454)	$17,901,673

(2) **Elimination of balances relating to business units disposed of or transferred:** This adjustment eliminates the assets and liabilities related to POPNA, P&O Estates, the Shekou Terminals and the Colombo Terminal, which were classified as held for sale in the DPA audited financial statements as of and for the year ended December 31, 2006, and of the P&O Ferries Business, the assets and liabilities of which, because no transfer had been agreed at December 31, 2006, were not reflected as held for sale in the audited balance sheet of DPA. The sale proceeds relating to the disposal of POPNA, the Shekou Terminals, and the Colombo Terminal and the transfer of P&O Estates are included in cash and those for the P&O Ferries Business as an amount due from an affiliate in accounts receivable and prepayments. The profit on disposals and transfers is reflected in retained earnings.

SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA OF DPA

The selected historical consolidated financial data as of and for the years ended December 31, 2004, 2005 and 2006 set forth below have been derived from the Audited DPA Consolidated Financial Statements appearing in this Prospectus.

The selected historical consolidated financial data set forth below should be read in conjunction with, and are qualified by reference to, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Audited DPA Consolidated Financial Statements. The results of operations for any period are not necessarily indicative of the results to be expected for any future period.

	Year ended December 31,				
	2004	2005	2006[1]		
	Total	Total	Before separately disclosable items	Separately disclosable items[2]	Total
	(US dollars in thousands)				
Statement of Income Data:					
Revenue from operations	$ 463,881	$ 674,920	$ 3,486,778	$ —	$ 3,486,778
Cost of sales	(185,150)	(288,299)	(2,490,091)	(32,400)	(2,522,491)
Gross profit	278,731	386,621	996,687	(32,400)	964,287
General and administration expenses[3]	(27,564)	(94,417)	(473,470)	(51,338)	(524,808)
	251,167	292,204	523,217	(83,738)	439,479
Other income	2,585	1,434	25,933	17,000	42,933
Interest income	1,107	3,407	95,113	—	95,113
Finance costs	—	(58,397)	(341,936)	(61,146)	(403,082)
Share of (loss) profit of joint ventures and associates	(976)	8,022	35,514	—	35,514
Profit before tax from continuing operations	253,883	246,670	337,841	(127,884)	209,957
Income tax	(390)	(4,162)	(20,577)	8,300	(12,277)
Profit after tax from continuing operations	253,493	242,508	317,264	(119,584)	197,680
Profit after tax from discontinued operations	—	—	19,233	—	19,233
Profit for the year	$ 253,493	$ 242,508	$ 336,497	$ (119,584)	$ 216,913
Attributable to:					
Equity holder of the parent	$ 253,493	$ 239,704	$ 311,364	$ (119,584)	$ 191,780
Minority interests	—	2,804	25,133	—	25,133

(1) The statement of income data for DPA include the results of operations of P&O for the period from March 9, 2006, the first day following the P&O Acquisition, through December 31, 2006 only.

(2) See Note 7, "Separately Disclosable Items", of the Notes to the Consolidated Audited Financial Statements of DPA as of and for the years ended December 31, 2005 and 2006 for further information.

(3) Includes $7.7 million of separately disclosable items for the year ended December 31, 2005, which were related to the CSX WT Acquisition.

	As of December 31,		
	2004	2005	2006
	(US dollars in thousands)		
Balance Sheet Data:			
Non-current assets			
Property, plant and equipment	$ 583,873	$ 975,721	$ 3,681,973
Intangible assets	—	186,156	3,440,853
Goodwill	—	461,011	3,103,870
Investment in associates and joint ventures	31	1,123,885	2,940,715
Other non-current assets	204,999	12,095	101,890
	788,903	2,758,868	13,269,301
Current assets			
Property held for development and sale	—	—	137,400
Inventories	9,493	13,037	63,887
Accounts receivable and prepayments	394,184	605,406	1,248,219
Tax recoverable	—	—	18,660
Bank balances and cash	240,283	250,238	2,241,039
Assets held for sale	—	—	1,263,621
	643,960	868,681	4,972,826
Total assets	$ 1,432,863	$ 3,627,549	$18,242,127
Equity attributable to equity holder of the parent			
Owner's account	$ 741,367	$ 915,721	$ 7,545,666
Cumulative changes in fair value	—	10,781	27,928
Actuarial reserve	—	—	200,100
Other reserve	—	—	—
Translation reserve	—	(15,015)	655,494
	741,367	911,487	8,429,188
Minority interests	—	226,466	702,224
Total equity	741,367	1,137,953	9,131,412
Non-current liabilities			
Pension and post-employment benefits	67,026	69,444	277,625
Interest bearing loans and borrowings	205,084	2,858	5,526,061
Other non-current liabilities	—	192,479	1,488,064
	272,110	264,781	7,291,750
Current liabilities			
Accounts payable and accruals	419,386	568,406	1,092,422
Bank overdrafts	—	—	4,301
Interest bearing loans and borrowings	—	1,656,409	191,977
Pension and post-employment benefits	—	—	66,464
Provisions	—	—	73,800
Liabilities classified as held for sale	—	—	390,001
	419,386	2,224,815	1,818,965
Total liabilities	691,496	2,489,596	9,110,715
Total equity and liabilities	$ 1,432,863	$ 3,627,549	$18,242,127

	Year ended December 31,		
	2004	2005	2006[(1)]
	(US dollars in thousands)		
Statement of Cash Flows Data:			
Net cash from operating activities	$ 333,454	$ 245,363	$ 297,504
Net cash used in investing activities	(426,752)	(1,615,694)	(7,211,760)
Net cash from financing activities	139,733	1,382,416	8,368,271
Net increase in bank balances and cash	46,435	12,085	1,454,015
Net foreign exchange translation difference	—	(2,130)	36,301
Bank balances and cash at the beginning of the year	193,848	240,283	250,238
Bank balances and cash at the end of the year	$ 240,283	$ 250,238	$ 1,740,554

(1) The statement of cash flows data for DPA include the cash flows of P&O for the period from March 9, 2006, the first day following the P&O Acquisition, through December 31, 2006 only.

	Year ended December 31,		
	2004	2005	2006[(1)]
	(unaudited) (US dollars in thousands)		
Other Financial Data:			
Profit after tax from continuing operations	$ 253,493	$ 242,508	$ 197,680
Finance costs	—	58,397	403,082
Interest income	(1,107)	(3,407)	(95,113)
Taxes	390	4,162	12,277
Depreciation and amortisation	41,707	55,451	296,023
EBITDA[(2)]	294,483	357,111	813,949
Separately disclosable items[(3)]	—	7,713	66,738
Adjusted EBITDA[(4)]	$ 294,483	$ 364,824	$ 880,687

(1) The other financial data for DPA includes the results of operations of P&O for the period from March 9, 2006, the first day following the P&O Acquisition, through December 31, 2006 only.

(2) EBITDA, a measure used by management to measure operating performance, is defined as profit after tax from continuing operations plus finance costs (net of interest income), income tax, depreciation and amortisation. See “Non-IFRS Measures”.

(3) See Note 7, “Separately Disclosable Items”, of the Notes to the Consolidated Audited Financial Statements of DPA as of and for the years ended December 31, 2005 and 2006 for further information.

(4) Adjusted EBITDA is defined as EBITDA further adjusted to remove the impact of separately disclosable items. See “Non-IFRS Measures”.

SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA OF P&O

The selected historical consolidated financial data as of and for the years ended December 31, 2004 and 2005 set forth below have been derived from the P&O Consolidated Financial Statements appearing elsewhere in this Prospectus. The P&O Consolidated Financial Statements were P&O's first consolidated financial statements prepared in accordance with IFRS, as adopted by the EU, and, consequently, IFRS 1, "*First-time Adoption of International Financial Reporting Standards*", was applied. For additional information on the transition to IFRS, see Note 1, "Significant accounting policies—Transitional arrangements", of the Notes to the P&O Consolidated Financial Statements.

The P&O Consolidated Financial Statements and, consequently, the selected historical consolidated financial data set forth below include the financial results of the P&O Ferries Business, P&O Estates and POPNA, which were disposed of or transferred prior to the date of this Prospectus, as described under "Management's Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting the Comparability of the Periods under Review". You are therefore cautioned to consider the following information accordingly.

The selected historical consolidated financial data set forth below should be read in conjunction with, and are qualified by reference to, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the P&O Consolidated Financial Statements. The results of operations for any period are not necessarily indicative of the results to be expected for any future period.

	Year ended December 31,					
	2004			2005		
	Before separately disclosable items	Separately disclosable items(1)	Total	Before separately disclosable items	Separately disclosable items(1)	Total
		(Unaudited)				
	(Pounds Sterling in millions)					
Statement of Income Data:						
Group revenue	£ 2,265.9	£ —	£ 2,265.9	£ 2,340.1	£ —	£ 2,340.1
Cost of sales	(1,908.4)	(122.9)	(2,031.3)	(2,014.4)	—	(2,014.4)
Gross profit (loss)	357.5	(122.9)	234.6	325.7	—	325.7
Other operating income	19.5	13.5	33.0	12.8	4.1	16.9
Administrative costs	(216.9)	(217.3)	(434.2)	(192.5)	(18.7)	(211.2)
Share of results of joint ventures and associates	30.5	—	30.5	40.9	(0.9)	40.0
Group operating profit (loss)	190.6	(326.7)	(136.1)	186.9	(15.5)	171.4
Profit on sale and termination of businesses	—	32.4	32.4	—	—	—
Financial income	11.4	—	11.4	7.9	—	7.9
Financial expenses	(94.9)	—	(94.9)	(66.6)	(12.1)	(78.7)
Profit (loss) before taxation	107.1	(294.3)	(187.2)	128.2	(27.6)	100.6
Taxation	(18.9)	(1.9)	(20.8)	(23.6)	(0.4)	(24.0)
Profit (loss) on continuing operations after taxation	88.2	(296.2)	(208.0)	104.6	(28.0)	76.6
Profit from discontinued operations, net of tax	53.0	3.5	56.5	33.6	179.9	213.5
Profit (loss) for the year	£ 141.2	£ (292.7)	£ (151.5)	£ 138.2	£ 151.9	£ 290.1

(1) See Note 4, "Separately disclosable items", of the Notes to the P&O Consolidated Financial Statements for further information.

	As of December 31, 2004	As of December 31, 2005
	(Unaudited) (Pounds Sterling in millions)	
Balance Sheet Data:		
Non-current assets		
Goodwill	£ 92.7	£ 85.5
Prepaid leases	145.0	153.5
Property, plant and equipment	1,233.7	1,160.8
Investments	512.6	401.0
Other non-current assets	23.9	15.7
	2,007.9	1,816.5
Current assets		
Properties held for development and sale	508.5	149.8
Inventories	43.2	36.6
Trade and other receivables	410.2	475.4
Cash and cash equivalents	50.2	99.5
Other current assets	6.0	35.7
	1,018.1	797.0
Current liabilities		
Bank overdrafts	(20.8)	(17.3)
Interest bearing loans and borrowings	(79.7)	(30.6)
Trade and other payables	(383.2)	(424.4)
Employee benefits	(24.2)	(23.0)
Other current liabilities	(199.8)	(140.3)
	(707.7)	(635.6)
Net current assets	310.4	161.4
Non-current liabilities		
Interest bearing loans and borrowings	(1,131.3)	(656.2)
Trade and other payables	(56.2)	(35.1)
Employee benefits	(268.9)	(282.8)
Other non-current liabilities	(124.2)	(132.6)
	(1,580.6)	(1,106.7)
Net assets	£ 737.7	£ 871.2
Equity		
Issued capital	£ 813.5	£ 822.2
Share premium	782.9	792.2
Reserves	111.6	172.6
Retained earnings	(1,017.1)	(969.8)
Total equity attributable to equity holders of the parent	690.9	817.2
Minority interests in subsidiaries	46.8	54.0
Total equity	£ 737.7	£ 871.2

	Year ended December 31, 2004	2005
	(Unaudited) (Pounds Sterling in millions)	
Statement of Cash Flows Data:		
Net cash inflow from operating activities	£ 483.9	£ 408.8
Net cash inflow from investing activities	243.8	347.1
Net cash outflow from financing activities	(736.5)	(705.5)
Net increase (decrease) in cash and cash equivalents	(8.8)	50.4
Cash and cash equivalents at January 1	36.5	29.4
Effect of exchange rate fluctuations on cash held	1.7	2.4
Cash and cash equivalents at December 31	£ 29.4	£ 82.2

	Year ended December 31, 2004	2005
	(Unaudited) (Pounds Sterling in millions)	
Other Financial Data:		
Profit (loss) on continuing operations after taxation	£ (208.0)	£ 76.6
Financial expenses	94.9	78.7
Financial income	(11.4)	(7.9)
Taxation	20.8	24.0
Depreciation and amortisation	106.9	100.8
EBITDA(1)	3.2	272.2
Separately disclosable items(2)	294.3	15.5
Adjusted EBITDA(3)	£ 297.5	£ 287.7

(1) EBITDA, a measure used by management to measure operating performance, is defined as profit on continuing operations after taxation for the year plus financial expenses (net of financial income), taxation, depreciation and amortisation. See "Non-IFRS Measures".

(2) See Note 4, "Separately disclosable items", of the Notes to the P&O Consolidated Financial Statements for further information.

(3) Adjusted EBITDA is defined as EBITDA further adjusted to remove the impact of separately disclosable items. See "Non-IFRS Measures".

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of our financial condition and results of operations should be read in conjunction with the information in "Selected Historical Consolidated Financial Data of DPA", "Selected Historical Consolidated Financial Data of P&O", "Unaudited Pro Forma Consolidated Financial Information" and the Audited DPA Consolidated Financial Statements and the P&O Consolidated Financial Statements appearing in this Prospectus.

This discussion and analysis contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those discussed below and elsewhere in this Prospectus, particularly under the headings "Risk Factors" and "Cautionary Note Regarding Forward-Looking Statements".

Overview

We are one of the largest container terminal operators in the world by capacity and throughput, with a portfolio of 42 container terminals spanning 22 countries. For the year ended December 31, 2006, we generated pro forma revenue from operations (which does not include revenue attributable to our joint ventures and associates) of $2,291.6 million and pro forma Adjusted EBITDA of $722.4 million.

For financial reporting purposes, prior to the transfers and disposals described under "—Factors Affecting the Comparability of the Periods under Review", our businesses had been organised and managed in three operating segments: (i) ports, which included our container terminal and other ports-related operations, as well as our maritime services company ("**P&O Maritime Services**"), (ii) ferries, which included the P&O Ferries Business, and (iii) properties, which included P&O Estates. As a result of such transfers and disposals, we now only have one operating segment, ports, which, for the Consolidated Audited Financial Statements of DPA as of and for the years ended December 31, 2005 and 2006, we divided into five geographic financial reporting regions, which consolidated certain of the eight operating regions that we use to manage our ports business, as well as P&O Maritime Services, as set forth below, as well as a head office reporting segment, which included unallocated financial results.

Financial Reporting Region	Operating Region
UAE, Middle East and South and East Africa	UAE Africa Middle East (excluding UAE)
Asia-Pacific and Indian Subcontinent	Asia-Pacific Indian Subcontinent
Europe and North and West Africa	Europe and North Africa
Australia and New Zealand	Australia and New Zealand P&O Maritime Services
Americas	Americas

For future reporting periods, we intend to consolidate these five geographic financial reporting regions into three geographic financial reporting regions: (i) UAE, Middle East, Europe and Africa; (ii) Asia-Pacific and Indian Subcontinent; and (iii) Australia and New Zealand and Americas. For a presentation of how our revenue from operations and net profit for the year would have been presented if we reported on this information on a consolidated basis by these three reporting regions in 2006, see "Overview—Summary Historical and Pro Forma Consolidated Financial and Operating Data".

Factors Affecting the Comparability of the Periods under Review

As a result of the evolution of our business during the periods under review as described below, our financial condition and results of operations for such periods were affected by the following principal factors.

The Company

Pursuant to the Restructuring, which was designed to separate the ports-related commercial and regulatory activities of the Government of Dubai, the Company was incorporated in the DIFC on August 9, 2006 for the purpose of becoming the holding company for the ports-related commercial activities of Dubai World. On January 1, 2007, DP World FZE and Thunder FZE, which is the holding company for P&O, were transferred from DPA, an affiliate of the Company, to the Company. Prior to the transfer of DP World FZE and Thunder FZE, the Company did not have any operations. As a result, the information presented in this "Management's Discussion and Analysis of Financial Condition and Results of Operations" is based on the Audited DPA Consolidated Financial Statements and the P&O Consolidated Financial Statements.

CSX WT Acquisition

In February 2005, we acquired CSX WT, the international terminal business of CSX Corporation, for $1.2 billion (the "**CSX WT Acquisition**"). CSX WT was a leading global container terminal operator with key strategic assets in some of the world's fastest growing markets, including Asia and South America. The CSX WT Acquisition represented an important step in our global expansion strategy by increasing our international presence in the container terminal industry and enhancing our geographic diversification.

We conducted full purchase price adjustment accounting with respect to this transaction, which resulted in a step-up valuation of $405.6 million and $204.2 million for the tangible and intangible assets, respectively, as well as $434.5 million of additional goodwill. The tangible and intangible assets will be depreciated and amortised over their remaining useful lives. For a discussion of how we account for the impairment of goodwill and intangible assets, see "—Critical Accounting Policies and Estimates—Accounting for Impairment of Assets—Impairment of goodwill" and "—Critical Accounting Policies and Estimates—Accounting for Impairment of Assets—Impairment of intangible assets", respectively, below. We have also recognised an additional deferred tax liability of $138.1 million relating to the CSX WT Acquisition.

The annual impact of additional depreciation and amortisation net of minority interest, deferred taxes, and corresponding adjustments to investments in associates will be $14.1 million.

P&O Acquisition

In March 2006, we acquired P&O for $7.2 billion (the "**P&O Acquisition**"). P&O was a leading global container terminal operator and also had significant operations in ferries, as well as maritime services and property development businesses. The P&O Acquisition represented a unique opportunity to significantly increase our global container terminal network and market position by incorporating P&O's largely complementary portfolio of terminals in Asia, India, Australia, the Americas, Europe and Africa into our terminal portfolio.

We conducted full purchase price adjustment accounting with respect to this transaction, which resulted in a step-up valuation of $2,095.2 million and $2,821.4 million for the tangible and intangible assets, respectively, as well as $2,499.1 million of additional goodwill. The tangible and intangible assets will be depreciated and amortised over their remaining useful lives. We have also recognised an additional deferred tax liability of $1,020.0 million relating to the P&O Acquisition.

The annual impact of additional depreciation and amortisation net of minority interest, deferred taxes and corresponding adjustments to investments in associates will be $82.6 million, or $72.7 million excluding discontinued operations.

POPNA Disposal

In connection with the P&O Acquisition, we acquired the assets of POPNA, which included concessions at six container terminal operations and three non-container terminal operations in the United States, as well as stevedoring operations at an additional 16 US ports. On March 16, 2007, P&O Holdings, Inc., a wholly-owned subsidiary of ours, completed the sale of 100% of POPNA to a wholly-owned subsidiary of AIG Global Investment Group. In accordance with IFRS, the operations of POPNA were reflected as assets held for sale and discontinued operations in the Audited DPA Consolidated Financial Statements.

P&O Ferries Business Transfer

On March 30, 2007, we entered into an agreement to transfer the P&O Ferries Business that we acquired in the P&O Acquisition to P&O Ferries Division Holdings Limited ("**P&O Ferries Division Holdings**"), Ship Management Holdings (Gibraltar) Limited and P&O Ferries Holdings Limited, affiliates of ours that are also indirect subsidiaries of Port & Free Zone World FZE, our direct parent company. See "Related Party Transactions—Relationship with Dubai World and the Government of Dubai—Ongoing

Relationship—Transfer of P&O Ferries". The operations of the P&O Ferries Business were reflected as continuing operations and not assets held for sale in the Audited DPA Consolidated Financial Statements because the decision to transfer this business was not taken until after December 31, 2006. Under the terms of the transfer of the P&O Ferries Business, which was completed on March 30, 2007, we have entered into an agreement in respect of pension arrangements, pursuant to which we expect that our net liabilities in respect of pension and post-retirement benefits will be reduced by approximately £66.7 million under existing funding requirements.

P&O Estates Transfer

On May 11, 2007, we entered into an agreement to transfer the property development businesses ("**P&O Estates**") that we acquired in the P&O Acquisition to an affiliate of ours in the Istithmar group, which is also a portfolio company of Dubai World, our indirect parent company, for a transfer price equal to the market value of the assets transferred plus a premium, subject to specific adjustments. We expect that the completion of the transfer of P&O Estates will occur in the second half of 2007. See "Related Party Transactions—Relationship with Dubai World and the Government of Dubai—Ongoing Relationship—Transfer of P&O Estates". In accordance with IFRS, the operations of P&O Estates were reflected as assets held for sale and discontinued operations in the Audited DPA Consolidated Financial Statements.

Shekou Disposal

On December 14, 2006, we entered into a share purchase agreement to sell the 22.5% and 22.05% interests in Shekou Container Terminal 1 and Shekou Container Terminal 2, respectively, which we acquired in the P&O Acquisition, to China Merchants Holdings (International) Company Limited for cash consideration of HK$1,782 million (or approximately $228.4 million as of February 22, 2007). Our minority interests in the Shekou Terminals, which are located in Shenzhen, China, did not meet our objectives with respect to maintaining day-to-day management control and influence over the terminals in our portfolio, and the sale is designed to rebalance our China portfolio in line with our strategic vision. The completion of the sale occurred in the first quarter of 2007. The Shekou Terminals were reflected as continuing operations and assets held for sale in the Audited DPA Consolidated Financial Statements.

Colombo Disposal

On December 1, 2006, we entered into a share sale and purchase agreement to sell our 16.25% interests in South Asia Gateway Terminals (Private) Ltd ("**Colombo Terminal**") which we acquired as part of the P&O Acquisition, to Nedlloyd BV for cash consideration of $60 million. Our strategy is to have either management or ownership control over our terminals, and our minority interest in the Colombo Terminal did not meet these objectives. Completion of the sale under the share sale and purchase agreement occurred on May 21, 2007. The Colombo Terminal was reflected as continuing operations and assets held for sale in the Audited DPA Consolidated Financial Statements.

Separation of the Regulatory and Commercial Activities of DPA and Amended and Restated Credit Facility

Following the Restructuring, the Company, together with its operating subsidiaries, will conduct all of the ports-related commercial activities of Dubai World and DPA will conduct all of the ports-related regulatory activities of the Government of Dubai. Such regulatory activities have not been and will not be transferred to the Company. The regulatory activities of DPA did not account for a material amount of revenue from operations or profit for the year ended December 31, 2006 or net assets as of December 31, 2006.

On December 29, 2006, the Company became a borrower and guarantor under the Amended and Restated Credit Facility, which reflects amendments related to, among other things, (i) the transfer of a portion of the borrowings thereunder from Thunder FZE to JAFZA, (ii) the removal of the requirement that the proceeds from the sale of POPNA be used to prepay borrowings thereunder, (iii) upon the satisfaction of certain conditions (which have been satisfied), remove JAFZA as a borrower and guarantor thereunder and (iv) upon the satisfaction of certain conditions (which have not been satisfied), remove PCFC as a guarantor thereunder. For the year ended December 31, 2006 $76.7 million of finance costs that were reflected in Audited DPA Consolidated Financial Statements relate to the portion of the borrowings transferred from Thunder FZE to JAFZA pursuant to the Amended and Restated Credit Facility.

For a description of the Amended and Restated Credit Facility, including the undertakings and covenants included therein, see "—Liquidity and Capital Resources—Working Capital and Indebtedness—Syndicated Term Loan and Revolving Credit Facility" below.

Comparability of Historical Financial Information

The comparability of the historical financial information of DPA has been significantly affected by the CSX WT Acquisition in February 2005 and the P&O Acquisition in March 2006. Similarly, our future results of operations will not be directly comparable to the historical financial information of DPA principally because the Audited DPA Consolidated Financial Statements include the financial results of P&O for the period from March 9, 2006, the first day following the P&O Acquisition, through December 31, 2006 only, but also because the Audited DPA Consolidated Financial Statements include the financial results of the regulatory activities of DPA. In addition, the Audited DPA Consolidated Financial Statements as of and for the year ended December 31, 2006 include the financial results of (i) the P&O Ferries Business (which were reflected as continuing operations and not assets held for sale because the decision to transfer this business was not taken until after December 31, 2006) and (ii) POPNA and P&O Estates (which were reflected as assets held for sale and discontinued operations).

See "Unaudited Pro Forma Consolidated Financial Information" for a presentation of our financial results as if (i) the acquisition of P&O; (ii) the disposal of POPNA, the Shekou Terminals and the Colombo Terminal and the transfer to affiliates of ours of the P&O Ferries Business and of P&O Estates and (iii) the effective commencement of the Concession Agreement had occurred on January 1, 2006.

Factors Affecting Financial Condition and Results of Operations

The following is a discussion of the most significant factors that have affected, or are expected to affect, our financial condition and results of operations.

Volume

Our revenue is dependent to a significant extent on the throughput volumes at our container terminal operations. Factors that can impact throughput volumes include: (i) the levels of global and regional trade and the continuing increase in globalisation of world trade, (ii) competition from other global container terminal operators, (iii) developments in the container shipping industry and (iv) our capacity and ability to handle additional volumes.

Levels of Global and Regional Trade and Globalisation

Our results of operations are affected by the volume of our business, which in turn depends on worldwide trade volumes as well as the import and export volumes of the regions in which we operate. Global trade volumes and the import and export volumes of the regions in which we operate are significantly affected by changes in global and regional economic, financial and political conditions that are outside of our control. The recent growth in container volumes has in large part been driven by a systemic shift in global manufacturing capacity and output from west to east, especially towards China. We believe that future growth in container volumes will be dependent on the health of East Asian economies and the continuing globalisation of the developing world, where the trend of increasing demand for the containerisation of cargo is most prevalent.

Competition from Other Global Container Terminal Operators

The container terminal industry has been characterised in recent years by the consolidation of participants to create global terminal operators. According to Drewry, the four largest terminal operators collectively accounted for 43.0% of global gross capacity as of December 31, 2005 and 42.4% of global gross throughput for the year ended December 31, 2005. Global operators compete for throughput increasingly based on the size and diversification of their terminal portfolios, which enable them to offer global networks to their liner customers, which are themselves consolidating. While our terminal portfolio currently exhibits greater geographical diversification than the portfolio of any other terminal operator, industry consolidation has created increased competition for us as other global operators are able to offer our shipping line customers alternative global networks and, in some cases, leverage existing relationships with shipping lines in one region to support growth in other regions.

Developments in the Container Shipping Industry

Because the main customers of container terminal operators are container shipping lines, developments in the container shipping industry directly influence the way in which we manage our operations.

Consolidation. In recent years, the container shipping industry has experienced significant consolidation as the major shipping lines seek to capitalise on economies of scale and enhance their global presence. It is expected that the share of container trade volume carried by the top ten global container shipping lines, which, according to Drewry, rose from 45.7% and 50.4% in 2004 and 2005, respectively, will continue to increase as major shipping lines continue to consolidate both for these reasons and also because of the excess of capacity over demand that is anticipated to characterise the container shipping industry over the next few years. This trend has decreased the number of different potential customers for the container terminal industry and increased the impact that losing an existing customer or gaining a new customer could have on a terminal operator's business. For the year ended December 31, 2006, our five and ten largest customers accounted for approximately 42% and 59%, respectively, of the full-year gross throughput for all terminals held by us as of December 31, 2006 (excluding the six container terminals operated by POPNA, the two Shekou Terminals and the one Colombo Terminal). While we have long-standing relationships with our top ten customers, many of whom have been customers of ours since the beginning of containerised operations at our terminal locations, a significant reduction in the amount of throughput we handle for any of our major customers could have a material negative impact on our revenue from operations or share of results of joint ventures and associates and, consequently, our profit for the year.

Global network reach and mega-alliances. In addition to consolidation through mergers and acquisitions, shipping lines have increasingly entered into various forms of intra-industry cooperative arrangements, including the creation of liner alliances designed to increase the number of times ships sail on certain routes and broaden geographic coverage. These alliances provide terminal operators with the potential to align themselves as network, or preferred, vendors and thereby mirror the growth of, and make network propositions with respect to, such alliances. We expect that this trend will benefit the largest container terminal operators because of the high investment costs associated with maintaining a portfolio with the geographic scope necessary to offer a network proposition to the major shipping lines.

Equity relationships between container shipping lines and container terminal operators. In an attempt to ensure guaranteed berthing in competitive locations and establish a predictable long-term cost structure, shipping lines are increasingly investing in container terminals. In addition, container terminal operators have acquired equity interests in container shipping lines. As a result, two of the top ten global container shipping lines currently have equity relationships with two of our three largest container terminal operators. By entering into an equity relationship with a shipping line, a terminal operator can achieve increased anchor volumes, but will have less flexibility to target other shipping line customers. Accordingly, such a relationship could positively or negatively affect throughput and revenue at a particular terminal depending on the relative strength of the shipping line partner as compared to its competitors in the relevant region. As discussed above, although we have entered into partnerships with shipping lines at the terminal level, and may be required by the terms of the relevant concession agreement to have a shipping line partner at a particular terminal, our global strategy has been to operate our business on a common-user basis and, consequently, we have not entered into an equity relationship to date with a major shipping company.

Growing economies of scale. The increasing containerisation of cargoes in recent years has resulted in the construction of larger container vessels, which benefit from lower operating and voyage unit costs, such as fuel, port and canal fees, manning, repairs, insurance and ship management costs. According to Drewry, the average size of container vessels in the global container fleet increased from 1,824 TEUs in 2000 to 2,229 TEUs in 2005 and vessels of 5,000 TEUs or more represented 31.5% of total fleet capacity as of July 2006. Drewry projects that this will increase to 38.8% of total fleet capacity by July 2010. The increasing number of relatively large ships puts pressure on container terminal operators to offer facilities with deepwater access and develop sophisticated shipping and port-related technology to meet the demands of these larger vessels. We expect that we and other terminal operators that invest in facilities and equipment to accommodate more and larger ships will see both volume and productivity benefits as shipping lines choose terminals that can most quickly and effectively handle their cargo. In addition, as the largest ships increasingly become too wide or too deep to call at many ports in the world, shipping lines may instead seek to, or be required to, rationalise the number of port calls they make and hence increase transhipment between hub ports and final destinations. As a result, terminals that are capable of handling the largest ships may have the potential to position themselves as transhipment hubs in a particular region. We believe that certain of our terminals, including our operations at DP World Jebel Ali, UAE, Pusan, South Korea and Qingdao, China, are well positioned to service these mega-ships and take advantage of the opportunity for increased transhipment throughput. We are also in the process of developing new terminals in Doraleh, Djibouti, Jebel Ali, UAE and Vallarpadam, India that will allow for the service of these mega-ships. However, there can be no assurance that the significant capital expenditures associated with our ability to accommodate the largest ships will be fully offset by increased throughput and revenue.

Projected excess capacity in the container shipping industry. According to Drewry, the aggregate capacity of new container ships on order as of July 2006 was equivalent to 49.6% of the then-existing global fleet capacity. As a result of this large order book, Drewry predicts that there will be an excess of capacity over demand in the container shipping industry over the next few years. Should the projected excess capacity in the container shipping industry trigger a fall in freight rates, shipping lines may attempt to reduce costs by pressuring container terminal operators to provide a reduction in rates relating to stevedoring or other services. However, the effectiveness of any such attempt would be affected by the balance between supply and demand for regional container terminal capacity. Based on confirmed expansion plans, Drewry predicts that demand for global container terminal capacity may outpace the supply of container terminal capacity by 2011, with the most pronounced capacity shortages anticipated to occur in Eastern Europe, the Far East and the Middle East.

Our Capacity and Ability to Handle Additional Volumes

We believe that we operate some of the most productive and efficient terminals in the world by using modern technology and processes. We believe that the maintenance and enhancement of our efficient operations are critically important as they have a direct impact on our results of operations. In particular, by operating more efficiently we seek to generate additional value out of our existing facilities by increasing capacity, which in turn permits increased throughput, and making each crane move more profitable. Increased operating efficiency also reduces our cost base as we are able to fully utilise our existing assets and do not need to invest additional capital in the deployment of new assets. See "—Investment in the Development of New Terminals" below. At certain of our terminals we are not able to expand our operations physically, and efficiency improvements are the only means for us to increase our capacity and throughput. Conversely, at terminals that could be expanded physically, we may use efficiency improvements to incrementally increase capacity until demand reaches a point that justifies the capital expenditure costs associated with physical expansion. Finally, efficient operations help us maintain good customer relations and reduce customer defection, thereby maintaining our competitive position.

Increases in operational efficiency can be achieved by, among other things:

- introducing new technologies to speed up processes and reduce labour costs;
- improving landside support to ensure that containers are quickly and efficiently transported to and from our terminals;
- using external depot functions to increase the capacity for container storage;
- actively managing container storage times by incentivising customers to take delivery of containers that have arrived in port as quickly as possible;
- maintaining schedule integrity with respect to vessel calls;
- increasing the number of berthing windows by loading and unloading vessels more quickly; and
- implementing rationalised berth utilisation, which involves arranging the timing of the arrival and departure of different-sized ships to ensure that a maximum of berth length is used.

Notable examples of increases in operational efficiency in our portfolio include our terminal in Constanta, Romania where, principally by improving landside support and using external depot functions, we were able to increase capacity utilisation beyond initial estimates, which enhanced the terminal's revenue and profitability beyond initial estimates. Similarly, at our terminal in Nhava Sheva, India, rationalised berth utilisation has allowed us to significantly increase the percentage of the terminal's 600 metre berth length that we are routinely able to use at any one time.

O&D and Transhipment Mix

For the year ended December 31, 2006, approximately 76% of our gross throughput was O&D throughput. O&D throughput differs from transhipment throughput primarily in that O&D throughput is usually most cost-effectively handled by one terminal, preferably close to the point of consumption, which makes O&D throughput less likely to be lost to competitors and less price-sensitive than transhipment throughput. O&D throughput also provides terminal operators with an opportunity to earn additional revenue by charging for delivery or reception of the container from the shipper or consignee, as well as by providing ancillary services, such as container freight stations ("**CFS**") and container cleaning. We will endeavour to maintain a strong O&D component in each of our terminals or, where this is not possible, obtain volume commitments from shipping lines to make our terminals less susceptible to the loss of transhipment volumes and price deterioration. However, the development of sophisticated route networks by shipping lines, together with the limited number of terminals that can efficiently service the growing number of large container ships, increases the potential for, and attractiveness of, additional transhipment volume. See "—Developments in the Container Shipping Industry—Growing economies of scale" above.

Capacity Development

Growth in our revenue is driven in large part by expansion of capacity at our existing terminals, the development of new terminals and acquisitions. Our growth strategy is based on achieving a balance between our ability to handle the large volumes demanded by our customers and our ability to target regions that do not account for much of our total global throughput but deliver a high return on equity. We intend to pursue growth opportunities that will allow us to continue to diversify the geographic spread of our operations and allow us to take advantage of the typically stable returns on equity in lower-risk established markets such as Europe and Australia and the potential for greater returns on equity in higher-risk emerging markets such as Latin America and Africa. Notwithstanding the foregoing, from time to time, based on our ongoing business review, we may sell or divest businesses in the ordinary course of business.

Ability to Increase Capacity at Existing Facilities

We are focused on maximising our existing asset base to facilitate organic growth, which typically requires less capital investment, generates incremental cash flow more quickly and has a lower opportunity cost as compared to new development opportunities. We aim to maximise our latent capacity through productivity improvements and concession extensions, which we expect will result in increasing returns on total capital employed. See "—Investment in the Development of New Terminals" below.

Our ability to achieve and manage future growth will depend upon a number of factors, both within and outside of our control, including our ability to maintain, expand or develop relationships with our customers, suppliers, contractors, lenders and other third parties, reach agreements with potential joint venture partners on commercial and technical terms satisfactory to us and expand our operating capacity on a timely and reasonable basis, as well as our ability to adjust and optimise the organisation of our operating structure. See "—Liquidity and Capital Resources—Capital Expenditures" below.

Ability to Win Concessions

We believe that we are able to differentiate ourselves from our competitors because of:

- our track-record of winning concessions globally based on our customer relationships and common-user status;
- our operating and technical credentials;
- our willingness and financial ability to invest in new capacity to meet demand;
- our ability to offer an "integrated port management" model, which combines container handling facilities with economic free zones and infrastructure developments; and
- our focus on key government issues such as security and sustainability.

Attractive concession opportunities will continue to arise globally and, as authorities granting concessions increase barriers to entry, we believe that our experience and qualifications will leave us well positioned to continue to win new concessions.

Ability to Acquire and Effectively Integrate Other Operators

Growth through the acquisition of existing terminal operations has been one of the primary ways by which we have increased our gross capacity over the past two years. Generally, our acquisition strategy has in the past involved identifying and acquiring assets in target markets and then making operational or infrastructure investments to increase their efficiency and improve capacity. However, the changing nature of the industry has meant that growth through such acquisitions has become increasingly limited, and this has required a different approach to growth and value creation going forward. While acquisitions allow for the rapid expansion of capacity and generally generate cash flow immediately, they often require a greater capital investment, and are typically more expensive on a per-TEU basis, than other forms of capacity development. In addition, acquisitions involve risks inherent in identifying and assessing the value, strengths and weaknesses of suitable acquisition targets, as well as the potential for significant integration and efficiency improvement costs. However, we believe that our position as one of the four largest global terminal operators by capacity and throughput, together with our established track-record of acquiring and integrating other operators, will allow us to benefit from the trend of container terminal industry consolidation. While we seek to continue to exploit the synergies achieved through our recent acquisitions, some of the benefits that we have realised thus far include:

- our ability to leverage our strength across our terminal portfolio to procure equipment at more attractive rates;
- our negotiations with insurance companies have resulted in wider coverage with lower premiums, through which we have achieved annualised savings since the P&O Acquisition of $5.3 million; and
- reductions in general and administration expenses associated with the maintenance of one head office instead of two and further rationalisation within our regional offices.

The success of the P&O integration process is demonstrated by the results to date from the time of the P&O Acquisition. We have stayed ahead of the integration schedule, achieved our objective of "business as usual" and maintained our customer base through the integration. More importantly, feedback from customers has confirmed that the integration has been achieved in a smooth and seamless manner without adverse impact on the customers' operations.

The integration has established a solid operational foundation through which we now manage our business. We believe that we are well positioned to execute our growth strategy as a result of this experience.

We will continue to consider and review potential acquisition targets, if and when they present themselves, as a strategic means of growing our portfolio, as well as strategic divestments as a means of ensuring that we maintain a balanced portfolio.

Regulatory Environment

Container terminals operate under a number of different ownership, operating and regulatory structures, which can vary by region and country. The majority of container terminals around the world currently operate under a structure where both the state and private sector retain some form of involvement. However, the container terminal industry has experienced a trend over the past 15 years towards the privatisation of existing assets by state-owned operators and private participation in greenfield and build/operate/transfer ("**BOT**") schemes. The trend towards privatisation and BOT schemes largely reflects an attempt on the part of governments to fund much-needed container port development projects in order to improve the trade competitiveness of their respective countries. Drewry estimates that the proportion of global throughput handled at state-run terminals, other than those controlled by global terminal operators with a state as the controlling shareholder, has declined from 42% in 1993 to 20.7% in 2005, which has increased the opportunities for global container terminal operators to broaden their portfolios. Similarly, the container terminal industry does not face stringent price regulation in general. In certain regions, most notably Africa and, to a lesser extent, South Asia and the Middle East, governments continue to have a significant ownership interest in container terminals and a considerable share of capacity and throughput in their particular region. In other jurisdictions, such as India, the relevant port authority will not operate terminals but will impose tariffs that set the rates that a terminal operator may charge. Conversely, in regions such as Northern Europe and Australia, governments retain an ownership interest in a relatively small amount of capacity and throughput and do not impose tariffs. We believe that our position as one of the four largest global terminal operators by capacity and throughput, together with our ability to significantly increase operational efficiency will allow us to capitalise on the trend in the container terminal industry towards increased privatisation.

Investment in the Development of New Terminals

We believe that the development of our business and growth of our revenue is based upon increasing our global capacity by continuing to increase the size of our portfolio. This growth can generally be achieved by either acquiring existing terminals or building new terminals, whether on greenfield or brownfield sites, as a result of concession wins or otherwise. The development of a new terminal, however, is a long term and capital intensive process as compared to the acquisition of existing operations, which generally generate cash flow immediately. For example, a significant portion of our capital expenditure relates to developments, such as Phase 2 of the expansion project at our terminal in Pusan, South Korea, which is not expected to become operational or generate positive cash flow until 2009. Similarly, since 2003, we have made a significant investment in DP World Jebel Ali Terminal 2 in Dubai, which will only become operational and start generating positive cash flow in the third quarter of 2007. We expect to continue to undertake long-term projects, such as our proposed development of the London Gateway terminal, which will increase our expenses without contemporaneous growth in our revenues while in the development phase. See "—Liquidity and Capital Resources—Capital Expenditures" below.

Foreign Exchange Movements

Our reporting currency is the US dollar, while the reporting currency of our subsidiaries, affiliates and associates varies depending on their geographic location. Accordingly, we are exposed to risks related to the translation of assets and liabilities denominated in currencies other than, or not pegged to, the US dollar. As of December 31, 2006, 79.7% of our pro forma assets were denominated in foreign currencies. In addition to these translation risks, we are exposed to transaction risks as a result of differences in the currency mix of our operating expenses, on the one hand, and cost of sales, on the other hand. As a result, a depreciation or appreciation of a particular local currency against the US dollar could have either a positive or negative impact on both our balance sheet and our profit margin and therefore our profit attributable to equity holder of the parent. For additional discussion of the impact of foreign currency transactions and translations on our results of operations, see "—Quantitative and Qualitative Disclosures About Market Risk—Currency risk" below and "Risk Factors—Risks Relating to the Company—Fluctuations in currency exchange rates could have an adverse effect on our results of operations".

General Economic, Financial and Political Conditions

Our financial condition and results of operations are affected by global and regional economic, financial and political conditions that are outside of our control, including as a result of the imposition of trade barriers, sanctions, boycotts and other measures, significant variations in the exchange rates applicable to currencies in the regions in which we operate, trade disputes and work stoppages, particularly in the transportation services industry, and acts of war, hostilities, natural disasters, epidemics or terrorism. See "Risk Factors—Risks Relating to Our Ports Business—Our operations could be adversely affected by terrorist attacks, natural disasters or other catastrophic events beyond our control".

Critical Accounting Policies and Estimates

The preparation of our financial statements in conformity with IFRS requires us to make many estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses. Those estimates and judgments are based on historical experience, available information, future expectations and other factors and assumptions that we believe are reasonable under the circumstances. We review our estimates and judgments on an ongoing basis and revise them when necessary. Actual results may differ from the original or revised estimates. A summary of our significant accounting policies is contained in Note 2.3, "Summary of Significant Accounting Policies", of the Notes to the Consolidated Audited Financial Statements of DPA as of and for the years ended December 31, 2005 and 2006 for further information. A description of our most critical policies, which we believe involve a significant degree of judgment or complexity or are areas where assumptions and estimates are significant to the preparation of our financial statements, follows.

Accounting for Impairment of Assets

Impairment of goodwill

As at December 31, 2006, we had total goodwill on our balance sheet of $3,103.9 million. We determine whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires us to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. These estimates can be significantly affected by future changes in market conditions, the economic environment and inflation.

Impairment of intangible assets

As at December 31, 2006, we had total intangible assets on our balance sheet of $3,440.9 million. We assess the impairment of our intangible assets, which principally comprise our concessions, when there is an indication that an impairment loss may exist and at least annually. The impairment review compares the estimated recoverable amount to the carrying amount of the asset. The recoverable amount is the higher of the estimated fair value less cost to sell or the asset's value-in-use. To estimate these values, we use the estimated market value or discounted cash flows, as relevant. An impairment loss is recognised when the recoverable amount of such asset is less than the carrying value of the asset. Estimates of future cash flows are judgments based on our experience and knowledge of our operations and the industries in which we operate. We also estimate the useful lives of other finite lived intangible assets based on estimates of the economic benefit expected to be received from the acquired assets, which could differ from actual results. These estimates can be significantly affected by future changes in market conditions, the economic environment and inflation.

DPA Historical Results of Operations

The following discussion and analysis is based on the Audited DPA Consolidated Financial Statements.

Explanation of key historical financial statement items

Revenue from operations

DPA's revenue from operations is comprised of income earned from the provision of various services such as stevedoring, warehousing and storage, CFS cargo handling, trucking, port management fees, warehouse gate receipts and miscellaneous terminal services. See "—Factors Affecting Financial Condition and Results of Operations—Volume" and "—Factors Affecting Financial Condition and Results of Operations—Regulatory Environment" above.

Cost of sales

Cost of sales are comprised of costs incurred in connection with the operation, maintenance and security of our facilities and other costs directly attributable to the various services provided by us. Major components of cost of sales include marine cost of sales, garage cost of sales, warehousing expenses, transportation expenses and yard and gate operations expenses.

General and administration expenses

General and administration expenses include amortisation cost of port concessions, staff costs, facilities rental, travel and entertainment, insurance, advertising, marketing, printing and stationery, communication costs, legal expenses, consultancy costs, IT charges, repair and maintenance costs and other sundry expenses.

Other income

Other income includes interest income and duty free rental income.

Share of profit (loss) of joint ventures and associates

Share of profit (loss) of joint ventures and associates reflects DPA's share of profits or losses from entities that are associates or joint ventures. The results of operations of associates and joint ventures are not consolidated and, consequently, only the earnings impact of these entities based on DPA's shareholding is incorporated into DPA's results.

Year ended December 31, 2006 compared to year ended December 31, 2005

The following table sets forth selected consolidated income statement data for DPA for the years indicated.

	Year ended December 31,			
	2005	2006(1)		
	Total	Before separately disclosable items	Separately disclosable items(2)	Total
	(US dollars in thousands)			
Revenue from operations	$ 674,920	$ 3,486,778	$ —	$ 3,486,778
Cost of sales	(288,299)	(2,490,091)	(32,400)	(2,522,491)
Gross profit	386,621	996,687	(32,400)	964,287
General and administration expenses(3)	(94,417)	(473,470)	(51,338)	(524,808)
	292,204	523,217	(83,738)	439,479
Other income	1,434	25,933	17,000	42,933
Interest income	3,407	95,113	—	95,113
Finance costs	(58,397)	(341,936)	(61,146)	(403,082)
Share of profit of joint ventures and associates	8,022	35,514	—	35,514
Profit before tax from continuing operations	246,670	337,841	(127,884)	209,957
Income tax	(4,162)	(20,577)	8,300	(12,277)
Profit after tax from continuing operations	242,508	317,264	(119,584)	197,680
Profit after tax from discontinued operations	—	19,233	—	19,233
Profit for the year	$ 242,508	$ 336,497	$ (119,584)	$ 216,913
Attributable to:				
Equity holder of the parent	$ 239,704	$ 311,364	$ (119,584)	$ 191,780
Minority interests	2,804	25,133	—	25,133

(1) The statement of income data include the results of operations of P&O for the period from March 9, 2006, the first day following the P&O Acquisition, through December 31, 2006 only.

(2) See Note 7, "Separately Disclosable Items", to the Notes of the Consolidated Audited Financial Statements of DPA for the years ended December 31, 2005 and 2006 for further information.

(3) Includes $7.7 million of separately disclosable items for the year ended December 31, 2005, which were related to the CSX WT Acquisition. See Note 7, "Separately Disclosable Items", of the Notes to the Consolidated Audited Financial Statements of DPA as of and for the years ended December 31, 2005 and 2006 for further information.

Revenue from operations

Revenue from operations for the year ended December 31, 2006 was $3,486.8 million as compared to $674.9 million for the year ended December 31, 2005, an increase of $2,811.9 million, or 4.2 times.

The following table presents revenue information regarding DPA's segments for the years ended December 31, 2005 and 2006.

	Year ended December 31,	
	2005	2006
	(US dollars in thousands)	
Revenue		
Ports	$ 674,920	$ 2,045,178
Ferries	—	1,436,000
Properties	—	5,600
Total revenue	$ 674,920	$ 3,486,778

Ports. Revenue from operations for the ports segment for the year ended December 31, 2006 was $2,045.2 million as compared to $674.9 million for the year ended December 31, 2005, an increase of $1,370.3 million, or 2.0 times. This increase reflected (i) the inclusion of revenues in the UAE, Middle East and South and East Africa, Europe and North and West Africa, Asia-Pacific and Indian Subcontinent, Australia and New Zealand and Americas regions from operations acquired in the P&O Acquisition of $1,169.3 million for the period from March 9, 2006, the first day following the P&O Acquisition, to December 31, 2006, (ii) the inclusion of revenues in the UAE, Middle East and South and East Africa region from operations acquired in the second quarter 2006, (iii) an increase in revenue from existing operations in the UAE, Middle East and South and East Africa, Europe and North and West Africa, Asia-Pacific and Indian Subcontinent and Australia and New Zealand regions and (iv) an increase in unallocated revenue from operations. On average, terminals that contributed to revenue from operations as of December 31, 2006 experienced an increase in revenue generating volume over the previous year of 11.7%.

The following table presents revenue information regarding the ports segment for the years ended December 31, 2005 and 2006.

	Year ended December 31,	
	2005	2006
	(US dollars in thousands)	
Revenue		
UAE, Middle East and South and East Africa	$ 547,991	$ 692,481
Europe and North and West Africa	63,714	379,771
Asia-Pacific and Indian Subcontinent	30,074	333,307
Australia and New Zealand	24,295	495,033
Americas	446	131,322
	666,520	2,031,914
Unallocated revenue	8,400	13,264
Total revenue from operations	$ 674,920	$ 2,045,178

UAE, Middle East and South and East Africa. Revenue from operations for the UAE, Middle East and South and East Africa region for the year ended December 31, 2006 was $692.5 million as compared to $548.0 million for the year ended December 31, 2005, an increase of $144.5 million, or 26.4%. This increase reflected (i) an increase in revenues from existing operations in the UAE, which was driven by an increase in revenue generating volume, as well as rate growth at such operations, (ii) the inclusion of revenues attributable to the commencement of operations acquired in the second quarter of 2006 at Mina Zayed (Abu Dhabi) and (iii) the inclusion of revenues from operations acquired in the P&O Acquisition at Maputo International Port Services, which experienced an increase in revenue generating volume over the previous year, and stevedoring operations in South Africa. The financial results of our existing operation at Port Autonome International de Djibouti in Djibouti are not allocated to, and therefore have not affected revenue from operations over the period under review for, the region. On average, terminals that contributed to revenue from operations for the region as of December 31, 2006 experienced an increase in revenue generating volume over the previous year of 15.0%.

Europe and North and West Africa. Revenue from operations for the Europe and North and West Africa region for the year ended December 31, 2006 was $379.8 million as compared to $63.7 million for the year ended December 31, 2005, an increase of $316.1 million, or 5.0 times. This increase reflected (i) an increase in revenues from existing operations at DP World Constanta in Romania and at DP World Germersheim in Germany, which was driven by an increase in revenue generating volume at DP World Constanta, offset in part by a decrease in revenue generating volume at DP World Germersheim and (ii) the inclusion of revenues from operations acquired in the P&O Acquisition at Delwaide Docks (now DP World Antwerp), although this terminal experienced a reduction in revenue generating volume over the previous year due to lower-than-expected Middle East-destined cargo in certain lines, and Southampton Container Terminal in Southampton, United Kingdom, which experienced an increase in revenue generating volume over the previous year. Antwerp Gateway in Antwerp, Belgium; Terminal de Nord (Le Havre); Fos Container Terminal (Fos sur Mer); Mourepiane Container Terminal (Marseille); and Tilbury Container Services, all of which were acquired in the P&O Acquisition, as well as our new operation at Terminal de France (Le Havre), were not consolidated and therefore did not contribute to revenue from operations for the period under review. On average, terminals that contributed to revenue from operations for the region as of December 31, 2006 experienced an increase in revenue generating volume over the previous year of 4.2%.

Asia-Pacific and Indian Subcontinent. Revenue from operations for the Asia-Pacific and Indian Subcontinent region for the year ended December 31, 2006 was $333.3 million as compared to $30.1 million for the year ended December 31, 2005, an increase of $303.2 million, or 10.1 times. This increase reflected (i) an increase in revenues from existing operations at CT3 (Hong Kong) and DP World Cochin, which reflected increases in revenue generating volume at such operations, and (ii) the inclusion of revenues from operations acquired in the P&O Acquisition in Manila, Philippines, Chennai, Mundra and Nhava Sheva, India and Karachi, Pakistan, all of which experienced increases in revenue generating volume over the previous year. The terminals in Laem Chabang, Thailand; Qingdao and Shekou, China; Surabaya, Indonesia; Vostochnaya, Russia and Colombo, Sri Lanka, all of which were acquired in the P&O Acquisition, as well as our existing operations at ACT (CT8) (Hong Kong), Visakha Container Terminal, the logistics centres in Hong Kong, Yantian and Shanghai and the terminals in Yantai and Tianjin, China and our new operation at Pusan, South Korea, were not consolidated and therefore did not contribute to revenue from operations for the period under review. On average, terminals that contributed to revenue from operations for the region as of December 31, 2006 experienced an increase in revenue generating volume over the previous year of 20.8%.

Australia and New Zealand. Revenue from operations for the Australia and New Zealand region for the year ended December 31, 2006 was $495.0 million as compared to $24.3 million for the year ended December 31, 2005, an increase of $470.7 million, or 19.4 times. This increase reflected (i) an increase in revenues from existing operations at our terminal in Adelaide, Australia, which was driven by an increase in revenue generating volume, and (ii) the inclusion of revenues from operations acquired in the P&O Acquisition at the terminals in Melbourne, Sydney, Brisbane and Fremantle, all of which experienced increases in revenue generating volume over the previous year, as well as from P&O Maritime Services. On average, terminals that contributed to revenue from operations for the region as of December 31, 2006 experienced an increase in revenue generating volume over the previous year of 9.7%.

Americas. Revenue from operations for the Americas region for the year ended December 31, 2006 was $131.3 million as compared to $0.4 million for the year ended December 31, 2005, an increase of $130.9 million. This increase reflected (i) an increase in management fees received by us from our existing operations at our terminals in Caucedo, Dominican Republic and Cabello, Venezuela, and (ii) the inclusion of revenues from operations acquired in the P&O Acquisition at Centerm (now DP World Vancouver), although this terminal experienced a reduction in revenue generating volume over the previous year, the terminal in Buenos Aires, Argentina, which experienced an increase in revenue generating volume over the previous year, and the terminals operated by POPNA. The terminals in Caucedo and Cabello were not consolidated and, apart from management fees, did not contribute to revenue from operations for the period under review. On average, terminals that contributed to revenue from operations for the region as of December 31, 2006 experienced an increase in revenue generating volume over the previous year of 2.5%.

Unallocated revenue. Unallocated revenue from operations for the ports segment for the year ended December 31, 2006 was $13.3 million as compared to $8.4 million for the year ended December 31, 2005, an increase of $4.9 million, or 58.3%. This increase was principally due to an increase in management fees earned by the corporate head office from our existing operation at our terminal in Djibouti pursuant to the terms of the applicable management agreement, which was attributable to an increase in revenue generating volume at the terminal.

Ferries. Revenue from operations for the ferries segment for the year ended December 31, 2006 was $1,436.0 million.

Property. Revenue from operations for the property segment for the year ended December 31, 2006 was $5.6 million.

Cost of sales

Cost of sales for the year ended December 31, 2006 were $2,522.5 million as compared to $288.3 million for the year ended December 31, 2005, an increase of $2,234.2 million, or 7.7 times. This increase in cost of sales was principally due to (i) the inclusion of cost of sales relating to terminal operations acquired in the P&O Acquisition of $2,158.1 million and (ii) an increase in cost of sales at our existing operations in the UAE, Middle East and South and East Africa, Europe and North and West Africa, Asia-Pacific and Indian Subcontinent and Australia and New Zealand regions of $76.1 million.

Cost of sales for the year ended December 31, 2006 were also impacted by (i) the inclusion of cost of sales relating to the P&O Ferries Business and P&O Estates of $1,388.9 million and (ii) the inclusion of $32.4 million in cost of sales associated with separately disclosable items, which consisted primarily of expenses arising from the integration of P&O.

General and administration expenses

General and administration expenses for the year ended December 31, 2006 were $524.8 million as compared to $94.4 million for the year ended December 31, 2005, an increase of $430.4 million, or 4.6 times. This increase in general and administration expenses was principally due to (i) the inclusion of general and administration expenses relating to terminal operations acquired in the P&O Acquisition of $221.7 million, (ii) $57.5 million in additional expenses relating to the integration of P&O, (iii) an increase in general and administration expenses at our existing operations in the UAE, Middle East and South and East Africa, Europe and North and West Africa, Asia-Pacific and Indian Subcontinent and Australia and New Zealand regions of $77.4 million and (iv) the inclusion of general and administration expenses relating to operations acquired in the second quarter of 2006 at Mina Zayed (Abu Dhabi).

General and administration expenses for the year ended December 31, 2006 were also impacted by (i) the inclusion of general and administration expenses relating to the P&O Ferries Business and P&O Estates of $152.5 million and (ii) the inclusion of $51.3 million in general and administration expenses associated with separately disclosable items, which consisted primarily of expenses arising from the integration of P&O. General and administration expenses for the year ended December 31, 2005 were impacted by the inclusion of $7.7 million in costs associated with separately disclosable items, which consisted of a one-time expense related to terminals acquired in the CSX WT Acquisition that could not be capitalised.

Other income

Other income for the year ended December 31, 2006 was $42.9 million as compared to $1.4 million for the year ended December 31, 2005, an increase of $41.5 million, or 29.6 times. This increase in other income was principally due to an increase in hedge income.

Other income for the year ended December 31, 2006 was also impacted by (i) the inclusion of other income relating to the P&O Ferries Business and P&O Estates of $2.9 million and (ii) the inclusion of a separately disclosable loss of $17.0 million, which consisted primarily of gains in respect of the termination of an interest rate swap previously designated as a cash flow hedge and the disposal of property, plant and equipment.

Interest income

Interest income for the year ended December 31, 2006 was $95.1 million as compared to $3.4 million for the year ended December 31, 2005, an increase of $91.7 million, or 27.0 times. This increase in interest income was principally due to interest earned on bank deposits.

Finance costs

Finance costs for the year ended December 31, 2006 were $403.1 million as compared to $58.4 million for the year ended December 31, 2005, an increase of $344.7 million, or 5.9 times. This increase in finance costs was principally due to the $6,800.0 million term loan facility used to fund the acquisition of P&O.

Finance costs for the year ended December 31, 2006 were also impacted by (i) the inclusion of finance costs relating to the P&O Ferries Business and P&O Estates of $9.7 million and (ii) the inclusion of $61.1 million in finance costs associated with separately disclosable items, which consisted primarily of costs relating to derivative contracts entered into to hedge against variability in cash flows arising as a result of movements in foreign exchange rates up until the completion of the P&O Acquisition.

Share of profit (loss) of joint ventures and associates

Share of profit (loss) of joint ventures and associates for the year ended December 31, 2006 was $35.5 million as compared to $8.0 million for the year ended December 31, 2005, an increase of $27.5 million, or 3.4 times. This increase in share of profit (loss) of joint ventures and associates was principally due to (i) an increase in net earnings from existing operations at ACT (CT8) (Hong Kong) and the terminals in Yantai and Tianjin, China, which was driven by increases in revenue generating volume at such operations, as well as increases in net earnings from the logistics centres in Hong Kong and Yantian, offset in part by a decrease in net earnings from the logistics centre in Shanghai, (ii) a decrease in the net loss and an increase in net earnings from existing operations at the terminals in Caucedo, Dominican Republic and Cabello, Venezuela, respectively, which reflected higher revenues at both terminals despite a reduction in revenue generating volume at the terminal in Cabello, (iii) the inclusion of net earnings of operations at Terminal de Nord (Le Havre), Terminal de France (Le Havre), Fos Container Terminal (Fos sur Mer), Mourepiane Container Terminal (Marseille) and Tilbury Container Services, all of which experienced increases in revenue generating volume, offset in part by the inclusion of a net loss at Antwerp Gateway despite an increase in revenue generating volume at the terminal, (iv) the inclusion of net earnings of operations at the terminals in Laem Chabang, Thailand; Qingdao and Shekou, China; Surabaya, Indonesia; Vostochnaya, Russia and Colombo, Sri Lanka, which was driven by a net increase in revenue generating volume at the terminals and (v) a net loss at our new terminal in Pusan, South Korea, which commenced operations in the first quarter of 2006. In addition, Visakha Container Terminal had a net loss in 2006 that did not impact share of profit (loss) of associates for the period under review because the carrying value of our investment in Visakha Container Terminal had been reduced to zero as of December 31, 2005. On average, the terminals that contributed to share of profit (loss) of joint ventures and associates as of December 31, 2006 experienced an increase in revenue generating volume over the previous year of 17.5%.

Income tax

Income tax for the year ended December 31, 2006 was $12.3 million as compared to $4.2 million for the year ended December 31, 2005, an increase of $8.1 million, or 1.9 times. This increase in income tax was principally due to taxes related to our increased income attributable to the P&O Acquisition.

Profit for the year

As a result of the factors described above, profit for the year for the year ended December 31, 2006 was $216.9 million as compared to $242.5 million for the year ended December 31, 2005, a decrease of $25.6 million, or 10.6%.

Our profit for the year ended December 31, 2006 included amounts attributable to minority interests of $25.1 million as compared to $2.8 million for the year ended December 31, 2005, an increase of $22.3 million. This reflected our ownership of significant additional minority interests following the P&O Acquisition.

The following table presents profit information regarding DPA's segments for the years ended December 31, 2005 and 2006.

	Year ended December 31,			
	2005	2006		
	Total	Before separately disclosable items	Separately disclosable items(1)	Total
		(US dollars in thousands)		
Net profit for the year				
Ports	$ 242,508	$ 252,197	$ (119,584)	$ 132,613
Ferries	—	98,900	—	98,900
Properties	—	(14,600)	—	(14,600)
Total profit for the year	$ 242,508	$ 336,497	$ (119,584)	$ 216,913

(1) See Note 7, "Separately Disclosable Items", of the Notes to the Consolidated Audited Financial Statements of DPA for the years ended December 31, 2005 and 2006 for further information.

Ports. Profit for the ports segment for the year ended December 31, 2006 was $132.6 million as compared to $242.5 million for the year ended December 31, 2005, a decrease of $109.9 million, or 45.3%.

The following table presents profit information regarding the ports segment for the years ended December 31, 2005 and 2006.

	Year ended December 31,			
	2005	2006		
	Total	Before separately disclosable items	Separately disclosable items(1)	Total
		(US dollars in thousands)		
Net profit for the year				
UAE, Middle East and South and East Africa	$ 325,366	$ 414,722	$ —	$ 414,722
Europe and North and West Africa	2,017	9,317	—	9,317
Asia-Pacific and Indian Subcontinent	(25,639)	131,791	—	131,791
Australia and New Zealand	1,281	61,007	—	61,007
Americas	(5,326)	54,378	—	54,378
	297,699	671,215	—	671,215
Unallocated loss	(55,191)	(419,018)	(119,584)	(538,602)
Total profit	$ 242,508	$ 252,197	$ (119,584)	$ 132,613

(1) See Note 7, "Separately Disclosable Items", of the Notes to the Consolidated Audited Financial Statements of DPA for the years ended December 31, 2005 and 2006 for further information.

UAE, Middle East and South and East Africa. As a result of the factors described above, the UAE, Middle East and South and East Africa region had a profit of $414.7 million for the year ended December 31, 2006 as compared to $325.4 million for the year ended December 31, 2005, an increase of $89.3 million, or 27.4%.

Europe and North and West Africa. Profit for the Europe and North and West Africa region for the year ended December 31, 2006 was $9.3 million as compared to $2.0 million for the year ended December 31, 2005, an increase of $7.3 million, or 3.7 times. This increase reflected (i) an increase in net profit at DP World Constanta in Romania, which was offset in part by a decrease in net profit at DP World Germersheim in Germany as a result of the factors described above, (ii) a net profit at DP World Antwerp where favourable rate realisation and efficiency improvements offset a reduction in revenue generating volume over the previous year and (iii) net profits at Southampton Container Terminal, Terminal de Nord (Le Havre), Terminal de France (Le Havre), Fos Container Terminal (Fos sur Mer), Mourepiane Container Terminal (Marseille) and Tilbury Container Services as a result of the factors described above, offset in part by the net loss at Antwerp Gateway.

Asia-Pacific and Indian Subcontinent. Profit for the Asia-Pacific and Indian Subcontinent region for the year ended December 31, 2006 was $131.8 million as compared to a loss of $25.6 million for the year ended December 31, 2005, an increase of $157.4 million. This increase reflected (i) an increase in net profit at CT3 (Hong Kong) as a result of the factors described above, which was offset in part by an increase in net loss at DP World Cochin in India caused by an increase in cost of sales despite increased revenue generating volume at the terminal, (ii) an average increase in net earnings from existing operations at ACT (CT8) (Hong Kong) and the terminals in Yantai and Tianjin, China as a result of the factors described above, as well as increases in net earnings from the logistics centres in Hong Kong and Yantian, offset in part by a decrease in net earnings from the logistics centres in Shanghai, (iii) the net profits at the terminals in Manila, Philippines, Chennai and Nhava Sheva, India and Karachi, Pakistan, which were offset in part by a net loss at the terminal in Mundra, India as a result of high finance costs despite increased revenue generating volume at the terminal, (iv) the inclusion of net earnings of operations at the terminals in Laem Chabang, Thailand; Qingdao and Shekou, China; Surabaya, Indonesia; Vostochnaya, Russia and Colombo, Sri Lanka and (v) the net loss at our new terminal in Pusan, South Korea, which commenced operations in the first quarter of 2006.

Australia and New Zealand. Profit for the Australia and New Zealand region for the year ended December 31, 2006 was $61.0 million as compared to $1.3 million for the year ended December 31, 2005, an increase of $59.7 million, or 45.9 times. This increase reflected (i) an increase in net profit at the terminal in Adelaide as a result of the factors described above and (ii) an aggregate net profit at the terminals in Melbourne, Sydney, Brisbane and Fremantle as a result of the factors described above.

Americas. Profit for the Americas region for the year ended December 31, 2006 was $54.4 million as compared to a loss of $5.3 million for the year ended December 31, 2005, an increase of $59.7 million. This increase reflected (i) an increase in management fees received by us from our operations at our terminals in Caucedo and Cabello and an increase in net earnings from Cabello, offset in part by the net loss at Caucedo and (ii) the net profits at the terminal in Buenos Aires and the terminals operated by POPNA, offset in part by a net loss at DP World Vancouver as a result of the factors described above.

Unallocated loss. Unallocated loss for the ports segment for the year ended December 31, 2006 was $538.6 million as compared to a loss of $55.2 million for the year ended December 31, 2005, an increase of $483.4 million or 8.8 times. This increase was principally due to (i) finance costs associated with the $6,800.0 million term loan facility used to the fund the acquisition of P&O and (ii) offset by an increase in management fees earned by the corporate head office from our terminal in Djibouti.

Ferries. Profit for the ferries segment for the year ended December 31, 2006 was $98.9 million.

Property. The property segment had a loss of $14.6 million for the year ended December 31, 2006.

Year ended December 31, 2005 compared to year ended December 31, 2004

The following table sets forth selected consolidated income statement data for DPA for the years indicated.

	Year ended December 31,	
	2004	**2005**
	(US dollars in thousands)	
Revenue from operations	$ 463,881	$ 674,920
Operating expenses	(185,150)	(288,299)
Gross profit	278,731	386,621
General and administration expenses[(1)]	(26,090)	(86,009)
Project development expenses	(1,474)	(8,408)
	251,167	292,204
Other income	3,692	4,841
Finance costs	—	(58,397)
Share of profit (loss) of joint ventures and associates	(976)	8,022
Profit before tax	253,883	246,670
Income tax	(390)	(4,162)
Profit for the year	253,493	242,508
Attributable to:		
Profit for the year attributable to equity holder of the parent	$ 253,493	$ 239,704
Minority interests	—	2,804

(1) Includes $7.7 million of separately disclosable items for the year ended December 31, 2005, which were related to the CSX WT Acquisition. See Note 7, "Separately Disclosable Items", of the Notes to the Consolidated Audited Financial Statements of DPA as of and for the years ended December 31, 2005 and 2006 for further information.

Revenue from operations

Revenue from operations for the year ended December 31, 2005 was $674.9 million as compared to $463.9 million for the year ended December 31, 2004, an increase of $211.0 million, or 45.5%. This increase in revenue from operations reflected (i) the inclusion of revenues in the Europe and North and West Africa, Asia-Pacific and Indian Subcontinent, Australia and New Zealand and Americas regions from operations acquired in the CSX WT Acquisition of $82.2 million for the period from February 22, 2005, the date of the CSX WT Acquisition, to December 31, 2005, (ii) the inclusion of revenues in the Asia-Pacific and Indian Subcontinent and UAE, Middle East and South and East Africa regions from operations acquired in the first and second quarters of 2005, respectively, (iii) an aggregate increase in revenue from existing operations in the UAE, Middle East and South and East Africa and Europe and North and West Africa regions and (iv) an increase in unallocated revenue from operations. On average, terminals that contributed to revenue from operations as of December 31, 2005 experienced an increase in revenue generating volume over the previous year of 13.0%.

The following table presents revenue information regarding DPA's geographical segments for the years ended December 31, 2004 and 2005.

	Year ended December 31,	
	2004	2005
	(US dollars in thousands)	
Revenue		
UAE, Middle East and South and East Africa	$ 454,609	$ 547,991
Europe and North and West Africa	4,577	63,714
Asia-Pacific and Indian Subcontinent	—	30,074
Australia and New Zealand	—	24,295
Americas	—	446
	459,186	666,520
Unallocated revenue	4,695	8,400
Total revenue	$ 463,881	$ 674,920

UAE, Middle East and South and East Africa. Revenue from operations for the UAE, Middle East and South and East Africa region for the year ended December 31, 2005 was $548.0 million as compared to $454.6 million for the year ended December 31, 2004, an increase of $93.4 million, or 20.5%. This increase reflected primarily an increase in revenues from operations at DP World Jebel Ali and Port Rashid (Dubai), but also the inclusion of revenues attributable to the commencement of operations acquired in the second quarter of 2005 at DP World Fujairah. The financial results of our existing operation at Port Autonome International de Djibouti are not allocated to, and therefore have not affected revenue from operations over the period under review for, the region. On average, our terminals that contributed to revenue from operations for the region experienced an increase in revenue generating volume over the previous year of 19.3%.

Europe and North and West Africa. Revenue from operations for the Europe and North and West Africa region for the year ended December 31, 2005 was $63.7 million as compared to $4.6 million for the year ended December 31, 2004, an increase of $59.1 million, or 12.8 times. This increase reflected (i) an increase in revenues from operations at DP World Constanta in Romania, which was driven by an increase in revenue generating volume over the previous year, and (ii) the inclusion of revenues from operations at DP World Germersheim in Germany acquired in the CSX WT Acquisition, although this terminal experienced a decrease in revenue generating volume over the previous year. On average, terminals that contributed to revenue from operations for the region as of December 31, 2005 experienced an increase in revenue generating volume over the previous year of 3.0 times.

Asia-Pacific and Indian Subcontinent. Revenue from operations for the Asia-Pacific and Indian Subcontinent region for the year ended December 31, 2005 was $30.1 million. Revenue from operations reflected (i) the inclusion of revenues from terminal, warehouse and depot operations acquired in the CSX WT Acquisition in Hong Kong, including CT3 (Hong Kong), although this terminal experienced a reduction in revenue generating volume over the previous year, principally because of the loss of two customers prior to our acquisition of CT3 (Hong Kong) due to competitive pressures on tariffs, and (ii) the inclusion of revenues attributable to the commencement of operations acquired in the first quarter of 2005 at DP World Cochin, although this terminal experienced a reduction in revenue generating volume over the previous year. On average, terminals that contributed to revenue from operations for the region as of December 31, 2005 experienced a reduction in revenue generating volume over the previous year of 62.1%. ACT (CT8) (Hong Kong), the logistics centres in Hong Kong, Yantian and Shanghai and the terminals in Yantai and Tianjin, China, all of which were acquired in the CSX WT Acquisition, as well as our existing operation at Visakha Container Terminal, were not consolidated and therefore did not contribute to revenue from operations for the period under review.

Australia and New Zealand. Revenue from operations for the Australia and New Zealand region for the year ended December 31, 2005 was $24.3 million. This reflected the inclusion of revenues from operations at the terminal in Adelaide that we acquired in the CSX WT Acquisition, which experienced an increase in revenue generating volume over the previous year and an increase in tariff rates over the previous year.

Americas. Revenue from operations for the Americas region for the year ended December 31, 2005 was $0.4 million. This reflected the inclusion of management fees received by us from our operations at our terminals in Caucedo, Dominican Republic and Cabello, Venezuela, which were acquired in the

CSX WT Acquisition. These terminals were not consolidated and, apart from management fees, did not contribute to revenue from operations for the period under review.

Unallocated revenue. Unallocated revenue from operations for the year ended December 31, 2005 was $8.4 million as compared to $4.7 million for the year ended December 31, 2004, an increase of $3.7 million, or 78.7%. This increase was principally due to an increase in management fees earned by the corporate head office from our existing operation at Port Autonome International de Djibouti pursuant to the terms of the applicable management agreement, which was attributable to an increase in revenue generating volume over the previous year at the terminal.

Operating expenses

Operating expenses for the year ended December 31, 2005 were $288.3 million as compared to $185.2 million for the year ended December 31, 2004, an increase of $103.1 million, or 55.7%. This increase in operating expenses was principally due to (i) the inclusion of operating expenses relating to operations acquired in the CSX WT Acquisition of $61.2 million, (ii) an increase in operating expenses at our operations in the UAE, Middle East and South and East Africa region of $27.3 million, (iii) an increase in operating expenses at DP World Constanta in Romania of $3.6 million and (iv) the inclusion of operating expenses relating to operations at DP World Cochin in India of $2.4 million. In addition, increases in salaries and business travel expenses caused by a substantial increase in personnel and a more geographically diverse portfolio following the CSX WT Acquisition contributed to an additional $8.2 million increase in operating expenses.

General and administration expenses

General and administration expenses for the year ended December 31, 2005 were $86.0 million as compared to $26.1 million for the year ended December 31, 2004, an increase of $59.9 million, or 2.3 times. This increase in general and administration expenses was principally due to (i) the inclusion of general and administration expenses relating to operations acquired in the CSX WT Acquisition of $45.2 million, (ii) the inclusion of general and administration expenses relating to operations at DP World Cochin in India of $8.7 million, (iii) an increase in general and administration expenses at DP World Constanta in Romania of $4.8 million and (iv) an increase in general and administration expenses at operations in the UAE, Middle East and South and East Africa region of $1.1 million. In addition, legal, consultancy and other expenses associated with a business restructuring that we conducted following the CSX WT Acquisition contributed to an additional $5.9 million increase in general and administration expenses associated with separately disclosable items related to the CSX WT Acquisition. General and administration expenses for the year ended December 31, 2005 were also impacted by the inclusion of $7.7 million in costs associated with separately disclosable items, which consisted of a one-time expense related to terminals acquired in the CSX WT Acquisition that could not be capitalised.

Project development expenses

Project development expenses for the year ended December 31, 2005 were $8.4 million as compared to $1.5 million for the year ended December 31, 2004, an increase of $6.9 million, or 4.6 times. This increase in project development expenses was principally due to the incurrence of legal and consultancy fees of $6.9 million related to the CSX WT Acquisition. Project development expenses for the year ended December 31, 2004 include expenses incurred in connection with unsuccessful projects and certain one-time consultancy expenses.

Other income

Other income for the year ended December 31, 2005 was $4.8 million as compared to $3.7 million for the year ended December 31, 2004, an increase of $1.1 million, or 29.7%. This increase in other income was principally due to (i) an increase in interest income of $2.3 million, which reflected $1.2 million of interest income from operations acquired in the CSX WT Acquisition, and (ii) an increase in miscellaneous income of $0.6 million. Other income for the year ended December 31, 2004 included a gain of $1.3 million from the disposal of available-for-sale investments and a gain of $0.5 million from the sale of property, plant and equipment.

Finance costs

Finance costs for the year ended December 31, 2005 were $58.4 million, representing interest paid on amounts drawn under the $1,650.0 million term loan facility used to fund the acquisition of Asia Container Terminals Holdings Limited and the CSX WT Acquisition.

Share of profit (loss) of joint ventures and associates

Share of profit (loss) of joint ventures and associates for the year ended December 31, 2005 was $8.0 million as compared to a loss of $1.0 million for the year ended December 31, 2004, an increase of $9.0 million. This increase in share of profit (loss) of joint ventures and associates reflected (i) the inclusion of the net earnings of operations at ACT (CT8) (Hong Kong), the logistics centres in Hong Kong, Yantian and Shanghai and the terminals in Yantai and Tianjin, China, which experienced an increase in revenue generating volume over the previous year, but which were offset in part by a reduction in the amount of coal handled at the terminal in Tianjin, China, (ii) the inclusion of the net losses of operations at our terminals in Caucedo, Dominican Republic and Cabello, Venezuela, which reflected an increase in revenue generating volume over the previous year and increases in tariff rates over the previous year at such terminals, but which were offset in full by high finance costs incurred by the terminal in Caucedo, Dominican Republic as a result of financing incurred in connection with the development of the terminal and (iii) a loss at Visakha Container Terminal, which reduced the carrying value of our investment in Visakha Container Terminal to zero as of December 31, 2005. On average, the terminals that contributed to share of profit (loss) of joint ventures and associates as of December 31, 2005 experienced an increase in revenue generating volume over the previous year of 27.0%.

Income tax

Income tax for the year ended December 31, 2005 was $4.2 million as compared to $0.4 million for the year ended December 31, 2004, an increase of $3.8 million. This increase in income tax was principally due to the inclusion of income tax liabilities associated with operations acquired in the CSX WT Acquisition, mostly relating to US deferred income tax on unrepatriated foreign earnings of subsidiaries of $3.4 million, and an increase in withholding tax of $0.3 million associated with an increase in management fees paid to the corporate head office by our existing operation at our terminal in Djibouti.

Profit for the year

As a result of the factors described above, profit for the year for the year ended December 31, 2005 was $242.5 million as compared to $253.5 million for the year ended December 31, 2004, a decrease of $11.0 million, or 4.3%.

Our profit for the year ended December 31, 2005 included amounts attributable to minority interests of $2.8 million related to minority interests acquired in connection with the CSX WT Acquisition. There were no minority interests for the year ended December 31, 2004.

The following table presents profit information regarding DPA's geographical segments for the years ended December 31, 2004 and 2005.

	Year ended December 31,	
	2004	2005
	(US dollars in thousands)	
Net profit for the year		
UAE, Middle East and South and East Africa	$ 260,789	$ 325,366
Europe and North and West Africa	(2,868)	2,017
Asia-Pacific and Indian Subcontinent	—	(25,639)
Australia and New Zealand	—	1,281
Americas	—	(5,326)
	257,921	297,699
Unallocated loss	(4,428)	(55,191)
Total profit	$ 253,493	$ 242,508

UAE, Middle East and South and East Africa. As a result of the factors described above, the UAE, Middle East and South and East Africa region had a profit of $325.4 million for the year ended

December 31, 2005 as compared to $260.8 million for the year ended December 31, 2004, an increase of $64.6 million, or 24.8%.

Europe and North and West Africa. The Europe and North and West Africa region had a profit of $2.0 million for the year ended December 31, 2005 as compared to a loss of $2.9 million for the year ended December 31, 2004, an increase of $4.9 million. This increase reflected net profits at DP World Constanta in Romania and DP World Germersheim in Germany as a result of the factors described above.

Asia-Pacific and Indian Subcontinent. The Asia-Pacific and Indian Subcontinent region had a loss of $25.6 million for the year ended December 31, 2005. This loss reflected the net earnings of operations at ACT (CT8) (Hong Kong), the logistics centres in Hong Kong, Yantian and Shanghai and the terminals in Yantai and Tianjin, China, which were offset in full by net losses at CT3 (Hong Kong), DP World Cochin and Visakha Container Terminal as a result of the factors described above. In addition, interest paid on loans used to finance the operations at ACT (CT8) (Hong Kong) resulted in significant finance costs that were attributed to the Asia-Pacific and Indian Subcontinent region for the year ended December 31, 2005.

Australia and New Zealand. The Australia and New Zealand region had a profit of $1.3 million for the year ended December 31, 2005, which reflected the net earnings of the terminal in Adelaide as a result of the factors described above.

Americas. As a result of the factors described above, the Americas region had a loss of $5.3 million for the year ended December 31, 2005.

Unallocated loss. Unallocated loss for the year ended December 31, 2005 was $55.2 million as compared to a loss of $4.4 million for the year ended December 31, 2004, an increase of $50.8 million, or 11.5 times. This increase was principally due to the incurrence of finance costs of $58.4 million associated with the $1,650.0 million term loan facility used to fund the acquisition of Asia Container Terminals Holdings Limited and the CSX WT Acquisition, partially offset by an increase in interest income of $2.3 million and an increase in management fees earned by the corporate head office from Port Autonome International de Djibouti.

P&O Historical Results of Operations

The following discussion and analysis is based on the P&O Consolidated Financial Statements. The P&O Consolidated Financial Statements were P&O's first consolidated financial statements prepared in accordance with IFRS and, consequently, IFRS 1, "*First-time Adoption of International Financial Reporting Standards*", was applied. For additional information on the transition to IFRS, see Note 1, "Significant accounting policies—Transitional arrangements", of the Notes to the P&O Consolidated Financial Statements.

The P&O Consolidated Financial Statements include the financial results of the P&O Ferries Business, P&O Estates and POPNA. However, because of the disposal of POPNA and the transfer of the P&O Ferries Business and P&O Estates, as described under "—Factors Affecting the Comparability of the Periods Under Review" above, the following discussion of P&O's results of operations for the years ended December 31, 2004 and 2005 principally relates to the factors affecting the operating profit of P&O's ports segment.

Factors affecting historical financial condition and results of operations

In addition to the factors identified above under "—Factors Affecting Financial Condition and Results of Operations", the following is a discussion of the most significant factors that affected the business and financial condition of P&O's ports segment for the years ended December 31, 2004 and 2005.

Significant disposals and investments

During 2004 and 2005, P&O was involved in a significant ongoing strategic restructuring of its business which had commenced with the demerging of its cruise business in October 2000 and led to P&O's focus on the businesses where P&O had been a market leader, namely container terminal and ferries operations. The proceeds realised from this strategic restructuring were utilised to pay down P&O's debt and invest in P&O's ports business.

In accordance with IFRS, P&O did not include the revenue of businesses held for sale as group revenue, but rather accounted for the results of such businesses as profits from discontinued operations, net of tax.

P&O made the following significant business disposals during 2004 and 2005:

- on April 16, 2004, P&O sold its 50% stake in P&O Nedlloyd Container Line Limited for a consideration of €215.0 million in cash and a 25% stake in Royal Nedlloyd N.V., which was renamed Royal P&O Nedlloyd N.V.;
- on April 20, 2004, P&O sold part of its Irish Sea ferry operations for cash consideration of £50.0 million;
- on July 7, 2004, P&O sold its Australian resorts business for £81.0 million;
- on December 23, 2004, P&O sold its sports and leisure resort La Manga Club for £102.0 million;
- on June 29, 2005, P&O sold its remaining 25% stake in Royal P&O Nedlloyd N.V., which represented its entire Container Shipping division, for total proceeds before costs of £381.0 million; and
- on December 19, 2005, P&O sold its Cold Logistics business for £183 million.

Throughout 2004 and 2005, P&O continued its strategic sell down of its property portfolio, including major developments in Boston, Denver and Atlanta in the United States, Drakes Circus (Plymouth), Elizabeth House (Waterloo) and Kings Cross in the United Kingdom and Hamburg in Germany, as well as a number of other smaller developments.

In addition, during 2004 and 2005, P&O began participating in a number of new terminal operations that generated significant revenue and/or significantly increased expenses during the period:

- on March 23, 2004, P&O signed an agreement with the Vancouver Port Authority to operate the Centerm Container Terminal (now DP World Vancouver) in Vancouver harbour and invest in its expansion, which was completed in September 2006; and
- on April 20, 2004, P&O signed a concession with the Antwerp Port Authority to equip and operate the Deurgandok Container Terminal as part of the Antwerp Gateway consortium. The first vessels called at the terminal in September 2005.

During 2004 and 2005, P&O continued to develop its plans for London Gateway. On May 30, 2007, the UK Government announced that it had approved the development plan, which is planned to be a world class port and a logistics and business park at London Gateway in Thurrock, Essex. As of December 31, 2005, P&O had made total capital investments of £38.1 million in the development of London Gateway.

Explanation of key historical financial statement items

Revenue from operations

Revenue from operations for P&O's ports segment is comprised of income earned from the provision of various services, such as stevedoring, warehousing and storage, CFS cargo handling, trucking, port management fees, warehouse gate receipts and miscellaneous terminal services. See "—Factors Affecting Financial Condition and Results of Operations—Volume" and "—Factors Affecting Financial Condition and Results of Operations—Regulatory Environment" above.

Cost of sales

Cost of sales includes costs incurred in connection with the operation, maintenance and security of P&O's facilities and other costs directly attributable to the various services provided by P&O. Major components of operating expenses include marine operating expenses, garage operating expenses, warehousing expenses, transportation expenses, and yard and gate operations expenses.

General and administration expenses

General and administration expenses include amortisation cost of port concessions, staff costs, facilities rental, travel and entertainment, insurance, advertising, marketing, printing and stationery, communication costs, legal expenses, consultancy costs, IT charges, repair and maintenance costs and other sundry expenses.

Other income

Other income includes gains on asset sales and other sundry income receipts.

Share of profit (loss) of joint ventures and associates

Share of profit (loss) of joint ventures and associates reflects P&O's share of profits or losses from entities that are associates or joint ventures. The results of operations of associates and joint ventures are not consolidated and, consequently, only the earnings impact of these entities based on P&O's shareholding is incorporated into P&O's results.

Year ended December 31, 2005 compared to year ended December 31, 2004

As of December 31, 2005, P&O had three main business segments:

- ports, which includes the operation and development of terminals and related logistical operations worldwide as well as P&O Maritime Services, a maritime services company;
- ferries, which includes the operation of freight and passenger ferries within Europe and related road haulage; and
- property, which includes a development property portfolio in the United States, the United Kingdom and Continental Europe.

In addition, P&O historically had two additional business segments, Container Shipping and Cold Logistics, which were sold in June 2005 and December 2005, respectively, and are shown as discontinued operations in the P&O Consolidated Financial Statements.

P&O further divided its ports segment geographically into the following regions: (i) Asia, (ii) Australasia, (iii) Americas and (iv) Europe, which included operations in Maputo and South Africa. The financial results for the Maputo and South Africa operations are included in the UAE, Middle East and South and East Africa financial reporting segment in DPA's financial results for the year ended December 31, 2006.

As noted above, the following discussion of P&O's results of operations for the years ended December 31, 2004 and 2005 principally focuses on the material factors affecting the operating profit of P&O's ports segment because of the transfer of the P&O Ferries Business and P&O Estates.

The following table sets forth selected consolidated income statement data for P&O for the years indicated.

	Year ended December 31,					
	2004			2005		
	Before separately disclosable items	Separately disclosable items(1)	Total	Before separately disclosable items	Separately disclosable items(1)	Total
		(Unaudited)				
	(Pounds Sterling in millions)					
Group revenue	£ 2,265.9	£ —	£2,265.9	£ 2,340.1	£ —	£2,340.1
Cost of sales	(1,908.4)	(122.9)	(2,031.3)	(2,014.4)	—	(2,014.4)
Gross profit	357.5	(122.9)	234.6	325.7	—	325.7
Other operating income	19.5	13.5	33.0	12.8	4.1	16.9
Administrative costs	(216.9)	(217.3)	(434.2)	(192.5)	(18.7)	(211.2)
Share of results of joint ventures and associates	30.5	—	30.5	40.9	(0.9)	40.0
Group operating profit	190.6	(326.7)	(136.1)	186.9	(15.5)	171.4
Profit on sale and termination of businesses	—	32.4	32.4	—	—	—
Financial income	11.4	—	11.4	7.9	—	7.9
Financial expenses	(94.9)	—	(94.9)	(66.6)	(12.1)	(78.7)
Profit before taxation	107.1	(294.3)	(187.2)	128.2	(27.6)	100.6
Taxation	(18.9)	(1.9)	(20.8)	(23.6)	(0.4)	(24.0)
Profit on continuing operations after taxation	88.2	(296.2)	(208.0)	104.6	(28.0)	76.6
Profit from discontinued operations, net of tax	53.0	3.5	56.5	33.6	179.9	213.5
Profit for the year	£ 141.2	£ (292.7)	£ (151.5)	£ 138.2	£ 151.9	£ 290.1

(1) See Note 4, "Separately disclosable items", of the Notes to the P&O Consolidated Financial Statements for further information.

Group revenue

Group revenue for the year ended December 31, 2005 was £2,340.1 million as compared to £2,265.9 million for the year ended December 31, 2004, an increase of £74.2 million, or 3.3%.

The following table presents revenue information regarding P&O's segments for the years ended December 31, 2004 and 2005.

	Year ended December 31, 2004	Year ended December 31, 2005
	(Unaudited) (Pounds Sterling in millions)	
Revenue		
Ports	£ 844.4	£ 913.9
Ferries and property	1,421.5	1,426.2
Revenue from continuing operations	2,265.9	2,340.1
Revenue from discontinued operations	205.6	222.8
Revenue for the financial year	£ 2,471.5	£ 2,562.9

Revenue for the ports segment for the year ended December 31, 2005 was £913.9 million as compared to £844.4 million for the year ended December 31, 2004, an increase of £69.5 million, or 8.2%. This increase in revenue for the ports segment was principally due to an increase in throughput volumes to 14.7 million TEUs for the year ended December 31, 2005 from 13.8 million TEUs for the year ended December 31, 2004, an increase of 868,000 TEUs, or 6.3%.

The remainder of the increase in group revenue reflected a net increase in revenues from the ferries and property segments of £4.7 million.

Cost of sales

Cost of sales for the year ended December 31, 2005 was £2,014.4 million as compared to £2,031.3 million for the year ended December 31, 2004, a decrease of £16.9 million, or 0.8%. This decrease in cost of sales was principally due to an increase before separately disclosable items in the ports segment of £53.6 million, or 7.8%, and an increase before separately disclosable items of £52.4 million, or 4.3%, in the ferries and property segments, which were offset by a reduction in total separately disclosable items of £122.9 million. Cost of sales for the year ended December 31, 2004 was impacted by the inclusion of £122.9 million in cost of sales associated with separately disclosable items, which consisted primarily of property and other impairments and ferries reorganisation and impairment costs.

Other operating income

Other operating income for the year ended December 31, 2005 was £16.9 million as compared to £33.0 million for the year ended December 31, 2004, a decrease of £16.1 million, or 48.8%. This decrease in other operating income was principally due to a decrease before separately disclosable items in the ports segment of £0.8 million, or 8.5%, a decrease before separately disclosable items in the ferries and property segments of £5.9 million, or 58.4%, and a reduction in total separately disclosable items of £9.4 million. Other operating income for the year ended December 31, 2005 was impacted by the inclusion of £4.1 million in other operating income associated with separately disclosable items, which consisted primarily of a net insurance recovery and a profit on the sale of premises, plant and equipment. Other operating income for the year ended December 31, 2004 was impacted by the inclusion of £13.5 million in other operating income associated with separately disclosable items, which consisted primarily of one-time rental refunds and one-time pension contribution refunds.

Administrative costs

Administrative costs for the year ended December 31, 2005 were £211.2 million as compared to £434.2 million for the year ended December 31, 2004, a decrease of £223.0 million, or 51.4%. This decrease in administrative costs was principally due to an increase before separately disclosable items in the ports segment of £8.2 million, or 14.2%, which were offset by a decrease before separately disclosable items in the ferries and property segments of £32.6 million, or 20.4%, and a reduction in total separately disclosable items of £198.6 million. Administrative costs for the year ended December 31, 2005 were impacted by the inclusion of £18.7 million in administrative costs associated with separately disclosable items, which consisted primarily of relocation and reorganisation costs of £15.4 million and costs associated with the

P&O Acquisition of £3.3 million. Administrative costs for the year ended December 31, 2004 were impacted by the inclusion of £217.3 million in administrative costs associated with separately disclosable items, which consisted primarily of ferries reorganisation and impairment costs.

Share of results of joint ventures and associates

Share of results of joint ventures and associates for the year ended December 31, 2005 was £40.0 million as compared to £30.5 million for the year ended December 31, 2004, an increase of £9.5 million, or 31.1%. This increase in share of results of joint ventures and associates was principally due to an increase in the share of results of joint ventures and associates before separately disclosable items in the ports segment of £13.4 million, or 46.7%, which was offset by a decrease in the share of results of joint ventures and associates before separately disclosable items in the ferries and property segments of £3.0 million and a total separately disclosable loss of £0.9 million. Share of results of joint ventures and associates for the year ended December 31, 2005 was impacted by the inclusion of a loss of £0.9 million associated with separately disclosable items, which consisted primarily of losses arising from the sale of assets in the property segment.

Group operating profit

Group operating profit for the year ended December 31, 2005 was £171.4 million as compared to a loss of £136.1 million for the year ended December 31, 2004, an increase of £307.5 million. This increase in group operating profit was principally due to an increase in the profit before separately disclosable items in the ports segment of £20.3 million, or 14.2%, which was offset by a decrease in profit before separately disclosable items in the ferries and property segments of £24.0 million, or 49.9%, and a reduction of £311.2 million in the losses from separately disclosable items described above. The £16.0 million of unallocated costs within separately disclosable items consisted primarily of corporate relocation and reorganisation costs and costs associated with the P&O Acquisition.

Historically, P&O presented underlying profit because of the distorting effect that net financing costs, taxation and minority interest relating to joint ventures and associates had on group operating profit. Underlying profit is a different financial measure from net profit for the year, as calculated by DPA. The following table presents underlying profit information regarding P&O's segments, as well as a reconciliation of underlying profit to group operating profit, for the years ended December 31, 2004 and 2005.

	Year ended December 31,					
	2004			2005		
	Before separately disclosable items	Separately disclosable items(1)	Total	Before separately disclosable items	Separately disclosable items(1)	Total
		(Unaudited) (Pounds Sterling in millions)				
Underlying profit						
Ports	£ 156.1	£ 7.9	£ 164.0	£ 176.7	£ (0.4)	£ 176.3
Ferries, property and unallocated	48.1	(334.6)	(286.5)	27.4	(15.1)	12.3
Underlying profit for continuing operations	204.2	(326.7)	(122.5)	204.1	(15.5)	188.6
Joint ventures and associates net financing costs	(4.9)	—	(4.9)	(5.0)	—	(5.0)
Joint ventures and associates taxation	(8.4)	—	(8.4)	(11.1)	—	(11.1)
Joint ventures and associates minority interest	(0.3)	—	(0.3)	(1.1)	—	(1.1)
Group operating profit	£ 190.6	£ (326.7)	£ (136.1)	£ 186.9	£ (15.5)	£ 171.4

(1) See Note 4, "Separately disclosable items", of the Notes to the P&O Consolidated Financial Statements for further information.

Underlying profit for the ports segment for the year ended December 31, 2005 was £176.3 million as compared to £164.0 million for the year ended December 31, 2004, an increase of £12.3 million, or 7.5%. This increase in underlying profit for the ports segment was significantly greater than the 6.3% growth in throughput to 14.7 million TEUs, due to increased terminal utilisation and cost savings, as well as the increase of the underlying profit of the maritime businesses.

The remainder of the increase in underlying profit for continuing operations reflected a net increase in underlying profit for the ferries and property segments and unallocated underlying profit of £298.8 million.

The following table presents underlying profit information regarding the ports segment for the years ended December 31, 2004 and 2005.

	Year ended December 31,					
	2004			2005		
	Before separately disclosable items	Separately disclosable items(1) (Unaudited)	Total	Before separately disclosable items	Separately disclosable items(1)	Total
	(Pounds Sterling in millions)					
Underlying profit						
Asia	£ 81.4	£ —	£ 81.4	£ 95.6	£ (1.6)	£ 94.0
Australasia	28.4	11.0	39.4	31.4	—	31.4
Americas	19.4	(0.1)	19.3	24.5	2.3	26.8
Europe	19.9	(3.0)	16.9	17.8	(1.1)	16.7
	149.1	7.9	157.0	169.3	(0.4)	168.9
Maritime services	7.0	—	7.0	7.4	—	7.4
Underlying profit for ports	£ 156.1	£ 7.9	£ 164.0	£ 176.7	£ (0.4)	£ 176.3

(1) See Note 4, "Separately disclosable items", of the Notes to the P&O Consolidated Financial Statements for further information.

Asia. Profit for the Asia region for the year ended December 31, 2005 was £94.0 million as compared to £81.4 million for the year ended December 31, 2004, an increase of £12.6 million or 15.5%, with organic volume growth of 12.6%.

In China, strong growth in underlying profit was achieved, driven by annual growth in volume over the previous year of 17.6%. Growth was particularly strong at the terminal in Qingdao, which reported annual growth in volume over the previous year of 23.2%. Terminal operations at Shekou also handled relatively high levels of throughput, but volume growth was restricted by capacity constraints.

In India, DP World Nhava Sheva achieved volume growth despite being capacity constrained. However, a reduction in the regulated tariff applicable to the terminal led to a decrease in operating profit of £3.0 million over the previous year. Growth in both volume and profit was achieved at the terminals in Chennai and Mundra. In Pakistan, volume growth combined with a significant temporary contribution from ancillary services, such as storage, resulted in a notable increase in profit at DP World Karachi in 2005.

In the Philippines, increases in the regulated tariff resulted in profit growth despite container volumes remaining static.

In Indonesia, container volumes and profit in 2005 were unchanged at the terminal in Surabaya as compared to 2004.

Profit for the Asia region for the year ended December 31, 2005 was impacted by the inclusion of a loss of £1.6 million associated with separately disclosable items, which consisted primarily of restructuring and reorganisation.

Australasia. Profit for the Australasia region for the year ended December 31, 2005 was £31.4 million as compared to £39.4 million for the year ended December 31, 2004, a decrease of £8.0 million, or 20.3%, with an annual volume growth of 3.7%. There were also improved contributions in 2005 from the logistics and transport business, as well as non-container and container operations. Container volumes benefited from strong Asian trade volumes at the start of 2005. However, this was offset by weakening consumer demand through much of the rest of the year. Ancillary revenue from container operations was particularly strong at the end of 2005 because of the high level of container storage at the terminals.

Profit for the Australasia region for the year ended December 31, 2004 was impacted by the inclusion of a profit of £11.0 million associated with separately disclosable items, which consisted primarily of one-time rental refunds and one-time pension contribution refunds and holidays off-set by the write off/loss on sale of premises, plant and equipment.

Americas. Profit for the Americas region for the year ended December 31, 2005 was £26.8 million as compared to £19.3 million for the year ended December 31, 2004, an increase of £7.5 million or 38.9%, with organic volume growth of 9.0%. The non-containerised business performed well in 2005 despite disruptions caused by Hurricanes Katrina and Rita. The operations at New Orleans, Lake Charles and Houston were only temporarily affected, although the Gulfport terminal sustained long-term damage. Damage and business interruption costs were largely covered by insurance. The operations at the terminal in Miami performed particularly well in 2005 and benefited from high ancillary revenue. The terminal in Port Newark, New Jersey moved into profitability for 2005, benefiting from customer gains, improved volumes and enhanced utilisation following reconstruction of the main part of the terminal in 2004.

In Argentina, the market was competitive during 2005, with volumes at Terminales Rio de la Plata (Buenos Aires) under pressure from competition and the poor Argentinean economy in the first half of 2005 but with market share improving in the second half of the year. Consequently, overall volume growth of 11.0% was achieved, although profits were slightly lower for the year.

In Vancouver, the terminal achieved higher volumes and increased tariffs but redevelopment of the terminal and a truckers' strike in the second half of 2005 reduced profit growth.

Profit for the Americas region for the year ended December 31, 2005 was impacted by the inclusion of a profit of £2.3 million associated with separately disclosable items, which consisted primarily of a net insurance recovery. Profit for the Americas region for the year ended December 31, 2004 was impacted by the inclusion of a loss of £0.1 million associated with separately disclosable items, which consisted primarily of losses on the sale of premises, plant and equipment.

Europe. Profit for the Europe region for the year ended December 31, 2005 was £16.7 million as compared to £16.9 million for the year ended December 31, 2004, a decrease of £0.2 million, or 1.2%, with container volumes down by 3.3%. Volumes at the terminal in Southampton were down 4.6% over the previous year following the loss of a portion of a customer's business to another terminal at the end of 2004. Consequently, profits were reduced but were also impacted by an increase in local authority rates by £2.0 million per year and higher labour costs associated with an increase in gross capacity to 1.9 million TEUs per annum.

Volumes were also down at the terminal in Antwerp following the planned relocation of a less profitable customer. However, this improved the business mix at the terminal and meant that profits were significantly ahead of the prior year. The new Antwerp Gateway terminal opened in the third quarter of 2005. The volumes and profit at other European terminals improved year over year.

Profit for the Europe region for the year ended December 31, 2005 was impacted by the inclusion of a loss of £1.1 million associated with separately disclosable items, which consisted primarily of restructuring and reorganisation costs. Profit for the Europe region for the year ended December 31, 2004 was impacted by the inclusion of a loss of £3.0 million associated with separately disclosable items, which consisted primarily of the write-off of goodwill and losses on the sale of investment, premises, plant and equipment.

Maritime services. Profit for maritime services for the year ended December 31, 2005 was £7.4 million as compared to £7.0 million for the year ended December 31, 2004, an increase of £0.4 million, or 5.7%. This increase in profit for maritime services was principally due to a strong result from the specialised shipping contracts operated for the Australian Government and Royal Australian Navy.

Liquidity and Capital Resources

We expect to meet our ongoing capital requirements, including in respect of our 12 ongoing terminal development projects and nine ongoing terminal expansion projects, as described in "Business—History—Future Expansion" and "Business—Our Ports Business—Portfolio", through dividends and repayments of loans from our subsidiaries, as well as debt financing or the issuance of equity to the extent necessary. We believe that we have sufficient working capital for the foreseeable future. Where available, we intend to finance terminal development and expansion projects through non-recourse debt of the relevant terminal operating company. See "Risk Factors—Risks Related to the Notes—Because we are a holding company and substantially all of our operations are conducted by our subsidiaries, unconsolidated joint ventures and associates, our ability to pay interest on the Notes, depends on our ability to obtain cash dividends or other cash payments or obtain loans from such entities" and "Risk Factors—Risks Relating to the Company—Our businesses require substantial capital investment, and we may not have sufficient capital to make, or may be restricted by covenants in our financing agreements from making, future capital expenditures and other investments as we deem necessary or desirable." In addition, we may, from time to time, based on market conditions, access the banking and capital markets to borrow funds to meet our liquidity and other financing needs.

Cash Flow

DPA

The following table sets forth certain information about the consolidated cash flows of DPA for the years indicated.

	Year ended December 31,		
	2004	2005	2006[1]
	(US dollars in thousands)		
Net cash from operating activities	$ 333,454	$ 245,363	$ 297,504
Net cash used in investing activities	(426,752)	(1,615,694)	(7,211,760)
Net cash from financing activities	139,733	1,382,416	8,368,271
Net increase in bank balances and cash	46,435	12,085	1,454,015
Net foreign exchange translation difference	—	(2,130)	36,301
Bank balances and cash at the beginning of the year	193,848	240,283	250,238
Bank balances and cash at the end of the year	$ 240,283	$ 250,238	$ 1,740,554

(1) The cash flows of DPA include the cash flows of P&O for the period from March 9, 2006, the first day following the P&O Acquisition, through December 31, 2006 only.

Net cash from operating activities. Net cash from operating activities for the year ended December 31, 2006 was $297.5 million as compared to $245.4 million for the year ended December 31, 2005, an increase of $52.1 million, or 21.2%. This increase in net cash from operating activities was principally due to an increase in revenue and gross margin due to the acquisition of P&O.

Net cash from operating activities for the year ended December 31, 2005 was $245.4 million as compared to $333.5 million for the year ended December 31, 2004, a decrease of $88.1 million, or 26.4%. This decrease in net cash from operating activities was principally due to the inclusion of receivables and payables of operations acquired in the CSX WT Acquisition as well as the payment of $58.4 million in finance costs associated with the $1,650.0 million term loan facility used to fund the acquisition of Asia Container Terminals Holdings Limited and the CSX WT Acquisition.

Net cash used in investing activities. Net cash used in investing activities for the year ended December 31, 2006 was $7,211.8 million as compared to $1,615.7 million for the year ended December 31, 2005, an increase of $5,596.1 million, or 3.5 times. This increase in net cash used in investing activities was principally due to the acquisition of P&O.

Net cash used in investing activities for the year ended December 31, 2005 was $1,615.7 million as compared to $426.8 million for the year ended December 31, 2004, an increase of $1,188.9 million, or 2.8 times. This increase in net cash used in investing activities was principally due to the CSX WT Acquisition and DPA's acquisitions of a 100% ownership interest in Yarimca Porselen Sanayi Ve Ticaret A.S. and an additional 14.55% ownership interest in Pusan Newport Company Limited at a cost, collectively, of $1,283.2 million.

Net cash from financing activities. Net cash from financing activities for the year ended December 31, 2006 was $8,368.3 million as compared to $1,382.4 million for the year ended December 31, 2005, an increase of $6,985.9 million, or 5.1 times. This increase in net cash from financing activities was principally due to the re-financing of the $1,650.0 million term loan facility used to fund the acquisition of Asia Container Terminals Holdings Limited and the CSX WT Acquisition, borrowings under the $6,800.0 million term loan facility used to fund the acquisition of P&O and additional capital contributed by the owner.

Net cash from financing activities for the year ended December 31, 2005 was $1,382.4 million as compared to $139.7 million for the year ended December 31, 2004, an increase of $1,242.7 million, or 8.9 times. This increase in net cash from financing activities was principally due to borrowings under the $1,650.0 million term loan facility used to fund the acquisition of Asia Container Terminals Holdings Limited and the CSX WT Acquisition.

P&O

The following table sets forth certain information about the consolidated cash flows of P&O for the years indicated.

	Year ended December 31,	
	2004	2005
	(Unaudited)	
	(Pounds Sterling in millions)	
Net cash inflow from operating activities	£ 483.9	£ 408.8
Net cash inflow from investing activities	243.8	347.1
Net cash outflow from financing activities	(736.5)	(705.5)
Net increase (decrease) in cash and cash equivalents	(8.8)	50.4
Cash and cash equivalents at January 1	36.5	29.4
Effect of exchange rate fluctuations on cash held	1.7	2.4
Cash and cash equivalents at December 31	£ 29.4	£ 82.2

Net cash inflow from operating activities. Net cash inflow from operating activities for the year ended December 31, 2005 was £408.8 million as compared to £483.9 million for the year ended December 31, 2004, a decrease of £75.1 million, or 15.5%. This decrease in net cash inflow from operating activities was principally due to a significant outflow from changes in working capital stemming from an increase in receivables in the property segment, provisions arising from the settlement of amounts provided for in the cost of the fundamental business review of the ferries segment and a £100 million payment into the P&O UK pension fund. The only cash flow for the year ended December 31, 2005 from the discontinued Container Shipping operation was a dividend receipt of £6.9 million. The discontinued Cold Logistics businesses contributed £22.8 million to net operating cash flow for the year ended December 31, 2005 as compared to £26.8 million for the year ended December 31, 2004.

Net cash inflow from investing activities. Net cash inflow from investing activities for the year ended December 31, 2005 was £347.1 million as compared to £243.8 million for the year ended December 31, 2004, an increase of £103.3 million, or 42.4%. This increase in net cash inflow from investing activities was principally due to an increase in cash inflows from corporate disposals of £183.7 million from £342.4 million for the year ended December 31, 2004 to £526.1 million for the year ended December 31, 2005 and a reduction of cash advances to and cash outflows arising on the purchase of joint ventures and associates of £21.0 million from £61.7 million for the year ended December 31, 2004 to £40.7 million for the year ended December 31, 2005, offset by an increase in capital expenditures of £30.7 million from £156.3 million for the year ended December 31, 2004 to £187.0 million for the year ended December 31, 2005 and a decrease in sales of property, plant, equipment and investments of £54.3 million from £103.0 million for the year ended December 31, 2004 to £48.7 million for the year ended December 31, 2005. In addition, for the year ended December 31, 2004, P&O received £16.4 million in interest arising mainly on deferred consideration from prior period corporate disposals. The discontinued Cold Logistics businesses generated £7.5 million in cash flow from investing activities for the year ended December 31, 2005 as compared to £0.6 million for the year ended December 31, 2004.

Net cash outflow from financing activities. Net cash outflow from financing activities for the year ended December 31, 2005 was £705.5 million as compared to £736.5 million for the year ended December 31, 2004, a decrease of £31.0 million, or 4.2%. This decrease in net cash outflow from financing activities was principally due to an increase in the cash outflow arising on net loan and lease repayments of £47.8 million from £521.7 million for the year ended December 31, 2004 to £569.5 million for the year ended December 31, 2005, a decrease in interest payments of £41.5 million from £117.0 million for the year ended December 31, 2004 to £75.5 million for the year ended December 31, 2005 and a reduction in dividends paid of £23.3 million from £96.2 million for the year ended December 31, 2004 to £72.9 million for the year ended December 31, 2005. In addition, P&O had a net cash inflow of £12.4 million for the year ended December 31, 2005 as compared to a net cash outflow of £1.6 million for the year ended

December 31, 2004, in each case, from the issue/purchase of P&O stock. The discontinued Cold Logistics businesses utilised £6.5 million in respect of financing activities for the year ended December 31, 2005 as compared to £4.5 million for the year ended December 31, 2004.

Working Capital and Indebtedness

Syndicated Term Loan and Revolving Credit Facility

In connection with the Restructuring, on December 29, 2006, the syndicated term loan and revolving credit facility (the "**Credit Facility**") among DPA, Thunder FZE and JAFZA, as borrowers, PCFC and the other the guarantors party thereto, as guarantors, the lenders from time to time party thereto and Deutsche Bank Luxembourg S.A., as facility agent, was amended and restated (the "**Amended and Restated Credit Facility**") to, among other things, (i) transfer a portion of borrowings thereunder from Thunder FZE to JAFZA, (ii) remove the requirement that the proceeds from the sale of POPNA be used to prepay borrowings thereunder, (iii) upon the satisfaction of certain conditions (which have been satisfied), remove JAFZA as a borrower and guarantor thereunder and (iv) upon the satisfaction of certain conditions (which have not been satisfied), remove PCFC as a guarantor thereunder. In addition, immediately prior to the transfer of Thunder FZE to the Company, the Company became a borrower and guarantor under the Amended and Restated Credit Facility. On March 29, 2007, the outstanding borrowings of DPA were transferred to DP World UAE and DP World UAE assumed all the obligations of DPA as a borrower under the Amended and Restated Credit Facility.

The Amended and Restated Credit Facility consists of a $4,524.0 million term loan facility that matures in November 2010 and a $500.0 million revolving credit facility with a five-year maturity (under which no amounts are currently drawn). We have fully hedged to fixed rates our outstanding floating rate borrowings under the Amended and Restated Credit Facility.

Security and guarantees. The obligations of the borrowers under the Amended and Restated Credit Facility are unconditionally and irrevocably guaranteed jointly and severally by the Company, Thunder FZE, DPA, DP World FZE, DPI Terminals (BVI) Ltd and DP World UAE and secured by a charge over all of the capital stock of P&O. PCFC also provides a guarantee of the Amended and Restated Credit Facility, but such guarantee is intended to be released upon the satisfaction of certain conditions.

Repayment and voluntary prepayments. All borrowings under the Amended and Restated Credit Facility must be repaid at final maturity. The Amended and Restated Credit Facility provides for voluntary prepayments of the loans, and voluntary cancellation of the unutilised portion of the commitments under the revolving credit facility, without penalty, subject to certain conditions pertaining to minimum notice and payment and cancellation amounts. Amounts voluntarily prepaid under the revolving credit facility may be reborrowed in accordance with the terms of the Amended and Restated Credit Facility. The Amended and Restated Credit Facility also contains mandatory repayment provisions that we believe are usual and customary for a senior secured credit agreement.

Undertakings and Covenants. The Amended and Restated Credit Facility contains affirmative and negative undertakings that we believe are usual and customary for a senior secured credit agreement. In addition, the Amended and Restated Credit Facility contains customary financial covenants including maximum leverage and minimum interest cover.

Events of default. The Amended and Restated Credit Facility contains certain customary events of default.

DPA

Indebtedness. Indebtedness outstanding as of December 31, 2006 was $5,718.0 million, all of which was transferred to the Company, as compared to $1,659.3 million as of December 31, 2005, an increase of $4,058.7 million, or 2.4 times. Indebtedness outstanding as of December 31, 2006 was comprised principally of:

- $4,524.0 million in borrowings under the Credit Facility;
- $494.0 million in borrowings by P&O and P&O Australia that are secured by cash borrowed and placed on deposit;
- $457.0 million in unsecured borrowings by subsidiaries of DPA;

- $72.0 million in secured loans owed by subsidiaries of DPA; and
- $171.0 million in non-recourse obligations owed by subsidiaries of DPA.

Working capital. We believe that we have sufficient working capital for the foreseeable future. Working capital as of December 31, 2006 was $3,153.9 million as compared to $(1,356.1) million as of December 31, 2005, an increase of $4,510.0 million, or 3.3 times. Working capital as of December 31, 2005 was negative because of the inclusion as current liabilities of borrowings of $1,650.8 million under the $1,650.0 million term loan facility used to fund the acquisition of Asia Container Terminals Holdings Limited and the CSX WT Acquisition. In accordance with IFRS, these borrowings were included as current liabilities and resulted in a corresponding reduction in working capital as of December 31, 2005 because the $1,650.0 million term loan facility was repaid on March 23, 2006 with borrowings under the $6,800.0 million term loan facility established in connection with the P&O Acquisition. Accordingly, the increase in working capital was principally due to the elimination of a significant amount of short-term indebtedness due to the refinancing in 2006, the injection of additional equity and assets classified as held for sale.

Working capital as of December 31, 2005 was $(1,356.1) million as compared to $224.6 million as of December 31, 2004, a decrease of $1,580.7 million. The decrease in working capital was principally due to the impact of receivables and payables of operations acquired in the CSX WT Acquisition and the early payment of the credit facility we incurred in connection with the CSX WT Acquisition as described above.

PCFC Development FZCO Sukuk

On January 26, 2006 (the "**Sukuk Issue Date**") PCFC Development FZCO (the "**Sukuk Issuer**"), an affiliate of ours, issued the Sukuk, which represents an undivided beneficial interest in certain assets. These assets primarily consist of all of the Sukuk Issuer's rights, title and interest in, to and under, the Musharaka (as defined below), the other Sukuk transaction documents (the "**Sukuk Transaction Documents**") and a Transaction Account and Custody Account, held by the Sukuk Issuer on trust for the holders of the Sukuk, pursuant to a declaration of trust, dated as of the Sukuk Issue Date, between the Sukuk Issuer and PCFC. The proceeds from the issuance of the Sukuk were used by the Sukuk Issuer to make its contribution to a joint venture (the "**Musharaka**") established pursuant to a musharaka agreement, dated as of the Sukuk Issue Date (the "**Musharaka Agreement**"), between the Sukuk Issuer and PCFC. Pursuant to the terms of the Sukuk Transaction Documents and in connection with the Restructuring, Dubai World, our indirect parent company, provided certain undertakings in respect of the Sukuk and Port & Free Zone World FZE, our direct parent, was granted a share pledge to the Sukuk Issuer over all of our shares, which, in each case, will remain in effect until the Sukuk is redeemed in full. In addition, in connection with certain equity offerings, a portion of the Sukuk is redeemable in exchange for our affiliates' shares or other equity interests as more fully described in the Sukuk Transaction Documents. Neither we, nor our subsidiaries, are directly subject to the covenants contained in the Sukuk Transaction Documents.

Contractual Obligations

The following table presents DPA's contractual obligations as of December 31, 2006, all of which were transferred to the Company.

	Payments due by period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
	(US dollars in thousands)				
Long-term debt obligations	$ 5,718,038	$ 191,977	$ 342,621	$ 5,051,176	$ 132,264
Financial lease obligations	36,792	4,697	7,824	6,071	18,200
Operating lease obligations	3,844,589	280,369	927,652	—	2,636,568
Capital expenditure commitments	123,490	123,490	—	—	—
Total	$ 9,722,909	$ 600,533	$ 1,278,097	$ 5,057,247	$ 2,787,032

Capital Expenditures

For the years ended December 31, 2004, 2005 and 2006, DPA made capital expenditures relating to its ports segment of $276.6 million, $320.6 million and $712.5 million, respectively. For the years ended December 31, 2004 and 2005, P&O made capital investments of approximately £140 million and £170 million, respectively, in developing its ports business.

We expect to finance our future commitments for capital expenditures, including in respect of our 12 ongoing terminal development projects and nine ongoing terminal expansion projects, through dividends and repayments of loans from our subsidiaries, as well as debt financing or equity to the extent necessary. Where available, we intend to finance terminal development and expansion projects through non-recourse debt of the relevant terminal operating company level. In addition, we may elect or be required to make additional capital expenditures related to our concessions in the future and, as a result, our future capital expenditures may be significantly higher than the amounts discussed above. In addition, the amounts discussed above do not reflect other investments that we may make related to such concessions, or any capital expenditures or other investments that we may make in connection with any concessions that we acquire or are awarded in the future. We believe that our operating cash flows and borrowing capacity, taken together, provide adequate resources to fund capital expenditures relating to our ongoing operations and future investments associated with the expansion of our business for the foreseeable future. See "—Factors Affecting Financial Condition and Results of Operations—Investment in the Development of New Terminals" above.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have or are reasonably expected to have a material current or future effect on our financial condition, revenues, expenses, results of operations, liquidity, capital expenditures or capital resources.

Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Risk

A small proportion of our underlying borrowings are at fixed rates of interest. In addition, we use interest rate swaps to fix the interest cost on our floating rate borrowings in order to limit the impact of increases in interest rates. In the medium term, our policy is to maintain between 70% and 100% of borrowings at a fixed rate of interest. In the short term, the level of fixed rate borrowings may move out of the 70% to 100% range, in which case a plan is put in place to move back within this range. Interest rate swaps had a weighted average life of approximately four years at December 31, 2006. Virtually all of our pro forma US dollar-denominated borrowings as of December 31, 2006 were at fixed rates of interest, either directly or indirectly through swap agreements. Approximately $400 million of principally Australian and Canadian dollar-denominated currency debt in our pro forma indebtedness as of December 31, 2006 were at variable rates. Accordingly, a hypothetical 1% change in interest rates would have a limited impact on our interest expense.

Credit Risk

We seek to trade only with recognised, creditworthy third parties. It is our policy that all customers who wish to trade on credit terms are subject to credit verification procedures and may be required to submit financial guarantees based on their creditworthiness. In addition, receivable balances are monitored on an ongoing basis with the result that our exposure to bad debts is not significant.

With respect to credit risk arising from our other financial assets, which comprise cash and cash equivalents and certain derivative instruments, our exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Liquidity Risk

We have cash balances and undrawn committed facilities to provide liquidity as required. As of December 31, 2006, pro forma committed undrawn facilities totalled $500 million. Most of this borrowing capacity is available under the revolving credit portion of the Amended and Restated Credit Facility. See "—Liquidity and Capital Resources—Working Capital and Indebtedness—Syndicated Term Loan and Revolving Credit Facility" above for a description of this facility.

Currency Risk

We have extensive overseas and international business operations and operate in a number of foreign currencies which gives rise to transactional and translational foreign exchange risk. The most important foreign currencies for us are the Pound Sterling, euro, Hong Kong Dollar, Indian Rupee, Chinese Yuan, Australian Dollar, Korean Won and Dominican Republic Peso. In general, our profits and shareholders' funds benefit if these currencies are strong against the US dollar.

Translational currency risk

As of December 31, 2006, approximately 79.7% of our pro forma assets were denominated in foreign currencies, with the result that our US dollar consolidated balance sheet, and in particular shareholders' funds, can be significantly affected by currency movements when underlying currency balance sheets are retranslated at each period end rate. We mitigate the effect of such movements by borrowing in the same currencies as those in which the assets are denominated and using cross-currency swaps. In addition the majority of our pro forma operating profit for the year ended December 31, 2006 was generated by businesses with functional currencies other than, or not pegged to, the US dollar. The results of these businesses are translated into US dollars at average exchange rates for the purposes of consolidation. The impact of currency movements on operating profit is mitigated partially by interest costs being incurred in foreign currencies, partially hedging net profit.

Exchange gains or losses arising on foreign currency investments are taken directly to equity. Most foreign currency loans are accounted for as hedges and the exchange arising from retranslating these loans at each balance sheet date is taken to equity to the extent that this hedge is deemed to be effective. Where cross currency swaps are used to hedge overseas equity investments the movement in the fair value of the instrument is also taken to equity.

Transactional currency risk

A portion of our businesses generate part of their revenue and incur some costs outside their main functional currency. Due to the diverse number of locations in which we operate there is some natural hedging that occurs within the Company. When it is considered that currency volatility could have a material impact on the results of an operation, hedging, generally up to 12 months using forward contracts, is undertaken to reduce the short term effect of currency movements.

When our businesses enter into capital expenditure or lease commitments in currencies other than their main functional currency, these commitments are hedged in most instances using forward contracts and currency swaps in order to fix the cost when converted to the functional currency. The main exposure of our foreign currency commitments of this nature is in respect of ferry operating lease commitments. Forward contracts match the expected cash flows of capital and lease commitments.

As well as the direct effect on cash flows, exchange rates also affect our businesses because of their overall economic influence. In particular, exchange rates affect international trade flows which impact on our activities.

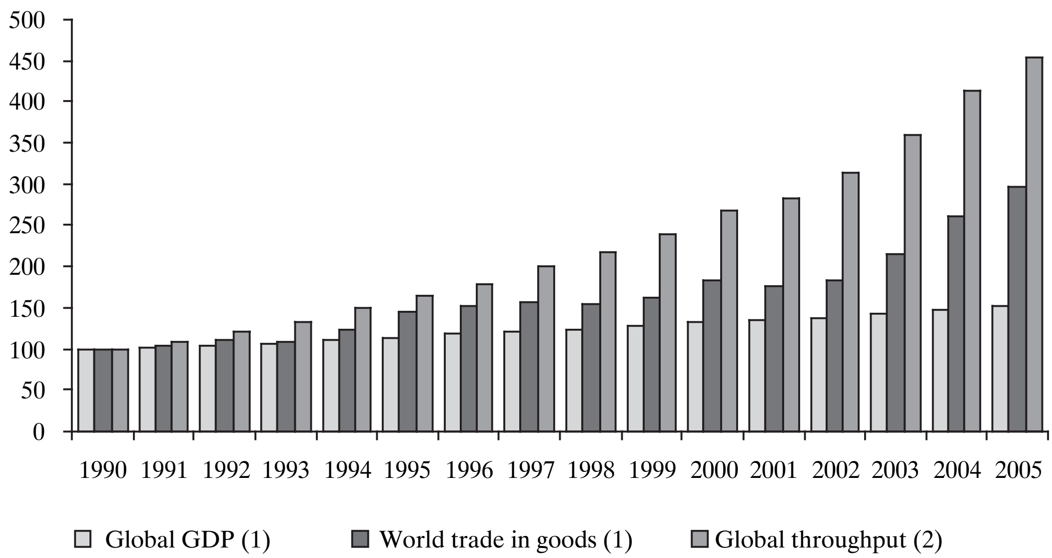
Overview

The container terminal industry has grown in line with the growth of the container shipping industry, which in turn has benefited in particular from the globalisation of world trade. Container shipping was first introduced in the 1950s and has expanded rapidly and continuously since that time to emerge as the dominant method for the international transportation of a broad spectrum of industrial and consumer goods, including agricultural products, raw materials and semi-manufactured and finished consumer goods. According to Drewry, global throughput reached 399.2 million TEUs in 2005, up from 235.6 million TEUs in 2000, a compound annual growth rate of 11.1%.

Global seaborne trade consists of three main segments: general cargo, which is carried by conventional shipping vessels; liquid cargo, which is carried by specialised vessels such as tankers; and containerised cargo, which is carried by container vessels.

The containerisation of cargo increases the efficiency of its transportation by standardising the container used for both seaborne and overland transportation of cargo. This facilitates the integrated multi-modal transportation of cargo by sea, rail and road. Containerisation also allows for the efficient storage of goods on ships or on land, provides protection against damage to goods in transit, increases the security of the cargo during transport and enables faster loading and unloading of cargo.

Global container terminal throughput has historically grown at a multiple of approximately four times that of global gross domestic product ("**GDP**"), which reflects the important relationship noted above between containerisation and globalisation. In particular, containerisation has made possible, and become significantly more prevalent because of, a systematic shift in global manufacturing capacity and output from west to east, especially towards China. As illustrated in the graph below, global throughput has increased on average by 10.6% per annum between 1990 and 2005, as compared to average growth of 7.8% and 2.8% in the world trade in goods and global GDP, respectively, over the same period.



(1) Source: Economist Intelligence Unit.

(2) Source: Drewry Shipping Consultants Ltd.

We believe that future growth in global throughput will be dependent on the health of East Asian economies and the continuing globalisation of the developing world, where the trend of increasing demand for the containerisation of cargo is most prevalent. According to a Drewry report published in 2006, global throughput is expected to reach 441.8 million TEUs in 2006 and 672.9 million TEUs in 2011, which represents a compound annual growth rate of 8.8%, while throughput in Eastern Europe, South Asia, the Far East and Africa is expected to increase at compound annual growth rates of 20.2%, 10.5%, 10.2% and 9.5%, respectively, over the same period.

O&D versus Transhipment

The two main categories of throughput are O&D, which is also often referred to as import and export, and transhipment. Every container shipped by sea is by definition an export container at the origination terminal and an import container at the destination terminal. A container that is transferred from one ship to another at some point during the journey is said to be transhipped, which gives rise to transhipment throughput at an intermediate terminal somewhere between the load terminal and the discharge terminal. O&D throughput is almost always preferred by container terminal operators for the following reasons:

- terminal operators typically earn more revenue per quay crane lift from O&D throughput than from transhipment throughput;
- terminal operators earn additional revenue by charging for delivery or reception of the container from the shipper or consignee;
- terminal operators have the opportunity to generate additional revenue from ancillary services, such as CFS and container cleaning; and
- whereas shipping lines can relatively easily transfer transhipment throughput to other ports in the same region, O&D throughput is usually most cost-effectively handled by one terminal, preferably close to the point of consumption, which makes O&D throughput less likely to be lost to competitors and less price-sensitive than transhipment throughput.

Despite the advantages of O&D throughput, there are numerous large container terminals around the world for which transhipment accounts for a very high percentage of total throughput. Current examples include Singapore; Salalah, Oman; Algeciras, Spain; Freeport, Bahamas; and Kingston, Jamaica. Many of these terminals are operated by, or involve an equity stake holding by, a major shipping line, which benefits from the transhipment capacity and provides the terminal with a reliable level of volume.

Market Fundamentals

The container terminal industry is characterised by a small number of large operators, the four largest of which collectively accounted for 43.0% of global gross capacity as of December 31, 2005 and 42.4% of global gross throughput for the year ended December 31, 2005. Global terminal operators compete increasingly based on the size and diversification of their terminal portfolios, which enable them to offer global networks to their liner customers, who are themselves consolidating and becoming increasingly large. Consequently, new container terminal market participants face significant barriers to entry.

The following table provides a breakdown of terminal operators by gross throughput and equity-adjusted throughput for the year ended December 31, 2005.

	Gross		Equity-adjusted[2]	
	Throughput[1]	Percent of global throughput	Throughput	Percent of global throughput
	(TEUs in millions, except percentages)			
Hutchison Port Holdings	51.8	13.0%	33.2	8.3%
APM Terminals	40.4	10.1%	24.1	6.0%
PSA International[3]	40.3	10.1%	32.4	8.1%
DP World[4]	36.7	9.2%	22.7	5.7%
Cosco[5]	14.7	3.7%	5.9	1.5%
Eurogate	12.1	3.0%	6.3	1.6%
Evergreen	8.7	2.2%	6.6	1.7%
MSC	7.8	2.0%	3.5	0.9%
SSA Marine	7.3	1.8%	5.4	1.4%
HHLA	6.0	1.5%	5.3	1.3%
Ten largest terminal operators[6]	225.8	56.6%	145.4	36.4%
Remaining terminal operators	173.4	43.4%	253.8	63.6%
Total	399.2	100%	399.2	100%

Source: Drewry Shipping Consultants Ltd.

(1) Figures include throughput for all terminals in which 10% or more shareholding was held as of December 31, 2005.

(2) Equity-adjusted throughput is determined by multiplying the gross throughput of a particular container terminal by the relevant terminal operator's economic interest in such terminal.

(3) PSA acquired 20% of HPH in 2006. Figures do not include throughput at PSA's barge terminal in Rotterdam.

(4) Includes gross throughput and equity-adjusted throughput of 23.8 million TEUs and 12.8 million TEUs, respectively, handled by P&O.

(5) Includes Cosco Container Lines and Cosco Pacific.

(6) Represents ten largest terminal operators by gross throughput.

Demand for container terminal services is primarily based on growth in international trade and increased use of containers for transporting general cargo. However, demand for container terminal services is also driven by growth in worldwide transhipment levels. According to Drewry, the incidence of transhipment at container terminals worldwide (as a percentage of global throughput) increased from 17.6% in 1990 to 27.2% in 2005 and did not experience any annual decline during that period. As the latest generation of container ships on order have nominal capacities of approximately 13,000 TEUs or more and are too wide and too deep to call at many ports in the world, shipping lines may instead seek to, or be required to, rationalise the number of port calls they make and hence increase transhipment between hub ports and final destinations. To compete effectively, container terminal operators will need to be able to handle larger vessels and some operators already have the necessary infrastructure in place or are constructing new facilities with this factor in mind.

The container terminal industry faces high barriers to entry. Principal factors affecting capacity in the container terminal industry include:

- government restrictions and/or prohibitions on the development of private terminals on freehold land;
- long planning and environmental approval processes, particularly in Europe and North America, where the average gestation period for a greenfield container terminal development is in the region of ten to twelve years;
- significant capital and technology requirements, which mean that smaller private operators and government port authorities often lack the necessary resources to maximise capacity; and
- lack of mobility of assets. A large capacity expansion within, or excess capacity at, a single terminal, port or even region will not necessarily alleviate capacity issues elsewhere in the world, since cargo must often flow to a specified or local terminal and cannot easily take alternate routes.

Regional Variations

Despite strong global growth in container traffic, there have been significant regional variations in the growth of container traffic. Asia and the Middle East have recorded the fastest growth in recent years, resulting in a number of new ports emerging as handling the largest container volumes globally. According to Drewry, between 2000 and 2005, container terminals in the Far East and Middle East experienced compound annual growth in throughput of 14.5% and 15.3%, respectively.

According to a Drewry report published in 2006, global throughput is expected to grow at a compound annual growth rate of 9.1% between 2005 and 2011, driven by anticipated growth in Eastern Europe, South Asia, the Far East and Africa. During the same period, according to Drewry, container terminal capacity is estimated to grow at a compound annual growth rate of 4.8% based on confirmed expansion plans, meaning developments that have been confirmed and are not, for instance, subject to governmental approval. Global demand for container terminal capacity may therefore outpace the supply of container terminal capacity by 2011, which will result in higher utilisation levels. If no capacity other than that already confirmed were to be added within this time scale, according to Drewry, global container terminal utilisation would rise from 78.7% in 2005 to 100.1% in 2011. However, in our view, this scenario is unlikely as, faced with a supply-demand imbalance, container terminal operators will be pressured to respond by making additional investments in existing facilities to expand capacity beyond currently projected levels.

The following table provides a breakdown by region of the balance between container terminal supply and demand for the periods indicated.

	Compound annual growth 2005–2011[(1)]		Capacity utilisation	
	Throughput	Capacity	2005	2011[(1)]
North America, Central America/Caribbean and South America	7.4%	3.3%	71.8%	90.6%
Middle East and Africa	9.5%	6.5%	90.7%	107.0%
North Europe, South Europe and East Europe	8.5%	4.6%	69.8%	87.0%
Oceania	6.9%	0.9%	77.9%	110.6%
South Asia	11.1%	5.5%	77.4%	105.3%
Far East and South East Asia	9.8%	5.3%	84.2%	108.2%
Global	9.1%	4.8%	78.7%	100.1%

Source: Drewry Shipping Consultants Ltd.

(1) Estimated based on confirmed expansion plans.

Leading Container Terminal Operators

The anticipated global demand-supply imbalance presents growth opportunities for container terminal operators to benefit from the underlying containerised trade growth as well as the increasing need for new terminal capacity. As part of their growth strategy, many container terminal operators not only aim to maximise the capacity at their existing facilities, but also plan to expand through greenfield and brownfield projects. Expansion projects are generally characterised by high up-front capital investments, a combination of equity and debt financing and subsequent long-term positive cash flows. However, unlike global container terminal operators, not all small independent or government-run operators have access to necessary capital to fund such expansion projects. These investment and service requirements have thus prompted a number of smaller and government run operators to seek partnerships or change the ownership structure of the ports that they operate to ensure that their terminals remain competitive. This presents expansion opportunities for larger operators with access to capital and has led to a trend towards privatisation of existing assets and private participation in greenfield and BOT schemes over the last fifteen years.

The trend towards privatisation and BOT schemes has been driven largely by governments attempting to fund much-needed container port development projects in order to improve the trade competitiveness of their respective countries. Drewry estimates that the proportion of global throughput handled at state-run terminals, other than those controlled by global terminal operators with a state as the controlling shareholder, has declined from 42.0% in 1993 to 20.7% in 2005. Privatisation and BOT initiatives are aimed specifically at expanding quay length and yard area to increase throughput capacity, increasing port efficiency by adding container handling equipment and implementing technological improvements. Recent privatisations include the ports of Callao, Peru and Apapa, Nigeria, whereas recent BOT schemes include Yarimca, Turkey and Mumbai, India.

Ownership and Operating Structures

Container terminals operate under a number of different ownership and operating structures, which can vary by region. The various ownership models are summarised in the table below.

Mode of ownership	Land area	Terminal infrastructure	Terminal superstructure (cranes/yard equipment)	Quayside operations	Landside operations	Example
100% state owned and operated	State owned	Owned and constructed by port authority	State owned	Port authority	Port authority	Durban, South Africa
"Suitcase" stevedores	State owned	Owned and constructed by port authority	State owned	Private stevedores (on common-user berths)	Port authority	Hampton Roads, USA
Management contract	State owned	Owned and constructed by port authority	State owned	Terminal operator	Terminal operator	Djibouti(1)
Leased terminal	State owned	Owned and constructed by port authority	Privately owned or rented from port authority	Terminal operator	Terminal operator	Constanta, Romania(1)
Concession agreement	State owned	Owned and constructed by port authority	Privately owned	Terminal operator	Terminal operator	Le Havre, France(1)
BOT concession	State owned	Construction privately funded	Privately owned	Terminal operator	Terminal operator	Laem Chabang, Thailand(1)
100% privately owned	Privately owned	Privately owned	Privately owned	Terminal operator	Terminal operator	London Gateway (if developed and operated as planned)(1)

Source: Drewry Shipping Consultants Ltd.

(1) Denotes a terminal that we operate.

A large number of countries around the world still operate under the state-owned model, whereby the port land remains the property of the state and an operator has varying degrees of rights and obligations. In the United Kingdom, most container terminals are 100% privately owned, although this is a relatively rare structure. Conversely, in the United States, container terminal operators will usually lease the terminal infrastructure and equipment from the state. Concession agreements have traditionally been used in developed economies, but in recent years have started to be used as a privatisation vehicle for emerging economies. Typical concession terms include: royalty fees as a percentage of revenue and/or volume; up-front payment and/or commitment to make capital expenditure; nominal rent per hectare or per metre; and 25 to 50 year duration.

Due to the typical length of concession agreements and the recent proliferation of their use, factors influencing concession renewal are likely to become more apparent in the future. Based on our experience, we would expect that incumbent operators will typically be granted concession renewal, often because it can be costly, both administratively and due to initial inexperience or inefficiency of a new operator, for a port owner to switch operators.

In general, the container terminal industry does not face stringent price regulation. However, in certain jurisdictions, such as India, the relevant port authority will impose tariffs that set the rates that a terminal operator may charge. See "Risk Factors—Risks Relating to our Ports Business—We are subject to a wide variety of regulations and may face substantial liability if we fail to comply with existing or future regulations applicable to our businesses".

Revenue and Cost Structures

Revenue and cost structures are typically similar among container terminal operators using similar operating models.

The following revenue streams are often generated by companies operating container terminals:

- lift-on/lift-off tariff for lifting containers on and off the vessel, usually charged on a per-container basis, sometimes with variation between 20-foot and 40-foot containers, and between full and empty containers;
- storage of containers, typically on a per TEU per day basis, although a number of free days of storage are usually included as part of the lift-on/lift-off tariff;
- delivery and reception fees to and from the consignee's or shipper's truck, rail, or barge;
- electricity and monitoring charges for refrigerated containers while being stored;
- removal and replacement of ship hatchcovers;
- re-stowing of containers on board a ship;
- cleaning of empty containers; and
- stuffing and unstuffing of containerised cargo into a warehouse.

In a typical container terminal operation, the core services of lift-on/lift-off, storage and delivery or reception are the key drivers of revenue, with ancillary services of varying prevalence and importance making up the balance.

The typical cost structure of a container terminal includes:

- land rent and/or concession fees payable to the relevant port authority;
- labour costs for management, supervision, administration and stevedoring;
- electricity and/or diesel fuel for operating equipment;
- depreciation on civil works, if any, and equipment, such as quay cranes and yard cranes; and
- interest payments for debt servicing.

In developing economies, electricity and fuel costs tend to be the largest single cost item, whereas in Europe and North America, the labour cost is typically the single largest operating cost and may have a greater fixed cost element than in a developing economy.

Customers

The main customers of container terminal operators are container shipping lines, which transport containerised cargo in container vessels between ports. Container shipping lines and, consequently, container terminal operators are highly dependent on the levels of world seaborne trade and the corresponding demand for container terminal services that such levels generate. According to Drewry, global container trade volume reached 115.9 million TEUs in 2005, up from 91.9 million TEUs in 2003, a compound annual growth rate of 12.3%. Container trade volume relates to trade rather than throughput and excludes, among other things, the handling of empty containers and transhipments.

The following table provides a breakdown by shipping line of container trade volume in 2003, 2004 and 2005.

	Container trade volume			Compound annual growth
	2003	2004	2005	2003–2005
	(TEUs in thousands, except percentages)			
Maersk Line[1]	14,493	15,550	16,600	7.0%
MSC	4,410	5,600	6,500	21.4%
Evergreen	4,750	5,100	5,304	5.7%
Hapag-Lloyd[2]	4,352	4,693	4,735	4.3%
CMA CGM	2,800	3,891	4,675	29.2%
CSCL	2,834	3,655	4,597	27.4%
COSCO	3,019	3,788	4,535	22.6%
NYK	3,412	3,750	4,000	8.3%
APL	3,032	3,580	3,891	13.3%
OOCL	2,688	3,268	3,523	14.5%
Ten largest shipping lines[3]	45,789	52,875	58,360	12.9%
Remaining shipping lines	46,111	52,525	57,539	11.7%
Total	91,900	105,400	115,900	12.3%

Source: Drewry Shipping Consultants Ltd.

(1) Includes volumes of 3,743 thousand TEUs, 4,050 thousand TEUs and 2,000 thousand TEUs for 2003, 2004 and 2005, respectively, handled by P&O Nedlloyd prior to its acquisition by the A.P. Moller-Maersk Group in 2005.

(2) Includes volumes of 2,195 thousand TEUs, 2,278 thousand TEUs and 1,660 thousand TEUs for 2003, 2004 and 2005, respectively, handled by CP Ships prior to its acquisition by Hapag Lloyd in 2005.

(3) Represents ten largest shipping lines in 2006.

In recent years, the growth in container trade volume has resulted in shipping lines carrying increasing volumes of containerised cargo along the major global sea trade routes. These routes consist of the East-West routes, including the Trans-Pacific, Europe-Far East and Trans-Atlantic routes, the North-South routes and the Intra-Continental routes. A number of individual shipping lines operate on each route, each with different frequencies, transit times and port calls. The Trans-Pacific and Europe-Far East routes are typically served by large ships and global carriers and, according to Drewry, accounted for an estimated 18.0 million TEUs and 14.1 million TEUs, respectively, of container trade volume in 2005. The Trans-Atlantic route, which covers trade between North America and Europe, is typically served by medium-sized ships and, according to Drewry, accounted for an estimated 5.9 million TEUs of container trade volume in 2005. Smaller tonnage dominates the Intra-Asia routes and the Intra-Europe routes, which, according to Drewry, accounted for an estimated 32.3 million TEUs and 9.0 million TEUs, respectively, of container trade volume in 2005. The North-South routes, which cover trade between developing countries and the major production and consumption centres in Europe, the Far East and North America, are typically served by small- to medium-sized ships and, according to Drewry, accounted for an estimated 20.3 million TEUs of container trade volume in 2005. A further 13 smaller trades, as defined by Drewry, accounted for an estimated 16.3 million TEUs of container trade volume in 2005.

The considerable export-driven growth experienced by China and other South-East Asian nations in recent years has led to significant increases in container trade volumes on the Trans-Pacific and Europe-Far East routes, but has also caused imbalances in the direction of container flow. For example, according to Drewry, the Trans-Pacific route accounted for an estimated 18.0 million TEUs of container trade volume in 2005, with container flows on the dominant leg from Asia to North America accounting for 71.6% of the total. A similar imbalance in the direction of container flows was experienced on the Europe-Far East route, which, according to Drewry, accounted for an estimated 14.1 million TEUs of container trade volume in 2005, with container flows on the dominant leg from Asia to Europe accounting for 65.5% of the total. These flow imbalances remain a major concern for shipping lines as they require the ongoing repositioning of empty containers, an activity that does not generate revenue for the shipping lines. Conversely, container terminal operators are able to generate revenue streams from the loading, unloading and storage of empty containers, although often at a lower rate than is the case for full containers.

Accordingly, the flow imbalances are more of a concern for shipping lines than for container terminal operators.

Trend towards Bigger Ships

Increasing containerisation of cargoes has also resulted in the construction of larger container vessels. These larger vessels benefit from lower operating and voyage unit costs, such as fuel, port and canal fees, manning, repairs, insurance and ship management costs. According to Drewry, the average size of container vessels in the global container fleet increased from 1,824 TEUs in 2000 to 2,229 TEUs in 2005 and vessels of 5,000 TEUs or more represented close to 31.5% of total global fleet capacity as of July 2006. Drewry projects that this will increase to 38.8% of total fleet capacity by July 2010. The shift to larger vessels has been particularly prominent on the Europe-Far East and Trans-Pacific routes, which traditionally exhibit some of the most intense volume and competitive pressures in the container shipping line industry. The increasing number of relatively large ships puts pressure on container terminal operators to offer facilities with deepwater access and to develop sophisticated shipping and port-related technology to meet the demands of these larger vessels. Only a handful of terminal operators can compete globally with such ongoing investment needs. This has resulted in a select group of four, including us, who are moving steadily ahead of other operators as this barrier to entry in the industry becomes an increasingly significant factor.

Consolidation of Shipping Lines

The container shipping industry remains highly fragmented and very competitive, with over 400 liner companies operating in the international container shipping market. In recent years, however, the container shipping industry has experienced significant consolidation as the major shipping lines seek to capitalise on economies of scale and enhance their global presence. It is expected that the share of container trade volume carried by the top ten global container shipping lines will continue to increase, from 45.7% and 50.4% in 2004 and 2005, respectively, as major shipping lines continue to consolidate both for these reasons and also because of the excess of capacity over demand that is anticipated in the shipping line industry over the next few years. In addition to consolidation through mergers and acquisitions, shipping lines have increasingly entered into various forms of intra-industry cooperation, including the creation of liner alliances designed to increase frequency on certain routes and broaden geographic coverage, as well by agreeing to vessel sharing and swap and slot purchase arrangements. As of December 31, 2005, five of the top ten container shipping lines, comprising Hapag-Lloyd, Cosco, NYK, APL and OOCL, were members of liner alliances. This trend towards consolidation and intra-industry cooperation has placed pressure on container terminal operators to pursue similar forms of consolidation to meet the needs of shipping lines and to maintain bargaining power when dealing with larger customers.

BUSINESS

Overview

We are one of the largest container terminal operators in the world by capacity and throughput. We are also one of the most geographically diversified container terminal operators in the world. Our 42 container terminals, which span 22 countries, had a gross capacity of approximately 48.6 million TEUs as of December 31, 2006 and generated gross throughput of 36.8 million TEUs for the year ended December 31, 2006 (excluding the six container terminals operated by POPNA, the two Shekou Terminals and the one Colombo Terminal). For the year ended December 31, 2006, we generated pro forma revenue from operations (which does not include revenue attributable to our joint ventures and associates) of $2,291.6 million and pro forma Adjusted EBITDA of $722.4 million.

The creation of the Company represents an important step in the development of a global container terminal business designed to serve the needs of a "globalising" customer base. As a result of new concessions and our acquisitions of CSX WT in February 2005 and P&O in March 2006, our business has been transformed from one focused principally on container terminal operations located primarily in the UAE to a truly global container terminal business, reporting across the following three regions:

UAE, Middle East, Europe and Africa

- UAE—Our UAE operating region is at the core of our portfolio and is comprised of four operating terminals, with a fifth terminal under construction at DP World Jebel Ali Terminal 2, which is scheduled to begin operations in the third quarter of 2007 and has been designed to add 5.0 million TEUs of capacity to our existing terminal operations at DP World Jebel Ali when fully developed.
- Middle East (excluding UAE)—We currently have one operating terminal in this region. In addition, we have a development project in Dakar, Senegal.
- Africa—We currently have two operating terminals in this region, with a third terminal under construction in Doraleh, Djibouti (which will replace our existing terminal in Djibouti).
- Europe and North Africa—In Europe, we operate ten terminals in five countries. In addition, we have development projects in the United Kingdom, Turkey and France, as well as terminal expansion projects in Germany, Romania and Belgium.

Asia-Pacific and Indian Subcontinent

- Asia-Pacific—We have an extensive network of ten container terminals throughout the Asia-Pacific region. Additionally, we operate three logistics centres in the region, which are located in Hong Kong (ATL Logistics Centre), Yantian (ATL Logistics Centre Yantian) and Shanghai (Shanghai Ji Fa). Currently, we have development projects in Vietnam and China, as well as terminal expansion projects in China and South Korea.
- Indian Subcontinent—With five terminals in India and one in Pakistan, we have the largest presence of any container terminal operator in the Indian Subcontinent region, and currently have development projects in both India and Pakistan.

Australia and New Zealand and Americas

- Australia and New Zealand—We operate five container terminals in Australia and have the widest geographical spread of container facilities in the country. In addition, we are currently pursuing a terminal expansion project in Adelaide. In addition to our container terminal and related operations, we operate a maritime services company in the region and also provide, through our interest in a joint venture, automotive and general cargo stevedoring in 33 locations throughout Australia. We currently have no operations in New Zealand.
- Americas—Our Americas portfolio is comprised of four terminals in four countries. In addition, we have a development project in Peru, as well as terminal expansion projects in Canada, the Dominican Republic and Argentina.

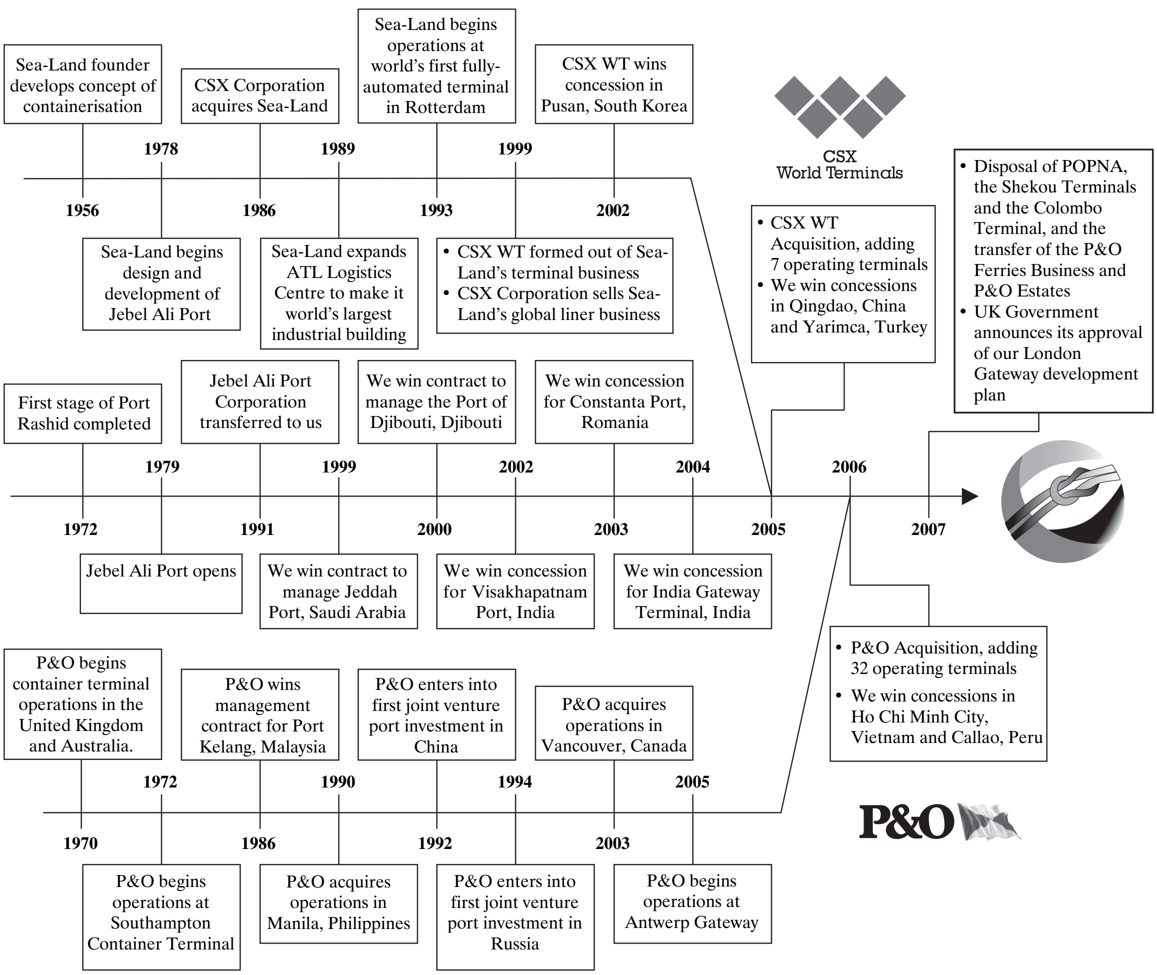
The following table provides information regarding the number of terminals, as well as the gross throughput and equity-adjusted throughput for the year ended December 31, 2006 and gross capacity as of December 31, 2006 of our terminal portfolio.

	Terminals	Gross throughput	Equity-adjusted throughput	Gross capacity
	(TEUs in millions, except number of terminals)			
UAE, Middle East, Europe and Africa	17	17.1	12.9	22.6
Asia-Pacific and Indian Subcontinent	16	15.7	7.6	20.9
Australia and New Zealand and Americas .	9	4.0	3.2	5.1
Total	42	36.8	23.8	48.6

History

Pursuant to the Restructuring, the Company was incorporated in the DIFC on August 9, 2006 for the purpose of becoming the holding company for the ports-related commercial activities of Dubai World. On January 1, 2007, DP World FZE and Thunder FZE, which is the holding company for P&O, were transferred from DPA, an affiliate of the Company, to the Company. Prior to the transfer of DP World FZE and Thunder FZE, the Company did not have any operations. Immediately prior to the transfer of Thunder FZE to the Company, the Company became a borrower and guarantor under the Amended and Restated Credit Facility, which was amended in connection with the Restructuring. For a description of the Amended and Restated Credit Facility, including the undertakings and covenants included therein, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Working Capital and Indebtedness—Syndicated Term Loan and Revolving Credit Facility".

Set forth below is a chronological overview of the principal events, history and growth of our container terminal business.



As described below, as a result of new concessions and our acquisitions of CSX WT and P&O, our business has been transformed from one focused principally on container terminal operations located primarily in the UAE to a truly global container terminal business.

Local Origin

Port Rashid and Jebel Ali Port commenced operations in 1972 and 1979, respectively, and were originally managed separately. In 1991, the operations of Port Rashid and Jebel Ali Port were combined under our control as part of a strategy to create the key ports operator in the Arab Gulf Cooperation Council ("**GCC**") region.

Regional and International Growth

In 1999, we formed a wholly-owned subsidiary to manage and operate container terminals and other facilities outside of Dubai. Our first international project was at Jeddah Islamic Port, Saudi Arabia, where we, in collaboration with a local partner, began container terminal operations in September 1999. In June 2000, we won the contract to manage the entire Port of Djibouti and Djibouti Airport in Djibouti, including its marine, bulk and container operations, logistics zone and administration. We expanded our international footprint with concession wins at Visakhapatnam Port, India in 2002, Constanta, Romania in 2003 and Cochin, India in 2004, at which we began operations in early 2005. As of December 31, 2004, we had a combined portfolio of six operating container terminals in five countries.

Global Expansion

CSX WT

In February 2005, we completed the CSX WT Acquisition. CSX WT was a leading global container terminal operator with key strategic assets in some of the world's fastest growing markets, including Asia and South America. Following our successful bids in Saudi Arabia, Djibouti, India and Romania, the CSX WT Acquisition represented an important step in our global expansion strategy by increasing our international presence in the container terminal industry and enhancing our geographic diversification.

The CSX WT Acquisition provided us with a portfolio of terminals in Asia, Australia, Europe and the Americas that was a complementary fit with our existing terminal portfolio. Among other things, the CSX WT Acquisition was designed to allow us to:

- participate more fully in the growth of the global transportation and logistics industry;
- serve our customers from a broader geographic base;
- exploit immediate and long-term synergies between our and CSX WT's businesses;
- access new high-growth markets, especially Asia and South America; and
- achieve revenue growth through the opportunity to increase volumes and expand our level of service.

CSX WT's key operations included CT3 (Hong Kong), ACT (CT8) (Hong Kong) and the ATL Logistics Centre at Hong Kong's Kwai Chung port, as well as the terminal facilities at the Ports of Yantai and Tianjin in China. The CSX WT Acquisition also provided us with a project pipeline for further development and expansion of our global network through greenfield and expansion projects in Pusan, South Korea and Qingdao, China.

The CSX WT Acquisition contributed interests in seven operating terminals and three terminals under construction or in the planning stage. As of the closing of the CSX WT Acquisition, our terminal portfolio included 14 operating container terminals in ten countries.

P&O

In March 2006, we completed the P&O Acquisition. P&O was a leading global container terminal operator and also had significant operations in ferries, as well as maritime services and property development businesses. The P&O Acquisition represented a unique opportunity to significantly increase our global network and market position by incorporating P&O's largely complementary portfolio of terminals in Asia, India, Australia, the Americas, Europe and Africa into our terminal portfolio.

We believe that the P&O Acquisition has, among other things, enabled us to:

- reduce our dependence on the transhipment market because of the relatively high percentage of origin and destination trade conducted at P&O's terminals;
- diversify our customer base and address the changing needs of a consolidating customer pool by offering our customers a globally balanced portfolio of container terminals;
- gain further exposure to high-growth markets in Asia and South America, while strengthening our position in more established markets in Europe and Australia;
- benefit from the collective experience of P&O's operational management; and
- improve the efficiency of certain aspects of the management and operational structure of P&O and realise synergies through greater economies of scale.

P&O's portfolio included key operations in Australia and at Qingdao Qianwan Container Terminal, where we already had a business development project that we acquired in the CSX WT Acquisition, in Navi Mumbai, India, at two terminals in Antwerp, Belgium and in Southampton, United Kingdom. In addition, P&O had significant projects in development in Ho Chi Minh City, Vietnam and Kulpi Port, India and was in the process of obtaining regulatory approval to develop London Gateway, a new deep-sea container terminal that is expected to be constructed on the River Thames near London, all of which we have continued to pursue. On May 30, 2007, the UK Government announced that it had approved the development plan.

The P&O Acquisition contributed interests in 32 operating terminals and five terminals under construction or in the planning stage. As of the closing of the P&O Acquisition, our terminal portfolio included 49 operating container terminals in 24 countries.

In connection with the P&O Acquisition, we acquired the assets of POPNA, which included concessions at six container terminal operations and three non-container terminal operations in the United States, as well as stevedoring operations at an additional 16 US ports. On March 16, 2007, P&O Holdings, Inc., a wholly-owned subsidiary of ours, completed the sale of 100% of POPNA to a wholly-owned subsidiary of AIG Global Investment Group.

To focus our business on container terminal operations, we have transferred and have entered into agreements to transfer the P&O Ferries Business and P&O Estates, respectively, which we acquired in the P&O Acquisition, to affiliates of ours. See "Related Party Transactions—Relationship with Dubai World and the Government of Dubai—Ongoing Relationship—Transfer of P&O Estates" and "Related Party Transactions—Relationship with Dubai World and the Government of Dubai—Ongoing Relationship—Transfer of P&O Ferries".

Future Expansion

Following the P&O Acquisition, we continued to enhance our portfolio by securing new development projects in Qasim, Pakistan; Callao, Peru and Dakar, Senegal. These were in addition to our existing development projects in Jebel Ali, UAE; Ho Chi Minh City, Vietnam; Doraleh, Djibouti; Vallarpadam and Kulpi, India; Yarimca, Turkey; Fos, France; Qingdao, China; and London Gateway, United Kingdom. In addition, we currently have a total of nine terminal expansion projects at Qingdao, China; Caucedo, Dominican Republic; Germersheim, Germany; Vancouver, Canada; Constanta, Romania; Buenos Aires, Argentina; Antwerp, Belgium; Pusan, South Korea and Adelaide, Australia. In some cases, projects are subject to various final regulatory approvals. We intend to continue to evaluate and review opportunities for expansion and construction projects in line with our growth strategy.

Competitive Strengths

As described above, we have built our global container terminal business through the combination of our regional and international operations, the CSX WT Acquisition, the P&O Acquisition and our terminal development and expansion projects. We believe that each of these components provides us with complementary strengths, which together position us as a market leader in the global container terminal industry. In particular, we believe that our business is characterised by the following key competitive strengths.

A Globally Diversified, Market-Leading and Balanced Portfolio of Terminals

With 42 terminals in 22 countries, we believe that we have the most geographically diversified portfolio of terminals in the industry and that the size and diversity of our portfolio gives us a competitive advantage over smaller and more concentrated operators because of the relatively high barriers to entry that characterise the container terminal industry. Our asset base includes a diverse mixture of both established and newer terminals and a significant number of greenfield and brownfield projects that we are in the process of developing. We believe that this combination of development sites and fully operating facilities is key to facilitating our future growth strategies and that our portfolio allows us to take advantage of the typically stable returns on equity in lower-risk established markets such as Europe and Australia and the potential for greater returns on equity in higher-risk emerging markets such as Latin America and Africa. In addition, we believe that our portfolio, which is diversified within the regions in which we operate, should help to mitigate region-specific downturns.

Strong Pipeline of New Projects and Additional Growth Potential

We have extensive experience in developing terminal operations around the globe, including by constructing new terminals on both greenfield sites and brownfield sites as a result of concession wins. We have a strong track record of winning concessions globally based on our customer and business partner relationships, operating and technical credentials, willingness to invest in new capacity to meet demand and focus on key governmental issues, such as security and sustainability. Consequently, we believe that we will win, on economic terms, the majority of the concessions that we actively pursue and where we submit a bid. Our new projects currently in development include a total of 12 terminal projects, which, subject to various final regulatory approvals in some cases, are expected to become operational at various times between 2007 and 2011 and to add 13.4 million TEUs of gross capacity to our portfolio, based on anticipated capacity as of commencement of operations. In addition, we currently have a total of nine terminal expansion projects underway which are expected to become operational at various times between 2007 and 2011 and to add 8.9 million TEUs of gross capacity to our portfolio, based on anticipated capacity once fully operational. We also have a pipeline of potential projects in various stages of review, and continue to look for innovative opportunities for the ownership and management of terminal and terminal-related assets both inside and outside of ports.

Strong Relationships with Key Customers

We maintain a diverse customer base and enjoy close and long-standing relationships with our key customers, who are, for the most part, leaders in the global shipping industry. We believe that we have been successful in attracting and maintaining key customers as a result of our strong reputation in the industry, continued achievement of operational excellence and the diversification of our global portfolio, each of which helps our customers succeed in their businesses. For example, seven of our current top ten global customers were also our customers ten years ago. We target key customers and attempt to build strategic relationships based on an internal programme of customer segmentation, which we believe is unique to our industry. Through this programme, we seek to identify key commercial relationships by considering a number of different factors that we believe will assist us in evaluating our customers and determining how we can best serve them in the future.

Strategic Relationships with Dubai World and its Affiliates

As a wholly-owned indirect subsidiary of Dubai World, a holding company owned by the Government of Dubai, we expect to continue to benefit from the commitment of Dubai World to promote Dubai and its portfolio of businesses and projects both domestically and internationally. In addition, we have in the past benefited from and expect to continue to leverage our relationships with affiliates that engage in complementary businesses, which we believe allows us to offer a combination of services that is unique in the container terminal industry and provides us with an advantage over our competitors.

Operational Excellence and Innovation

We are one of the innovators in the container terminal industry and have been successful in developing and enhancing container terminal capacity and efficiency in the regions in which we operate based on the needs and attributes of particular terminals. In 2007, our international achievements were recognised by our winning *Best Seaport in the Middle East* for DP World Jebel Ali for the 13th year in a row and *Best Container Terminal in Asia under 4 million TEUs per annum* for CT3 (Hong Kong) at the Asian Freight & Supply

Chain Awards. We also won various awards in 2006, including the *Lloyd's List's Port Operator of the Year Award*. Our commitment to operational excellence is reflected in the increase in our average global crane productivity from approximately 25 gross moves per hour for the year ended December 31, 2005 to approximately 27 gross moves per hour for the year ended December 31, 2006. This increase in our average global crane productivity is made possible not only through the implementation of new technologies but also by significant improvements in operating efficiency that we have been able to make at existing terminals as well as at new terminals constructed on greenfield sites.

Experienced and International Management Team

Our global business is run out of our head office in Dubai by the 11 members of our executive management team, who have significant industry experience, and some of whom also have experience in the container shipping industry. In addition, our local operations are managed by eight regional managers, who also have significant experience in the container terminal industry and extensive local and regional knowledge, and are supported by a highly experienced team of local container terminal managers. See "Management".

Our Vision and Mission

Our vision is to be the "Port of Choice" for our customers in each of our locations, to excel in operations, sales and customer service to our clients and to enhance the position of the local communities and countries in which we operate as gateways for global trade. Our mission is to provide world-class port services and to be a global player in operating and managing ports. We aim to provide value-for-money, high quality services to our customers through motivated and innovative employees who are empowered to make optimum utilisation of modern facilities, technology and resources while ensuring a reasonable return on investment.

Corporate Strategy

We have historically focused on pursuing a growth strategy based on acquisitions to establish our global footprint, fundamentally changing the composition and dynamics of the industry in the process by increasing the concentration of global throughput and capacity accounted for by the top global terminal operators. The changing nature of the industry has meant that growth through such acquisitions has become increasingly limited, and this has required a different approach to growth and value creation going forward. The following strategic principles have therefore been developed to aid our objectives, with a focus on people, customers, quality and global reach.

Optimise Existing Asset Base and Current Capacity

We believe that operational excellence and innovation create opportunities to generate additional value out of our existing facilities. We seek to improve our operational efficiency and increase the capacity of our existing facilities by investing in advanced handling equipment and streamlining our operational processes. We believe that this strategy is one of the most cost-effective methods for increasing capacity at our existing facilities. In addition, we continually re-examine our communication links with our customers and essential stakeholders in the port and shipping community to maximise the connectivity, responsiveness, accuracy and speed that we are able to offer.

Maximise Customer Satisfaction with Innovative and Tailored Solutions

Providing our global customers and their customers with value enhancing port and logistics solutions is a cornerstone of our operating strategy. We seek to sustain our consultative approach to customer relationship management to ensure we invest in facilities around the globe where our services are required. We employ a proactive management process that focuses on the key elements of connectivity, information sharing and security, which can provide strategic solutions in inventory and cost control in the global supply chain. We believe that the reliability and efficiency of our operations and information flow will enhance our customers' competitive edge.

Develop Relationship with Sector Participants

We continually re-evaluate our relationships with both current and potential future partners and stakeholders to ensure that we stay at the forefront of our industry, seizing the most attractive commercial opportunities by involving the relevant stakeholders from the outset. We believe that our credentials as one of the world's largest container terminal operators make us a natural partner of choice, and we seek to enhance this perception across the globe. In addition, we intend to leverage our relationships with our affiliates within Dubai World as we explore new opportunities that ultimately transform the local economies of the countries in which we operate and consequently enhance the value proposition for our business.

Deploy Capital for Sustained Growth, Profitability and Market Leadership

We intend to pursue investment opportunities based on our assessment of their potential for value creation, growth and sustained profitability. We continue to ensure that our assessment of potential investment opportunities is performed on a risk-adjusted basis, such that any capital deployed in more volatile markets is accompanied by a commensurate increase in the expected return to enhance our value proposition. Within this framework, we emphasise operational control of new projects while ensuring that we have the most appropriate partners on board where required. We seek to position ourselves to react to changes in both our and our customers' industries to ensure that we remain the port operator of choice.

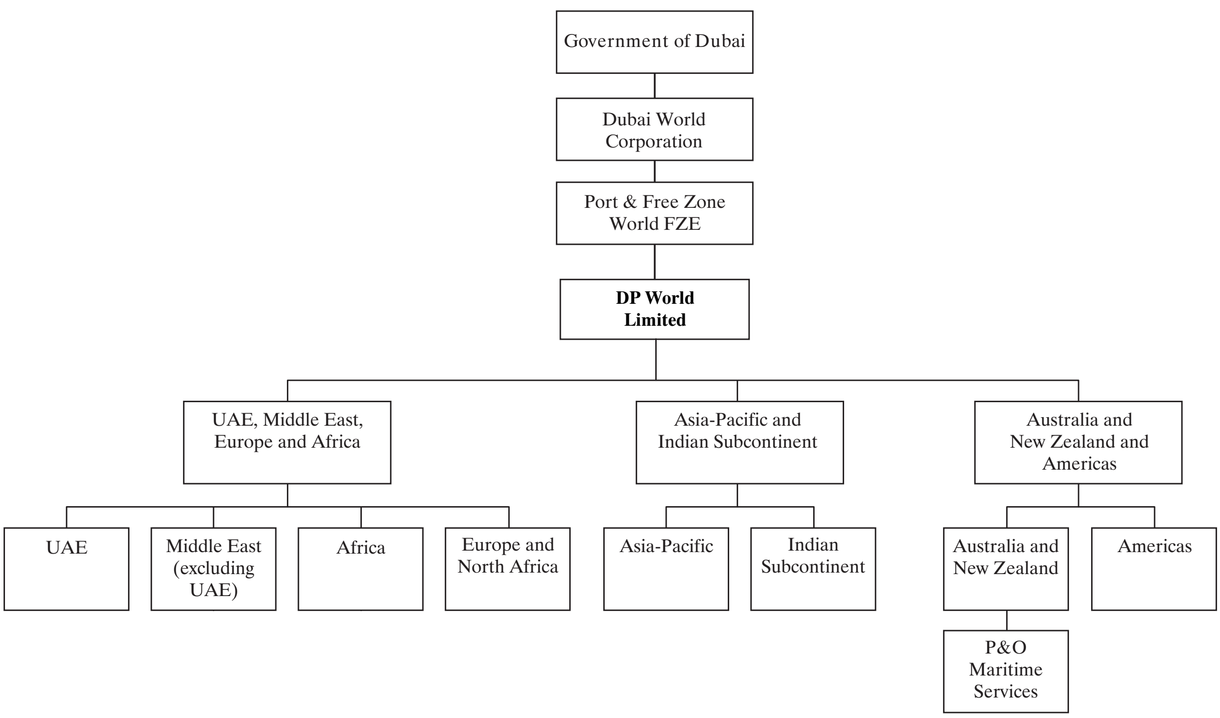
Create a Place of Great Opportunity and Professional Enhancement for Employees

We believe that our achievement of operational excellence and innovation depends on the abilities, creativity and dedication of our employees. By implementing policies that allow us to be a good employer and good corporate citizen, we seek to create a culture of global excellence that will define our organisation and the container terminal industry. We plan to continue to invest in the personal development of our employees to ensure that we attract and retain the most experienced, motivated and knowledgeable workforce.

Reporting and Operational Structure

Dubai World, through its shareholding of our parent company, Port & Free Zone World FZE, beneficially owns 100% of our issued and outstanding share capital. For a description of historical and ongoing relationships between us, on the one hand, and entities owned by, or affiliated with, the Government of Dubai, on the other hand, see "Related Party Transactions—Relationship with Dubai World and the Government of Dubai".

The following chart illustrates the three reporting and eight operating regions for our principal business activities.



Our Ports Businesses

Overview

The following chart lists our container terminals by reporting and operating regions.

UAE, Middle East, Europe and Africa

UAE Region

UAE

- DP World Jebel Ali
- Port Rashid (Dubai)
- Mina Zayed (Abu Dhabi)
- DP World Fujairah

Middle East (excluding UAE) Region

Saudi Arabia

- Jeddah South Container Terminal

Africa Region

Djibouti

- Port Autonome International de Djibouti

Mozambique

- Maputo International Port Services

Europe and North Africa Region

Belgium

- DP World Antwerp
- Antwerp Gateway

France

- Terminal de Nord (Le Havre)
- Terminal de France (Le Havre)
- Fos Container Terminal (Fos sur Mer)
- Mourepiane Container Terminal (Marseille)

Germany

- DP World Germersheim

Romania

- DP World Constanta

United Kingdom

- Southampton Container Terminal
- Tilbury Container Services

Asia-Pacific and Indian Subcontinent

Asia-Pacific Region

China

- Qingdao Qianwan Container Terminal
- Tianjin Orient Container Terminals
- ACT (CT8) (Hong Kong)
- CT3 (Hong Kong)
- DP World Yantai

Indonesia

- Terminal Petikemas Surabaya

Philippines

- Asia Terminals Incorporated

Russia

- Vostochnaya Stevedore Company

South Korea

- Pusan Newport Company

Thailand

- Laem Chabang International Terminal

Indian Subcontinent Region

India

- DP World Nhava Sheva
- DP World Chennai
- Mundra International Container Terminal
- DP World Cochin
- Visakha Container Terminal

Pakistan

- DP World Karachi

Australia and New Zealand and Americas

Australia and New Zealand Region

Australia

- DP World Melbourne
- DP World Sydney
- DP World Brisbane
- DP World Fremantle
- DP World Adelaide

Americas Region

Argentina

- Terminales Rio de la Plata (Buenos Aires)

Canada

- DP World Vancouver

Dominican Republic

- DP World Caucedo

Venezuela

- DP World Puerto Cabello

We operate in three of the top ten, and seven of the top twenty, container ports in the world, as measured by throughput for the year ended December 31, 2005. We believe that our portfolio represents a well-diversified business in terms of geographic spread, political risk, currency fluctuation and level of economic development, with operations divided into the following eight operating regions: UAE, Asia-Pacific, Indian Subcontinent, Europe and North Africa, Australia and New Zealand, Americas, Middle East (excluding UAE) and Africa.

Core Services

Our core ports services are comprised of container cargo handling and storage, general cargo handling and Roll On-Roll Off ("**Ro-Ro**") services.

Container cargo handling and storage

The core services for containerised handling consist of lifting containers on and off of vessels, storing containers in the relevant terminal and facilitating the delivery and receipt of containers. The two main categories of throughput are O&D, which is also often referred to as import and export, and transhipment. O&D throughput differs from transhipment throughput primarily in that O&D throughput is usually most cost effectively handled by one terminal, preferably close to the point of consumption, which makes O&D throughput less likely to be lost to competitors and less price-sensitive than transhipment throughput. O&D throughput also provides us with opportunity to earn additional revenue by charging for delivery or reception of the container from the shipper or consignee, as well as by providing ancillary services, such as CFS and container cleaning. For the year ended December 31, 2006, approximately 76% of our gross throughput was O&D throughput.

The storage of containers on behalf of customers for varying periods of time within our terminals represents an additional income stream and is based on charging an amount per TEU rather than per lift based on the size of container. Rates vary between locations and among customers within the same location and are different for full and empty containers and also vary depending on the duration of storage.

General cargo handling and Ro-Ro services

In addition to container cargo handling and storage services, we also offer general cargo handling and Ro-Ro services. By offering superior service and handling facilities, we have attracted general cargo vessels carrying a wide variety of non-containerised goods. As well as serving the growing local markets for commodities and specialised cargos, such as frozen and chilled foodstuffs and various construction materials, the location of many of our general cargo handling facilities at hubs of the east-west and north-south trade routes makes them attractive for stockpiling cargo for re-export. Our Ro-Ro facilities are designed to accommodate vessels that carry wheeled cargo, such as automobiles. The defining feature of Ro-Ro vessels is a built-in ramp, which allows cargo to be efficiently "rolled on" and "rolled off" the vessel when in port.

We consider our general cargo handling and Ro-Ro businesses to be vital components of our business. We offer general cargo handling at 23 locations, including Dubai, Vancouver and Antwerp, among others, and operate a Ro-Ro facility and/or offer other Ro-Ro services at 19 locations. We believe that we are well placed to benefit from growing global trade volumes and we expect to continue to develop and expand our facilities and special equipment for handling non-containerised cargo with a view to increasing revenue from our general cargo handling and Ro-Ro services.

In addition to the foregoing core services, certain of our ports operations offer one or more of the following other services: refrigerated container, or reefer, facilities, sea-air cargo, commercial trucking, passenger services and logistics.

P&O Maritime Services

As part of the P&O Acquisition, we acquired P&O Maritime Services based in Melbourne, Australia. Through its ownership, operation and management of a fleet of specialised vessels, P&O Maritime Services provides government shipping, cargo, defence and port and charter and agency services to a diverse range of government and industrial customers in Australia, as well as Papua New Guinea, Singapore, Ireland and Argentina.

A significant majority of the revenue of P&O Maritime Services is derived from contracts with a term of five or more years with its major clients, including the Australian Government Antarctic Division, the

Department of Defence, Australian Customs Service, CSIRO and Xstrata. The defence business of P&O Maritime Services in Australia is operated through Defence Maritime Services Pty Ltd, a 50% owned joint venture with Serco Group plc of the United Kingdom.

Customers

Our customers comprise over 150 carriers and cargo interests, including all of the top ten global container shipping lines, as well as general cargo and car carriers. We also perform logistics activities whereby we deal directly with both transport companies and the ultimate owners of the relevant cargo, such as manufacturers, traders and importers. For the year ended December 31, 2006, our top five, ten and twenty customers accounted for approximately 42%, 59% and 76%, respectively, of the full-year gross throughput for all terminals as of December 31, 2006 (excluding the six container terminals operated by POPNA the two Shekou Terminals and the one Colombo Terminal). We have long-standing relationships with our top ten customers, many of whom have been customers of ours since the beginning of containerised operations at our terminal locations. Eight of our top ten customers are also among the top ten largest global shipping companies. Selected customers of ours include: Maersk Line, MSC, Evergreen, Hapag-Lloyd, CMA CGM, CSCL, NYK, APL, OOCL, UASC and ZIM. We believe that these relationships are increasingly important because of the consolidation of the shipping line industry, which has resulted in a smaller pool of major customers. Customer relations are managed on a local, regional and global basis.

Contracts in the container terminal industry are characterised by relatively long terms, usually in the range of two to five years, and typically, although not exclusively, require cause in operational failing to allow early termination. Shipping lines tend to change terminal operators infrequently as they have a limited selection of operators in many ports and are often tied to the hinterland served by a particular port. Terminal operators attach importance to long-term relationships with carriers and the ability to offer these carriers a global portfolio, thereby encouraging an alignment of interests and a structured commercial approach at a global and regional level, rather than just at an individual terminal level. We believe that we are well positioned in these important areas.

We believe that the most important factors that our customers take into consideration when selecting a vendor are a commitment to the provision of a fixed day berthing slot and defined crane productivity rates, which we believe we are well placed to deliver because of our operating efficiency.

Business Development

We have dedicated teams of business development professionals located in each of our operating regions, as well as a core team of staff in Dubai that supports and augments our regional teams. In addition to unsolicited project proposals, our head office, regional and local terminal management teams are constantly working to develop new projects. Our strong relationships with our container shipping line customers also provide an additional source of new projects. These business development opportunities come in the form of acquisitions of existing single or multi-site operations and new greenfield and brownfield terminal projects. We typically maintain a project pipeline comprised of between 20 and 40 developments that we are actively reviewing at any one time. Our Senior Vice President of Business Development reports directly to our Chief Executive Officer, reflecting the importance of this function within the organisation.

New opportunities are identified by multiple sources throughout the organisation and through the many different channels yielded by our extensive network, including discussion with our customers and with government representatives and authorities. We have a clearly defined strategy for our business development activity that allows us to efficiently short-list and pursue opportunities that will likely add the greatest potential value to our business. We evaluate new business opportunities based both on the initial investment we will be required to make and the potential future expected growth opportunity associated with the asset. Therefore, on certain projects, we have elected to put in place management contracts to operate the asset, which has allowed us to minimise our investment but remain well-positioned for future growth. An efficient portfolio of terminals must have an appropriate balance between established, developing and greenfield sites; O&D and transhipment throughput; and locations in emerging market and developed economies. We constantly re-evaluate our current portfolio position and adjust our business development priorities as we deem appropriate.

Our new projects currently in development include a total of 12 terminal projects in the UAE, Vietnam, Djibouti, Pakistan, India (Kulpi and Vallarpadam), Turkey, France, China, Peru, Senegal and the United Kingdom. We also currently have a total of nine terminal expansion projects in China, the Dominican Republic, Germany, Canada, Romania, Argentina, Belgium, South Korea and Australia. In some cases, projects are subject to receipt of various final regulatory approvals. In addition, we are in advanced negotiations on several other projects and have signed confidential memoranda of understanding for numerous other projects in a range of geographical regions, mostly in emerging markets, but also within developed markets, which may or may not lead to definitive agreements. Finally, from time to time, based on our ongoing business review, we may sell or divest businesses in the ordinary course of business.

Concessions

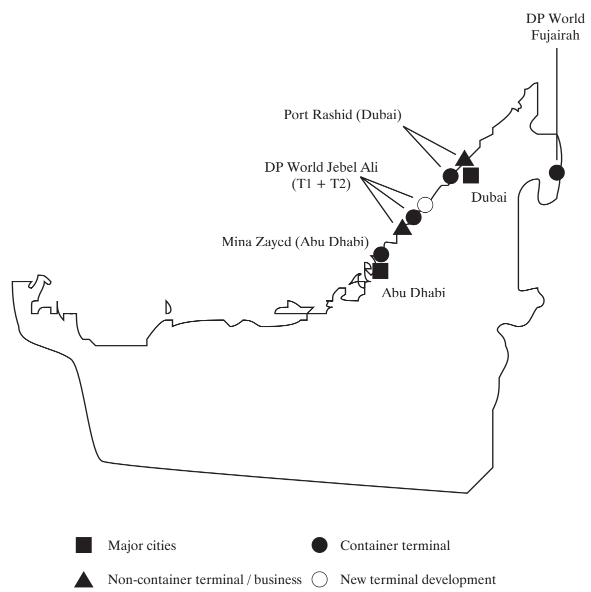
Substantially all of our terminal operations are conducted pursuant to long-term operating concessions or leases entered into with the owner of a relevant port for terms generally between 25 and 50 years. We commonly start negotiations regarding the renewal of concession agreements with approximately five to ten years remaining on the term and often obtain renewals of or extensions on concession agreements in advance of their expiration in return for a commitment to make certain capital expenditures in respect of the subject terminal. In addition, such negotiations may result in a re-base of rental charges to reflect current market rates. Due to the typical length of concession agreements and the recent proliferation of their use, factors influencing concession renewal are likely to become more apparent in the future. However, based on our experience, incumbent operators are typically granted renewal, often because it can be costly, both administratively and due to initial inexperience or inefficiency of a new operator, for a port owner to switch operators.

Portfolio

UAE, Middle East, Europe and Africa

UAE Region

The following map indicates the locations of our operations and developments in the UAE region.



Overview. The UAE region is an important trading hub for the Middle East and Indian Ocean rim countries, particularly in the transhipment of containers and general cargo. We have been operating in the UAE since 1972, initially at Port Rashid, Dubai and subsequently at DP World Jebel Ali, Dubai, Mina Zayed (Abu Dhabi), Abu Dhabi and DP World Fujairah, Fujairah. DP World Jebel Ali Terminal 1 is our flagship facility, both in terms of container and bulk traffic, and is one of the largest single container terminals in the world by capacity and throughput. In addition, we have a significant development project underway at DP World Jebel Ali Terminal 2. We do not currently have an economic interest in our terminal at Mina Zayed, although we hold operational control over the facility through a management contract pursuant to which we are entitled to a fixed fee in respect of our services.

Throughput. All of our facilities in the UAE handle O&D traffic for the region with significant transhipment volumes also present at DP World Jebel Ali. Our UAE volumes have grown significantly and have outpaced the growth of overall world container trade volumes. In addition, our UAE volumes have also demonstrated resilience during market downturns, such as experienced in 2001, and through geopolitical conflicts in the region, and maintained their growth levels despite an overall slowing in global growth.

Competitive position. We believe we hold the strongest market position as a terminal operator compared to any other operator in the UAE and Middle East. Our Jebel Ali, Port Rashid, Fujairah and Mina Zayed facilities do not face intra-port competition and do not compete with each other for business. Further, the position of our container operations at DP World Jebel Ali is strengthened by their location adjacent to the Jebel Ali Free Zone, which is home to over 5,500 international companies and generates significant volumes of captive container traffic for us. Our competition in the UAE Region is with other regional ports such as Khorfakkan, UAE and Salalah, Oman.

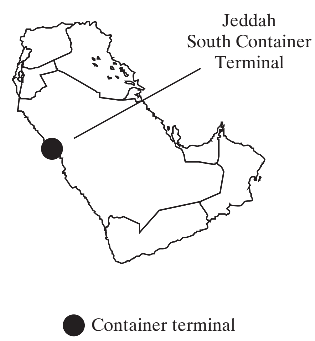
Other activities. In addition to container cargo handling, certain of our facilities in the region offer general and bulk cargo handling, Ro-Ro, reefer and tanker facilities and container repair, commercial trucking, sea-air cargo, logistics and/or other terminal services.

Strategy and business development. Our strategy at DP World Jebel Ali and Port Rashid (Dubai) is to continue to operate the two facilities as a combined operation in Dubai. At the request of our customers, we are currently moving the container handling facilities at Port Rashid (Dubai) to DP World Jebel Ali, which will allow Port Rashid (Dubai) to focus on bulk cargo, Ro-Ro and cruise ship handling. Given its significant excess capacity, DP World Fujairah holds the potential to develop as a deep-sea transhipment facility and we are exploring opportunities to further advance the facility as an attractive location for container shipping lines. At Mina Zayed (Abu Dhabi), we aim to focus operations on capturing growth from the robust economic developments that Abu Dhabi is experiencing.

Our current pipeline in the UAE is the terminal expansion at DP World Jebel Ali. Jebel Ali Terminal 2 is scheduled to begin operations in the third quarter of 2007 and has been designed to add 5.0 million TEUs of capacity when fully developed, which will ensure that DP World Jebel Ali remains the largest container port by capacity and throughput in the wider Middle East region by a considerable margin for the foreseeable future. In addition, in the second quarter of 2007, we and an affiliate of ours entered into cooperation agreements with Abu Dhabi Ports Company, which will see us operating the Khalifa Port in Abu Dhabi.

Middle East (excluding UAE) Region

The following map indicates the locations of our operation in the Middle East (excluding UAE) operating region.



Overview. We are present in Jeddah, Saudi Arabia, where we hold a management contract to manage our terminal at Jeddah, where we also hold a 10% economic interest in the joint venture company that holds the concession for the largest facility by capacity on the Red Sea. Our operations in this region are managed from Jeddah.

Throughput. Jeddah South Container Terminal targets both O&D and transhipment traffic, with transhipment constituting the majority of throughput at the terminal.

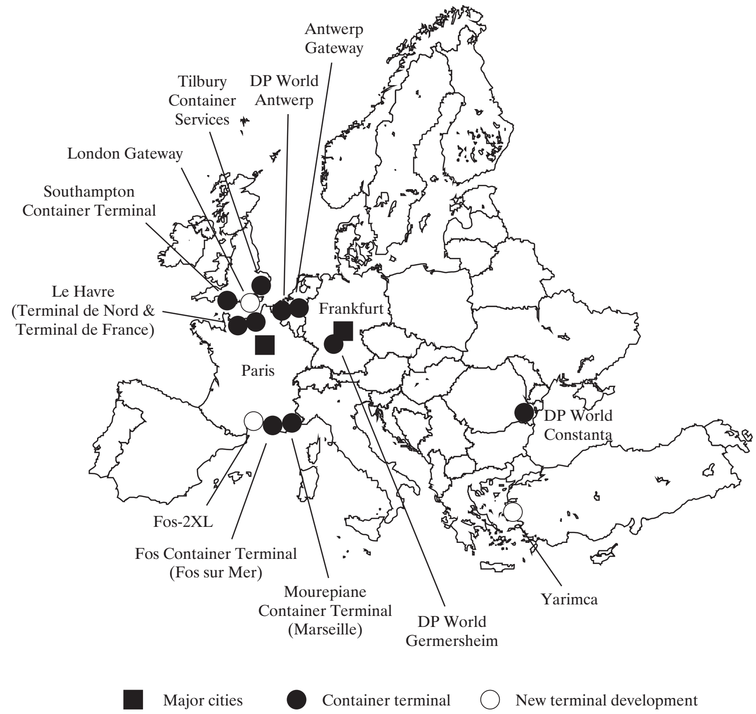
Competitive position. Jeddah South Container Terminal faces intra-port competition and also competes on a regional basis for transhipment volumes.

Other activities. In addition to our container terminal business, our terminal at Jeddah offers reefer facilities.

Strategy and business development. Our strategy at Jeddah Port is to focus our efforts on securing a higher proportion of high-paying domestic traffic at the expense of transhipment activity. Over the medium term, we will be working to ensure that our shipping line customers remain at the terminal when additional capacity is introduced to the market.

Europe and North Africa Region

The following map indicates the locations of our operations and developments in the Europe and North Africa operating region.



Overview. We can trace our presence in the United Kingdom back to P&O's formation in 1853 and we currently operate container terminals in the ports of Southampton and Tilbury in the United Kingdom. With its acquisition of facilities in Belgium in 2000, P&O started a period of expansion into Continental Europe and we have since acquired or built facilities in France, Romania and Germany. Our terminals offer deep-water facilities, which are strategically located to reach the major markets of the United Kingdom and Continental Europe. Our European operations are managed from London. Although we do not currently have any operations in North Africa, our business development initiatives for this region are managed from London.

Throughput. Most of our facilities in Europe are focused on O&D traffic, which accounts for a significant majority of regional throughput. Our portfolio in Europe is well established and enjoys moderate growth.

Competitive position. Western Europe is a well-established market characterised by high stability by throughput with moderate growth. Competition between ports across Western Europe is well developed, and our key global competitors HPH, APMT and PSA are well established there.

The Eastern European market is less well developed and has recently enjoyed high volume growth. Our DP World Constanta terminal is the largest and most modern facility on the Black Sea and acts as a hub for other Black Sea ports in Ukraine, Bulgaria and Turkey.

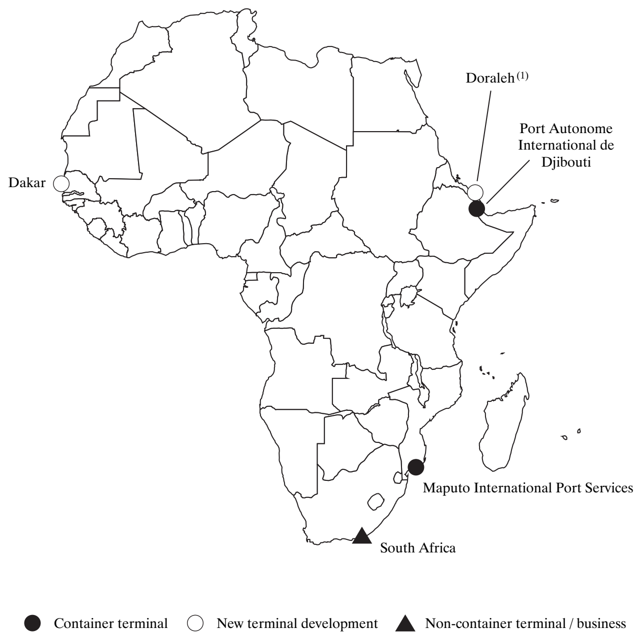
Other activities. In addition to container cargo handling, certain of our facilities in the region offer general and bulk cargo handling, Ro-Ro services, container freight station, stuffing and unstuffing warehousing and reefer facilities and logistics, empty depot, custom documentation and/or other terminal services.

Strategy and business development. Our strategy differs by terminal and is dependent on the dynamics of the local market. In Western Europe, we will expand our operations where our customers have a strong requirement for container handling capacity, most notably in the United Kingdom and France, which currently have a considerable deficit of container-handling capacity. To meet demand for capacity, we are planning to construct a greenfield port and business park at London Gateway near London, United Kingdom. London Gateway will be a state-of-the-art freehold container terminal facility and we believe that, once developed, it will be our flagship facility in the United Kingdom.

We will seek to expand our presence in the Mediterranean and Black Sea regions and also establish a base in North Africa, as we believe that this region offers untapped potential for rapid throughput growth and strong earnings and will be an important region for future business development. As part of this strategy, we secured a new concession at Yarimca, Turkey, where we expect considerable growth in demand from local manufacturers to support development as a major O&D terminal for the region.

Africa Region

The following map indicates the locations of our operations and developments in the Africa operating region.



(1) Will replace Port Autonome International de Djibouti.

Overview. We are present in Djibouti, Djibouti, where we are the sole port operator and have a significant development project. We hold management contracts to operate the entire port of Djibouti and Djibouti Airport. We do not have an economic interest in our terminal at Djibouti, although we hold operational control over the facility through a management contract pursuant to which we are entitled to a fixed fee as well as a portion of the facility's profit in respect of our services. We are also the majority partner in Maputo International Port Services, which is the only container terminal in the port of Maputo. However, the region has been identified as an important area for future business development. Our operations in this region are managed from Dubai.

Throughput. Both our Djibouti and Maputo facilities are today almost entirely focused on O&D throughput. The new facility at Doraleh, Djibouti is expected to attract significant regional transhipment traffic.

Competitive position. As an emerging region, competitor presence is limited relative to other regions globally. We hold strong positions in our operating locations. Both Djibouti and Maputo have no intra-port competition and limited regional competition.

Other activities. In addition to our container terminal business, we operate the entire Port of Djibouti, which includes container terminal activities, bulk cargo and a logistics zone, and Djibouti Airport. Additionally, we operate general and bulk cargo stevedoring in all five of South Africa's state-owned container terminal operations.

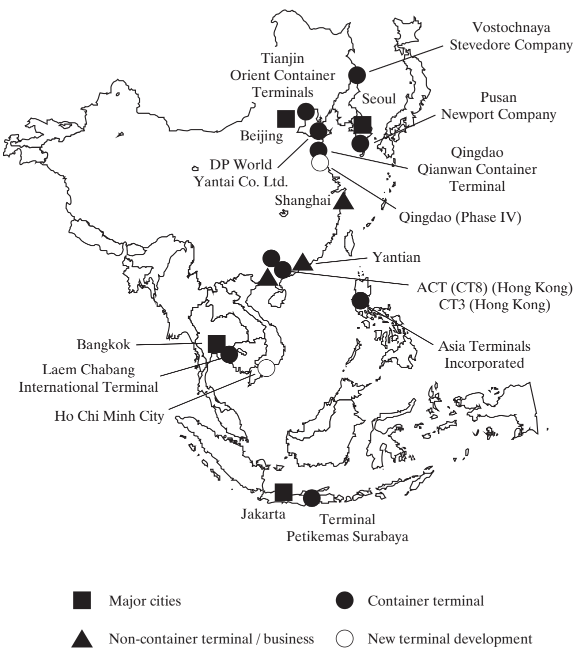
Strategy and business development. Our focus for the region is on future development, while strengthening our competitive position at existing locations. Although volumes in the region are relatively low, we anticipate significant potential for profitable growth, particularly in Africa.

Our key pipeline development in the region is our new terminal at Doraleh, Djibouti, which will replace the existing terminal in Djibouti. We expect this new facility to commence operations in 2009. Given the capacity constraints of our existing site, we have chosen to replace our facility with a newly-constructed terminal within close proximity of the current operations. In addition, a new free zone is planned for Doraleh, which we believe will contribute greatly to increasing future port traffic. Also, in the second quarter of 2007, we were awarded the concession to develop and operate the existing container terminal in the Port of Dakar, Senegal and invest in a new terminal at the Port. We expect that the first phase of development of the existing terminal will be operational by 2008 and complete by 2010 and that the new terminal will be operational by 2011.

Asia-Pacific and Indian Subcontinent

Asia-Pacific Region

The following map indicates the locations of our operations and developments in the Asia-Pacific operating region.



Overview. We can trace our presence in the region back to 1986 when P&O participated in the privatisation of the container terminal at Port Kelang, Malaysia, which it subsequently divested. Since the early 1990s, P&O gradually acquired or built facilities in China (including Hong Kong), the Philippines, Indonesia, Russia and Thailand. In addition, Sea-Land Service, Inc. ("**Sea-Land**"), which CSX Corporation acquired in 1986, has had a presence in the region since 1973 when it developed CT3 (Hong Kong). CSX WT subsequently developed additional significant operations in China (including Hong Kong), as well as a greenfield project in Pusan, South Korea, which commenced operations in 2006. We currently have a strong presence in key manufacturing heartlands of China and also have interests in the fast growing economies of South-East Asia. Our Asia-Pacific operations are managed from Hong Kong, with sub-regional offices in Shanghai, which focuses on north and central China, and Manila, which focuses on South-East Asia and Russia.

Throughput. For most of the past decade, China and, to a lesser extent, the other South-East Asian nations have been driving world trade growth. Our terminals are focused on O&D trade, with the exception of Hong Kong, which, alongside Singapore, is a major transhipment hub for the region. Our new facility at Pusan, South Korea targets both O&D and regional transhipment volume.

Competitive position. With ten container terminals, we have a significant presence in the Asia-Pacific market, with a strong presence in the key gateway ports in China and in many strategic locations across the region. We face intra-port competition at many of our terminals, and our key global competitors HPH and

PSA both have a strong presence in the region, particularly in China and Singapore, respectively. Compared to our competitors, our focus in China is in Bohai Basin, which is one of the key manufacturing regions in China, and Southern China.

Other activities. In addition to container cargo handling, certain of our facilities in the region offer general and bulk cargo handling, ferry, Ro-Ro, reefer and container freight station facilities and container repair and/or other terminal services.

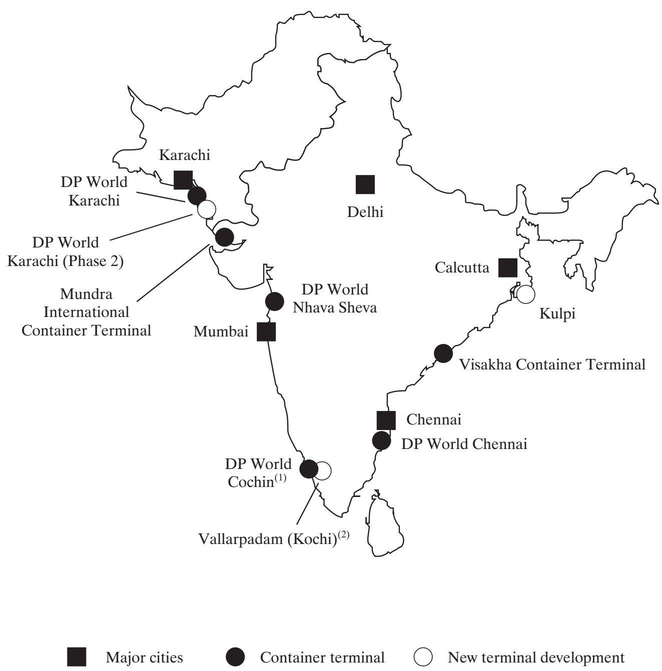
We also operate logistics facilities in Hong Kong, Yantian and Shanghai. The most significant of these operations is the ATL Logistics Centre in Hong Kong, which encompasses a gross area of 865,937 square-metres and is the largest industrial building in the world by area. The ATL Logistics Centre is a market leader in the premium warehouse leasing segment in southern China and we plan to continue to leverage our strong regional presence to identify new development opportunities.

Strategy and business development. Having established an extremely strong presence in this dynamic region, we believe that we are competitively positioned for the future. We will seek to optimise capacity utilisation in our existing terminals, while preparing for expected future growth through the addition of incremental capacity.

We also plan to undertake selective new developments. Our three most advanced development projects in the region, Qingdao (Phase IV), Ho Chi Minh City and Pusan Phase 2, will enable us to reinforce our position at Qingdao port, enter the Vietnamese market, which is emerging as a manufacturing base and which management expects will enjoy rapid volume growth, and expand our operations in South Korea.

Indian Subcontinent Region

The following map indicates the locations of our operations and developments in the Indian Subcontinent region.



(1) Will be replaced by new development

(2) Will replace DP World Cochin

Overview. We can trace our presence in the region back to 1997 when P&O obtained the concession to operate Qasim International Container Terminal (now DP World Karachi) in Bin Qasim, Pakistan and participated in the first Indian port privatisation at Nhava Sheva International Container Terminal (now DP World Nhava Sheva) in the Jawaharlal Nehru Port Trust, Navi Mumbai. Since then, we have expanded our presence in the region significantly. Our terminals are well-positioned to service customers in the hinterlands of India and Pakistan and, with the addition of Kulpi, we will have a strategic gateway presence around the entire circumference of the Subcontinent. We manage our activities in the Indian Subcontinent region from our regional office in Mumbai.

Throughput. Our terminals in the region have experienced strong volume growth driven by robust economic activity levels.

Competitive position. We are a market leader in the Indian Subcontinent region. We face intra-port and regional competition from other global operators. Our strong position, combined with a high proportion of O&D traffic and market growth potential, makes the region an extremely important part of our global portfolio.

Other activities. In addition to container cargo handling, certain of our facilities in the region offer general and bulk cargo handling, container storage, internal terminal transport, reefer and container freight station facilities, lashing, stuffing and de-stuffing and/or other terminal services.

Strategy and business development. The outlook for demand in the region is very promising, given the emergence of India as a major manufacturing base and the growing levels of consumer demand. Against this backdrop, supply of capacity remains very limited, in part due to landside logistic limitations.

Our regional strategy is to maximise the capacity of our existing terminals and to seek further expansion opportunities. In 2006, the Indian government liberalised the provision of container rail services and we have already secured licences to operate container trains throughout India, which we believe will serve to improve traffic efficiency and give us a competitive advantage in linking our terminals with the beneficial cargo owners.

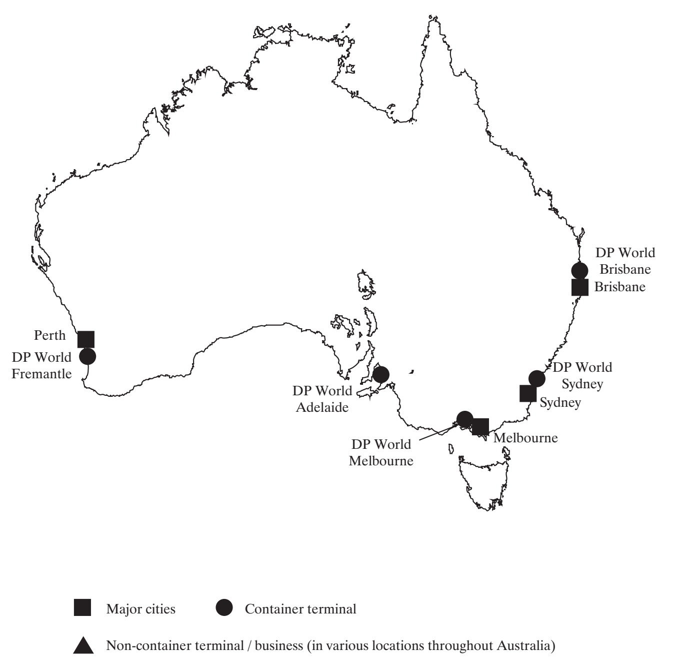
We have several developments in the pipeline that will enhance our presence in India and Pakistan. In India, we are finalising construction of a new container terminal in Vallarpadam, which will replace DP World Cochin and target not only southern India O&D volumes but also regional transhipment traffic. The terminal is being designed to be the largest terminal in India and will have access to road and rail links when developed. Also, we have submitted our binding commitment to the Government of India to develop a terminal in Kulpi, India. Our investment will include the development of a planned free zone, which we believe will positively impact local volumes.

In addition, we recently signed an agreement to develop a new terminal adjacent to DP World Karachi in Pakistan.

Australia and New Zealand and Americas

Australia and New Zealand Region

The following map indicates the locations of our operations and developments in the Australia and New Zealand operating region.



Overview. We operate container terminals in each of the five state capital cities of Australia—Brisbane, Sydney, Melbourne, Adelaide and Fremantle (serving Perth)—and can trace the origins of our operations in Australia to the formation of P&O in 1853. In addition, we have significant investments in Australia in automotive and general cargo stevedoring and logistics businesses, which act as an off-wharf complement to our container terminals. Our facilities in the Australia and New Zealand region are managed out of our Sydney office.

Throughput. Our facilities in Australia are principally focused on O&D traffic.

Competitive position. We are one of only two companies that currently operate container terminals in Australia. Our competitor is the Toll Group's Patrick Stevedores division, which it acquired in 2006. Toll is present in every port in which we operate except Adelaide, where we operate the only container terminal. Historically, the major Australian ports of Sydney, Melbourne, Brisbane and Fremantle have each developed dual container terminal operator structures to ensure that competition exists within each port. In April 2007, the Port of Brisbane announced that its preferred operator in respect of two new container terminals is HPH, thereby introducing a third operator into the Australian market. These two new terminals are expected to commence operations in 2012 and 2014.

Other activities. In addition to our container terminals, we are one of two national automotive stevedores in Australia and operate general and bulk cargo services throughout Australia, generally from common user or shared facilities. We also operate a landside logistics business at each of our container terminal locations that offers container transport, pack and unpack services, delivery, storage, container repair and cleaning.

We have sold a 50% stake in our landside logistics business (other than in South Australia) and a 75% stake in our wholly-owned automotive and general stevedoring businesses to a consortium led by Kaplan Equity Limited.

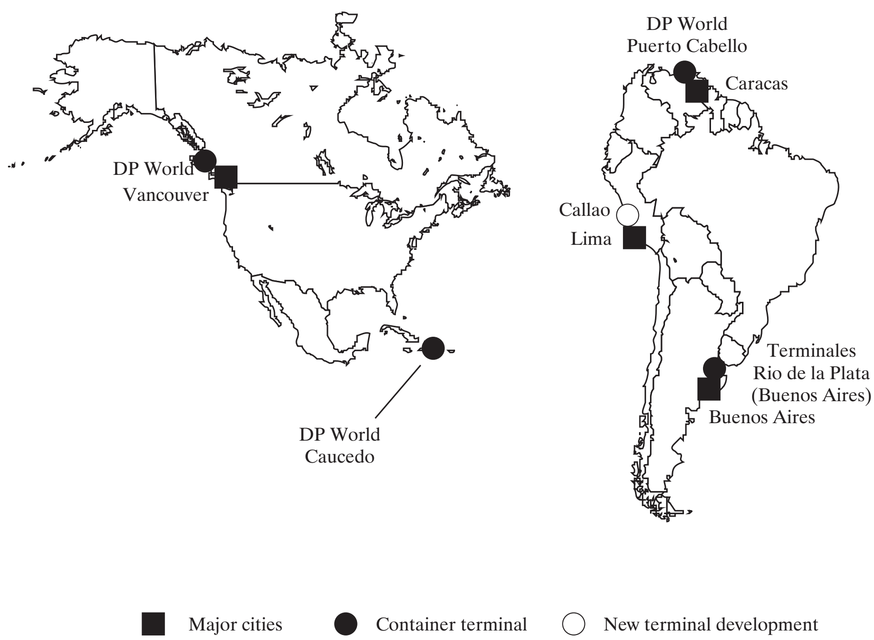
P&O Maritime Services, our maritime services company, is based in Australia and provides government shipping, cargo, defence and port and charter and agency services to a diverse range of government and industrial customers in Australia, as well as Papua New Guinea, Singapore, Ireland and Argentina.

Strategy and business development. Given our presence in the Australian container terminal market, our strategy in the Australia and New Zealand region is concentrated on gradual capacity enhancement of our existing facilities to meet the future requirements of our customers and investment in container-related value added services, including our logistics joint ventures. We currently intend to increase incrementally the capacity of our existing facilities by fully equipping them, completing their development, adding adjoining berth and lands as they become available and increasing operational efficiency.

Although we currently do not maintain any operations in New Zealand, we would selectively consider investments in New Zealand container handling operations as such opportunities arise.

Americas Region

The following map indicates the locations of our operations and developments in the Americas operating region.



Overview. We can trace our presence in South America back to 1994 when P&O was awarded the concession to operate Terminales Rio de la Plata (Buenos Aires). In addition, CSX WT has had a presence in South America since 2001 when it commenced operations in Cabello, Venezuela. Since then, CSX WT developed additional operations at Caucedo, Dominican Republic and P&O acquired operations in Vancouver, Canada. Our portfolio in the Americas region has been recently strengthened by a concession win at Callao, Peru, which is expected to commence operations in 2009.

Throughput. Container traffic in Vancouver, Cabello and Buenos Aires is primarily O&D. DP World Caucedo competes for both O&D and transhipment traffic.

Competitive position. The Americas operating region remains highly fragmented, with many independent companies operating single terminals in key markets and government-owned entities maintaining a significant presence. Given the strategic position of our facilities as regional gateway ports, our facilities have a strong position in their respective selected markets.

Other activities. In addition to container cargo handling, certain of our facilities in the region offer general and bulk cargo handling, reefer, on-dock rail and cruise and ferry passenger facilities and/or other terminal services.

Strategy and business development. Our focus in the Americas region is to optimise the performance of our existing portfolio, including through the expansion of our terminals in Vancouver and Buenos Aires, to meet project growth requirements. In addition, we will continue to seek additional growth opportunities, particularly in Latin America, which we believe is starting to exhibit some of the same growth fundamentals that China and India have experienced in past years and expect will provide prospects for similar opportunities for growth in container traffic. Our concession to build a terminal in Callao, Peru will position us to continue to expand our presence in this region. Callao, with access to Lima, already handles 85% of domestic traffic. We are currently in the planning stages for a new facility that we expect will attract further transhipment traffic, once operational.

Security and Business Resilience

We are committed to improving our security on an ongoing basis in order to enhance our position as a leading global operator, while assuring quality service and continued customer satisfaction. Our corporate security policy is designed to protect our personnel, assets, reputation and customers' interests by employing the highest corporate, ethical and operational standards to meet our vision of excellence.

We have dedicated strategic security resources at the corporate level, which provide expert counsel to our executive management and direction to our business units around the world. We have set ourselves a series of primary security objectives that are designed to implement our corporate security policy across our network of container terminals. Simultaneously, in conjunction with other internal departmental objectives, we are building business resilience capacity in the critical areas of asset protection, corporate governance, information assurance, business continuity, reputation management and crisis management.

Our security and business resilience objectives are met through the implementation of a planned set of security initiatives and internal programs. These are consistent with international security legislation and appropriately recognised and accredited quality management systems. For example, we hold the ISO 9001:2000 accreditation, which sets forth the criteria for a quality management system. Similarly, in accordance with our commitment to quality assurance, our corporate head office in Dubai and our operations at Port Autonome International de Djibouti in Djibouti, Vancouver, Canada and Caucedo, Dominican Republic have been certified ISO/PAS 28000:2005/2006-compliant by Lloyd's Register Quality Assurance. ISO/PAS 28000, which was published by the International Organisation for Standardisation at the end of 2005, outlines the requirements to enable an organisation to establish, implement, maintain and improve a security management system, including those aspects critical to security assurance of the supply chain.

In connection with our corporate security policy, we have initiated an ISO 28000 roll-out programme to obtain ISO/PAS 28000:2005 certification for 12 of our terminals in 2007, which have been strategically selected based on their geographical, political and commercial attributes. We plan to continue our roll-out plan at our flagship terminals in the UAE region and our terminals in the European Union, which will serve as a precursor to acceptance into the EU "Approved Economic Operator" customs security initiative expected to be legislated in 2008 and 2009. As a result of our ISO 28000 commitment and roll-out programme, we have been invited by the US Department of Homeland Security to participate in the US Customs Trade Partnership Against Terrorism supply chain initiative as an exceptional member.

Information Technology and Operating Systems

Our IT strategy is designed to enable local IT groups at our terminals to meet their requirements with little dependency on a company-wide IT infrastructure, although we provide some centralised IT services, such as hosting and network services, to varying degrees at a regional level. While our central IT department plays a vital role in strategic planning, governance and standardisation of IT across our portfolio and, in the case of new terminal operations, provides guidance, consulting and reviews, it is not involved in the day-to-day IT operations of our terminals. We believe that this strategy provides our local IT groups with the flexibility to design IT solutions that best fit the needs of a particular terminal. When designing such solutions, we encourage our local IT groups to purchase readily available off-the-shelf software wherever possible.

Our systems can be categorised into core business applications and value added systems. We use core business applications to deliver efficient terminal processes to our container shipping line customers and value added systems to differentiate our services from those of our competitors and facilitate integration with local authorities and trading partners. We consider the terminal operating system to be at the core of all business applications at the terminal level. The majority of our terminals currently use the synchronous planning and real time control system (SPARCS) as their terminal operating system, which is a software solution designed by Navis, a vendor of supply chain-related software. Our relationship with Navis is governed by a master agreement that outlines software licence structures, maintenance and support and other professional services. See "Risk Factors—Risks Relating to Our Ports Business—Failure in our information and technology systems could result in delays to our business operations".

Each of our terminals, based on the nature of its business, is configured to keep its systems operational, including with respect to business processes and procedures, under abnormal conditions. Although IT systems are essential to the functioning of our terminals, proper manual backup procedures have been devised to support our operations in case of a rare unexpected system downtime. We have defined IT component topologies and recovery time objectives for each business process, which prescribe the appropriate level of IT infrastructure depending on the importance of the relevant business process. For example, a business process, such as container movement operations at a large terminal, that is categorised as "mission critical" would be allocated an IT infrastructure consisting of a clustered server environment with significant resilience, extensive focus on backup and IT disaster recovery plans, with the aim of providing for 99.99% availability.

Marketing and Promotion

At a corporate level, the marketing and promotion function sits within our commercial division. It is focused on promoting and protecting the reputation of the Company and building relationships with key stakeholders, including customers and the communities in which we operate. Our aim is to provide information to generate confidence and credibility in the Company and our operations in order to achieve our business objectives.

Marketing and promotion activities for our container terminal operations are devolved to the regions and are tightly targeted and focused on customers and community and government relations. Resources vary among the eight regions, with the greatest concentration in the UAE.

There is a dotted line reporting relationship between regional and business unit communication personnel and the head office in Dubai to maintain consistency, coordinate messaging and ensure effective, timely issues or crisis management.

The integration process following the P&O Acquisition involved the rebranding of our wholly-owned container terminals under the DP World name. This initial exercise is largely complete and efforts will be made to work with joint venture partners to rebrand the remainder of our terminals under the DP World name over time.

Employees

As of December 31, 2004 and 2005, DPA had 3,784 and 4,375 employees, respectively. As of December 31, 2006, we had approximately 28,000 employees (excluding employees of the P&O Ferries Business, P&O Estates, POPNA, the Shekou Terminals and the Colombo Terminal). Our employees are engaged under a variety of employment arrangements, including as direct hires, pursuant to collective bargaining agreements and through third-party sourcing. A significant majority of our employees in Australia, Argentina, Peru, Venezuela, Dominican Republic, Canada, the United Kingdom, France, Belgium, South

East Asia, China, Korea, South Africa, India and Pakistan operate pursuant to collective bargaining agreements that typically cover employees in the relevant countries. We believe that the material terms of our collective bargaining agreements and other terms of employment are customary for the countries and industries in which we operate and that we have a good relationship with our employees.

Legal Proceedings

Although we are involved in legal proceedings, including commercial arbitration, employment matters, disputes with port authorities and general commercial disputes that arise from time to time in the ordinary course of our business, there are, and have been, no governmental, legal or arbitration proceedings (including any such proceedings that are pending or threatened of which we are aware) during the twelve months preceding the date of this Prospectus that may have, or have had, significant effects on our financial position or profitability.

Insurance

Our operations are subject to normal hazards of operational and geographic risks, including accidents, fire and weather-related perils. Globally, we maintain various types of insurance policies to protect against the financial impact arising from unexpected events when the amount of the potential loss would be significant enough to prevent normal business operations. The purchase of these policies is co-ordinated by an internal insurance department, with applicable limits, coverage, scope and deductibles that we, with the advice of our insurance advisors, believe are reasonable and prudent after all means of controlling or preventing the risk have been considered. We cannot, however, assure you that this insurance will be adequate to protect us from all expenses related to potential future claims for personal injury and property damage or that these levels of insurance will be available in the future at commercially reasonable prices. We do not fully insure against certain risks to the extent that such risks may not be fully insurable or related coverage is unavailable at what we consider to be appropriate price levels. See "Risk Factors—Risks Relating to the Company—We may not maintain sufficient insurance coverage for the risks associated with the operation of our business".

Safety and Environment

We consider safety and environment ("**S&E**") to be of fundamental importance in every aspect of our global operations. We understand and take very seriously the S&E responsibilities that we have to employees, customers, contractors, visitors, government agencies and communities.

We have dedicated S&E resources throughout the world that provide expert advice for management in exercising our corporate obligations in this critical area. Management, staff and employees are guided by our corporate Safety and Environment Policy, which has been authorised by our Chief Executive Officer, and all business units, irrespective of the jurisdiction in which they operate, are required to implement this policy.

Complementing our Safety and Environment Policy are a set of primary S&E objectives that we have established, including:

- elimination of workplace fatalities by targeting major hazards and establishing robust management controls;
- 20% reduction in workplace injury rates per annum;
- zero serious environmental spills;
- 1% improvement in energy efficiency to reduce greenhouse gases; and
- zero fines or prosecutions for S&E breaches.

We believe that these goals will be achieved through implementation of a structured set of initiatives and S&E programmes that are consistent with industry-leading practice and internationally-recognised management systems. For example, environmental pilot projects have been initiated to progress spill prevention and response plans, as well as to improve energy efficiency in an effort to achieve greenhouse gas reduction targets. In addition, many of our operations are already accredited to ISO 14001 Environment and OHSAS 18001 Safety standards and it is our intention for all of our operations to work progressively towards this level of S&E management.

MANAGEMENT

We are managed by a Board of Directors which may delegate some of its powers to a committee and/or one of its members.

Board of Directors

General Information

Pursuant to our Articles of Association (the "**Articles**"), our Board must be comprised of not less than two members. With the exception of Yuvraj Narayan (who was appointed on incorporation of the Company), the remainder of the Board was appointed by resolution of our sole shareholder passed on May 30, 2007.

Under our Articles, all of the Directors will retire at the first annual general meeting at which the financial statements for the year ending December 31, 2007 are approved. At every subsequent annual general meeting at least one-third or the number nearest to one-third of the Directors who are subject to rotation will retire. The Executive Directors are not subject to retirement by rotation. The Directors subject to retirement by rotation are those that have been longest in office since their last appointment. In respect of those Directors appointed on the same day, those that are to retire are determined by the order in which their name appears in the Company's Register of Directors.

A Director who is subject to retirement by rotation will remain in office, if he is willing to do so, if our shareholders resolve not to fill the vacancy at the meeting at which he retires. Notwithstanding the Articles, our Non-Executive Directors have agreed to serve for an initial term of three years, subject to re-election when appropriate by the Company in general meeting.

As at the date of this Prospectus, the Board is comprised of the seven members (each, a "**Director**") listed below.

Name	Position(s)	Date of appointment
Sultan Ahmed Bin Sulayem	Chairman of the Board	May 30, 2007
Mohammed Sharaf	Chief Executive Officer; Director	May 30, 2007
Yuvraj Narayan	Chief Financial Officer; Director	August 9, 2006
Jamal Majid Bin Thaniah	Director	May 30, 2007
Cho Ying Davy Ho(1)	Director	May 30, 2007
Sir John Parker(1)	Director	May 30, 2007
David Williams(1)	Director	May 30, 2007

(1) Denotes a Non-Executive Director.

Sultan Ahmed Bin Sulayem has served as Chairman of the Board of the Company since May 30, 2007. He is also Chairman of Dubai World. As leader of Dubai World, he oversees businesses in industries as diverse as real estate development, hospitality, retail, e-commerce and various commodities exchanges, as well as those associated with transportation and logistics. He has more than 25 years' experience in the marine terminal industry and is a leading Dubai and international businessman.

Mohammed Sharaf has served as Chief Executive Officer and a Director of the Company since May 30, 2007. He joined DPA in 1992 and became Managing Director of Dubai Ports International in 2003. He began his shipping career at Holland Hook terminal in The Port of New York/New Jersey and has more than 20 years' experience in the transport and logistics business.

Yuvraj Narayan has served as Chief Financial Officer since 2005 and a Director of the Company since August 9, 2006. He joined DP World in 2004. He previously served as ANZ Group's Head of Corporate and Project Finance for South Asia before becoming Chief Financial Officer of Salah Port Services in Oman. He is a qualified Chartered Accountant and has more than 23 years' experience in the ports and international banking sectors.

Jamal Majid Bin Thaniah has served as a Director and Vice Chairman of the Company since May 30, 2007. He joined Dubai Ports in 1981 and, from 2001, led DPA, which operated DP World Jebel Ali and Port Rashid (Dubai). He is also Group Chief Executive Officer of Port and Free Zone World FZE. As Group Chief Executive Officer of Port and Free Zone World FZE, he also oversees the free zone and business park company, Economic Zones World, which includes Jafza International, Jebel Ali Free Zone and the P&O Ferries Business. As Executive Director of the Board of Dubai World, he also acts as Vice Chairman supporting the Dubai World Chairman in managing the portfolio.

Cho Ying Davy Ho has served as a Director of the Company since May 30, 2007. He joined the Swire Group in 1970 and currently serves as a director of various Swire Group entities. In addition, he is a director of Cathay Pacific Airways Ltd., Hong Kong Aircraft Engineering Company Limited, Shekou Container Terminals Ltd., Hongkong United Dockyards Ltd., Hongkong Salvage & Towage Co. Ltd. and Hong Kong Air Cargo Terminals Ltd. He previously served as Chairman of the Shipping Committee of Hong Kong General Chamber of Commerce.

Sir John Parker has served as a Director and Vice Chairman of the Company since May 30, 2007. He has served as a Non-Executive Director of Carnival plc and Carnival Inc., Non-Executive Chairman of National Grid plc, Senior Non-Executive Director (Chair) of the Court of the Bank of England, Deputy Chairman of Port and Free World Zone FZE and Joint Chairman of Mondi plc. He previously served as a Non-Executive Director and Deputy Chairman and, subsequently, Chairman of P&O.

David Williams has served as a Director of the Company since May 30, 2007. He is currently a director of George Wimpey plc, Tullow Oil plc, Meggitt plc and Mondi plc. He previously served as Non-Executive Director of P&O. He has also served as Non-Executive Director of Dewhirst Group plc, a Non-Executive Director of Medeva plc and a Non-Executive Director of Kirkgate Group Ltd. He is a qualified Chartered Accountant.

Our Directors are not under service contracts with us with respect to their roles as directors and we do not have contractual obligations to provide benefits to our Directors upon termination of their directorships.

The business address for each of our Directors is c/o DP World Limited, PO Box 17000, Dubai, UAE.

We are not aware of any potential conflicts of interest between the duties owed by the Directors to the Company and their private interests or other duties.

Senior Management

In addition to the executive management appointed to the Board, the day-to-day management of our business is conducted by the following senior managers (the "**Senior Managers**") who are considered relevant to establishing that the Company has the appropriate expertise and experience for the management of its business:

Senior Management—Head Office

Name	Position(s)
Mohammed Sharaf(1)	Chief Executive Officer
Anil Wats	Executive Vice President and Chief Operating Officer
Yuvraj Narayan(1)	Chief Financial Officer
Suhail Al Banna	Acting Chief Information Officer
Adnan Al Abbar	Senior Vice President—Planning and Development
George Dalton	Senior Vice President—Legal
Paul Hayward Smith	Senior Vice President—Human Resources
Matthew Leech	Senior Vice President—Business Development
Michael Moore	Senior Vice President—Commercial
Anwar Wajdi	Senior Vice President—Corporate Strategy

(1) Please refer to "—Board of Directors—General Information" for biographical details.

Anil Wats has served as Executive Vice President and Chief Operating Officer since 2005. He joined DP World in 2003 as Global Commercial Director. He began his career with Sea-Land and served as Vice President and, later, Chief Executive Officer responsible for group activities covering the Middle East and the Subcontinent. Following the acquisition of Sea-Land by the A.P. Moller-Maersk Group, he was appointed Chief Executive Officer for the A.P. Moller-Maersk Group activities for Indonesia and, later, the UAE. He has more than 25 years' experience in the international shipping and logistics industry.

Suhail Al Banna serves as Acting Chief Information Officer. He also serves as Director and Executive Vice President for Asian Terminals Incorporated in Manila, Philippines. As Acting Chief Information Officer, he plays a decisive role in strategy, planning, project management and development of the Company's IT direction, particularly at the port and terminal sites.

Adnan Al Abbar serves as Senior Vice President—Planning and Development and is responsible for leading the planning and infrastructure development activities for the Company generally. He joined DP World in 1991 and has served as Container Terminal Manager, Development Manager, Director of Port Planning & Information Systems and Chief Operating Officer. He has more than 15 years' experience with DP World and has headed projects relating to master planning, IT development, process re-engineering and operations development.

George Dalton serves as Senior Vice President—Legal. He previously served as Vice President and General Counsel of CSX WT which he joined in 1999, and was with Sea-Land beginning in 1995 as counsel to the North America Terminal Operating Group and the Americas Division, which covered activities in Latin America and the Caribbean. He has more than 25 years' legal experience, including private practice, with a background in corporate, financing and international transactions.

Paul Hayward Smith serves as Senior Vice President—Human Resources. He previously served as a managing consultant for the Hay Group based in Dubai, and for six years before that he was the Corporate Head of Reward/Policy for the Boots Company plc. He has 30 years' business experience across HR Management, HR Consulting and Line Management, operating across a range of sectors and geographies. He has led international HR projects and worked extensively in Turkey and Egypt.

Matthew Leech serves as Senior Vice President—Business Development and joined the Company in 2005 following the acquisition of CSX WT. He previously served as Vice President, Operations and Business Development at CSX WT, and led many of their key expansion initiatives, including the acquisition of terminal facilities in Korea, China and Venezuela, as well as managing their terminals in Australia, Germany, Venezuela and Russia. He has extensive experience in both the finance and container transportation industries.

Michael Moore serves as Senior Vice President—Commercial and joined the Company in 2005. He previously served as Vice President of Global Sales—Europe for the A.P. Moller-Maersk Group for six years. He has more than 20 years' experience in the transportation industry, having started as a management trainee in the trucking industry in the United States and later with Sea-Land in 1984. His broad experience in container shipping spans terminal operations, sales, logistics, and pricing and trade management.

Anwar Wajdi serves as Senior Vice President—Corporate Strategy. He joined DP World in 1992 as a trainee and previously served as Deputy Managing Director for the UAE Region. He has played a role in securing projects for the Company and has led the development of the DP World UAE commercial systems, procedures and policies.

Senior Management—Regional Managers

Name	Position(s)
Mohammed Al Muallem	Senior Vice President and Managing Director—UAE Region
Joost Kruijning	Senior Vice President—Operations and acting Managing Director—Africa Region
Dakheel Saad Al Nagem	Senior Vice President and Managing Director—Middle East Region
Peter Wong	Senior Vice President and Managing Director—Asia-Pacific Region
Ganesh Raj	Senior Vice President and Managing Director—Indian Subcontinent Region
Patrick Walters	Senior Vice President and Managing Director—Europe and North Africa Region
Jack Williams	Senior Vice President and Managing Director—Australia and New Zealand Region
Dave Sanborn	Senior Vice President and Managing Director—Americas Region

Mohammed Al Muallem serves as Senior Vice President and Managing Director – UAE Region. He began his career with DP World at Port Rashid more than 20 years ago and has led the integration of DPA, Dubai Customs and the Free Zone Organisation.

Joost Kruijning serves as Senior Vice President—Operations and acting Managing Director—Africa Region. He joined DP World in 2001 and began his career in 1998 when he joined Sea-Land, where his 13 years included assignments in Russia and the Sultanate of Oman.

Dakheel Saad Al Nagem serves as Senior Vice President and Managing Director—Middle East Region and joined the Company in 2007. He previously led the business of a major terminal in Jeddah. He has worked previously in the United States and Saudi Arabia. He has extensive experience both within and outside of the ports industry.

Peter Wong serves as Senior Vice President and Managing Director—Asia-Pacific Region and joined DP World as part of the acquisition of CSX WT in 2005. He has extensive experience in the shipping industry, having worked in North America, Europe and the Far East.

Ganesh Raj serves as Senior Vice President and Managing Director—Indian Subcontinent Region. He previously served as Terminal Manager at Nhava Sheva International Container Terminal (now DP World Nhava Sheva) and as Chief Executive Officer of the P&O Ports Chennai Facility. He has 20 years' experience in the port and liner industry, having worked for the A.P. Moller-Maersk Group and P&O Ports prior to joining DP World.

Patrick Walters serves as Senior Vice President and Managing Director—Europe and North Africa Region. He joined the P&O Group in 1995 where his roles included Managing Director of Southampton Container Terminal Ltd. and Tilbury Container Services Ltd. He has nearly 20 years' experience in international business, primarily in the ports and container terminals sector.

Jack Williams serves as Senior Vice President and Managing Director—Australia and New Zealand Region and joined the Company in 2005. He spent many years in the United States, where he managed shipping operations for various national and international carriers and agents. He has more than 45 years' experience in the shipping and ports industry and has lived and worked in Asia, Africa and Europe.

Dave Sanborn serves as Senior Vice President and Managing Director—Americas Region since 2005. He previously worked with Sea-Land Service and then served various senior management positions with APL and CMA-CGM. He has managed numerous container ports and has been involved in concept and design processes for logistics facilities around the world.

Each of the Senior Managers can be contacted at our registered office, c/o DP World Limited, PO Box 17000, Dubai, UAE.

Compensation

For the year ended December 31, 2006, the aggregate total remuneration paid by DPA (including contingent or deferred compensation) to its directors and key management was $7.02 million. Following the Restructuring and appointment of additional Directors and Senior Management of the Company, the Company's Directors and Senior Management group is now larger than DPA's corresponding group for 2006.

Corporate Governance

Our Board has established a Remuneration Committee, an Audit Committee and Nominations & Governance Committee, with formally delegated duties and responsibilities and with written terms of reference. From time to time, separate committees may be set up by the Board to consider specific issues when the need arises. None of these committees had met as of the date of this Prospectus.

Remuneration Committee

The Remuneration Committee will assist the Board in determining its responsibilities in relation to remuneration, including making recommendations to the Board on the Company's policy on executive remuneration, determining the individual remuneration and benefits package of each of the Executive Directors and recommending and monitoring the remuneration of senior management below Board level.

The membership of the company's Remuneration Committee comprises three Non-Executive Directors (namely, Sir John Parker, David Williams and Cho Ying Davy Ho). The Chairman of the Remuneration Committee will be Sir John Parker.

The Remuneration Committee will meet formally at least once a year and otherwise as required.

Audit Committee

The Audit Committee will assist the Board in discharging its responsibilities with regard to financial reporting, external and internal audits and controls, including reviewing the Company's annual financial statements, reviewing and monitoring the extent of the non audit work undertaken by external auditors, advising on the appointment of external auditors and reviewing the effectiveness of the Company's internal audit activities, internal controls and risk management systems. The ultimate responsibility for reviewing and approving the accounts and the half yearly reports remains with the Board.

The membership of the company's Audit Committee comprises three independent Non-Executive Directors (namely, Sir John Parker, David Williams and Cho Ying Davy Ho). David Williams is considered by the Board to have recent and relevant financial experience and therefore has been appointed as Chairman of the Audit Committee.

The Audit Committee will meet formally at least three times a year and otherwise as required.

Nominations & Governance Committee

The Nomination & Governance Committee will assist the Board in (i) identifying individuals qualified to become Board members, and recommending individuals that the Board of Directors select as director nominees to be considered for election at the next annual general meeting of the Company or to fill vacancies and (ii) developing and recommending to the Board appropriate corporate governance guidelines.

The Nominations & Governance Committee comprises three Non-Executive Directors (namely, Sir John Parker, David Williams and Cho Ying Davy Ho) and two Executive Directors (namely Jamal Majid Bin Thaniah and Mohammed Sharaf). The Chairman of the Nominations & Governance Committee is Sir John Parker.

The Nominations & Governance Committee will meet formally at least once a year and otherwise as required.

RELATED PARTY TRANSACTIONS

Save as described below or in Note 25, "Related Party Transactions", of the Notes to the Consolidated Audited Financial Statements of DPA, no related party transactions between the Company and its affiliates or shareholders or directors have occurred or been entered into in the past three fiscal years.

Relationship with Dubai World and the Government of Dubai

Formation

Pursuant to the Restructuring, the Company was incorporated in the DIFC on August 9, 2006 for the purpose of becoming the holding company for the ports-related commercial activities of Dubai World. On January 1, 2007, DP World FZE and Thunder FZE were transferred from DPA, an affiliate of the Company, to the Company. Prior to the transfer of DP World FZE and Thunder FZE, the Company did not have any operations.

Ongoing Relationship

Amended and Restated Credit Agreement. Immediately prior to the transfer of Thunder FZE to the Company, the Company became a borrower and guarantor under the Amended and Restated Credit Facility, which reflects amendments related to, among other things, (i) the transfer of a portion of borrowings thereunder from Thunder FZE to JAFZA, (ii) the removal of the requirement that the proceeds from the sale of POPNA be used to prepay borrowings thereunder, (iii) on the satisfaction of certain conditions (which have been met), the removal of JAFZA as a borrower and guarantor thereunder and (iv) on the satisfaction of certain conditions, the removal of PCFC as a guarantor thereunder. DPA and, until certain conditions are met, PCFC will continue to provide credit support for the outstanding amounts under the Amended and Restated Credit Facility in the form of an unconditional and irrevocable guarantee. Approximately $76.7 million of finance costs for the year ended December 31, 2006 reflected in Audited DPA Consolidated Financial Statements relate to the portion of borrowings transferred from Thunder FZE to JAFZA pursuant to the Amended and Restated Credit Facility.

For a description of the Amended and Restated Credit Facility, including the undertakings and covenants included therein, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Working Capital and Indebtedness—Syndicated Term Loan and Revolving Credit Facility".

Concession Agreement. On December 31, 2006, our wholly-owned subsidiary DP World UAE entered into the Concession Agreement with DPA to operate DP World Jebel Ali, Port Rashid (Dubai) and Hamriya Port in Dubai on an arm's-length basis. The Concession Agreement became effective as of July 1, 2006 for a term of 99 years and is governed by the federal law of the UAE and the laws of the Emirate of Dubai.

During the term of the Concession Agreement, DP World UAE has exclusive rights to use the relevant land and existing infrastructure and superstructure within the concession area. DP World UAE has paid consideration calculated on a fair market basis for such infrastructure and superstructure as if those assets were transferred outright to it. Other existing assets have also been transferred by DPA to DP World UAE for consideration calculated on a fair market basis. On expiration of the term, all assets developed, leased, acquired by or transferred to DP World UAE shall be transferred to DPA on a fair market valuation basis.

DPA has the right to nominate priority users to be given priority access to the ports at tariffs stipulated by DPA.

DP World UAE is not obliged to pay any annual concession fee until December 31, 2012. After that date, calculation of the annual concession fee is based on the greater of a certain percentage of revenue and a fixed monetary amount.

DPA has the right to terminate the Concession Agreement on an event of default by DP World UAE, which include material breach of an obligation, failure to pay, abandonment and change of control. Change of control means a change in the ability to appoint or remove a majority of the board of directors or the power to control the affairs of DP World UAE or in the ownership of 51% or more of its shares. DP World UAE can be relieved from performance of its obligations under the Concession Agreement as a result of natural or political force majeure events and/or change of law.

Commercial Agreements. From time to time in the ordinary course of our business, we enter into commercial contracts with affiliates. These commercial agreements are generally on an arm's length basis and subject to customary market terms.

Transfer of P&O Estates. On May 11, 2007, P&O entered into an agreement with Istithmar P&O Estates FZE ("**Istithmar P&O**"), an indirect wholly-owned subsidiary of Dubai World, pursuant to which P&O Estates would be transferred to Istithmar P&O or its subsidiaries for a purchase price equal to the market value of the assets transferred plus a premium, subject to specific adjustments. We transferred P&O Estates in furtherance of our aim to focus our business on container terminal operations. The consideration for this transfer has not been paid and none of the shares of P&O Estates have been transferred. It is anticipated that the transfer will be completed later this year.

In addition to assuming liabilities for all matters relating to P&O Estates, Istithmar P&O has also agreed to indemnify P&O in the event that P&O pays any amounts or incurs any actual liabilities in respect of certain guarantees provided by P&O in respect of the operations of P&O Estates, which could not be released or transferred prior to the sale. The parties have agreed to seek the release of these guarantees, and pending such release, Istithmar P&O has agreed to provide indemnification. Additionally, P&O is entitled to receive fees in respect of the provision of some of these guarantees.

P&O and Istithmar P&O are also parties to a transitional services agreement, under which P&O is to provide certain administrative and other support services to P&O Estates, including payroll services, pensions administration, tax services and IT support. Payment for these services will be on an arm's length basis. The agreement may be terminated by either party following breach, insolvency or the provision of notice.

Transfer of P&O Ferries. On March 30, 2007, P&O and certain of its subsidiaries entered into an agreement with P&O Ferries Division Holdings, an indirect wholly-owned subsidiary of Port & Free Zone World FZE, and certain of its subsidiaries pursuant to which the P&O Ferries Business was transferred to P&O Ferries Division Holdings for a market value consideration. We transferred the P&O Ferries Business in furtherance of our aim to focus our business on container terminal operations. This transaction has now completed.

Under the terms of the agreement, P&O Ferries Division Holdings and its subsidiaries agreed to indemnify P&O and its subsidiaries if P&O pays any amounts or incurs any actual liabilities in respect of the P&O Ferries Business. Additionally, P&O had granted a number of guarantees in respect of the P&O Ferries Business that could not be released or transferred prior to completion of the transfer of the P&O Ferries Business. The parties are obliged to continue to seek the release of these guarantees and, until they are released, P&O Ferries Division Holdings and its subsidiaries have agreed to indemnify P&O in respect of any liability arising under such guarantees.

P&O continues to provide certain administrative and other support services with respect to the P&O Ferries Business, including payroll services, pensions administration and tax services. Payment for these services is on an arm's-length basis. The arrangements may be terminated by either party on the provision of notice.

As part of the transitional arrangements following the transfer of the P&O Ferries Business, P&O has agreed to allow certain entities within P&O Ferries Division Holdings group to continue to be part of its working capital pooling arrangements and to fund their working capital needs from such arrangements. P&O Ferries Division Holdings is presently seeking to put in place its own separate working capital facility with third party financiers and it has granted indemnities to P&O in respect of any liabilities or costs incurred by P&O in connection with the use of the working capital pooling arrangements.

OVERVIEW OF THE EMIRATE OF DUBAI

Introduction

The UAE is a federation of seven emirates made up of Abu Dhabi, Dubai, Sharjah, Ajman, Umm Al Quwain, Fujairah and Ras Al Khaimah. The UAE has one of the most liberal business environments in the Middle East focused around economic liberalisation and promoting the role of the private sector. There are currently no corporate taxes in most business sectors, other than oil producing companies and foreign banks, no personal taxes and no exchange controls on the remittance of profits or repatriation of capital. Additionally, the UAE enjoys low tariffs and there are virtually no restrictions on foreign trade.

Legal System

There are three primary sources or types of law in the UAE: federal laws and decrees, local laws and Shari'a (Islamic law). The secondary source of law is trade custom or practice. In the absence of federal legislation on areas specifically reserved to federal authority, the ruler or local government of each emirate will apply his or its own rules, regulations and practices. As is its right under the Constitution, Dubai, like the emirate of Ras Al Khaimah, has elected to maintain its own court system, separate from that of the federation, and the courts of Dubai have sole jurisdiction to hear cases brought in Dubai. Although both federal and Dubai courts have a similar three-tier structure (Court of First Instance, Court of Appeal and Court of Cassation/Supreme Court), Dubai has retained complete autonomy over its courts in all matters, including the appointment of judges. In accordance with the Constitution, however, the Dubai courts will first apply federal law where this exists and, in its absence, the laws of Dubai. The Company is incorporated in the DIFC, which is a newly established jurisdiction with its own legal and regulatory regime applicable to it and other companies domiciled in the DIFC. As such the DIFC will have jurisdiction on matters which fall within the laws of the DIFC. DIFC Law No. 12 of 2004 states that judgments, awards or orders made by the DIFC Court will be enforced by the Dubai Courts (provided the judgment, award or order is final and "appropriate" for enforcement. The Dubai Courts have no jurisdiction to review the merit of a DIFC judgment. See "Risk Factors—Risks Relating to the Notes—We are a DIFC company, and it may be difficult for you to enforce judgments against us".

The Emirate of Dubai

Dubai is, after the emirate of Abu Dhabi, the largest emirate in the UAE, and is situated on the west coast of the UAE in the south western part of the Arabian Gulf. It covers an area of 3,885 square kilometres and lies approximately at longitude 55 degrees east and latitude 25 degrees north. Except for a tiny enclave in the Hajar Mountains at Hatta, the emirate of Dubai comprises one contiguous block of territory.

The population of Dubai was estimated at 1,300,000 in 2006. Approximately 75% of the population is estimated to be non-UAE nationals, mainly drawn from the Indian subcontinent, Europe and other Arab countries. Approximately 75% of the population is estimated to be male and 25% female, reflecting the large male expatriate workforce.

History

Dubai started as a pearl and fishing village sometime in the first half of the eighteenth century. From the 1850s until the formation of the UAE in 1971, the British were the dominant influence in the region, and each emirate entered into a separate treaty with Great Britain. The emirates were then collectively known as the Trucial States or Sheikhdoms and the area was generally known as the Trucial Coast. The Sheikhdoms were each led by a sheikh, who usually belonged to the most influential tribe in that area.

The growth of Dubai began in the early part of the nineteenth century when members of the Bani Yas tribe, led by Sheikh Maktoum Bin Butti, left Abu Dhabi and migrated north to found an independent Sheikhdom in the area now known as Dubai.

During the nineteenth century, Dubai, split by a 14 kilometre long creek, which led into a natural harbour, established itself as a flourishing centre for the import and re-export of merchandise (the entrepôt trade). Another important economic activity at that time was pearling. Offshore from Dubai and Abu Dhabi, the waters were rich with pearl beds. However, the Great Depression of the 1930s and the emergence of artificial pearls in 1929 dented Dubai's prosperity.

To counter the loss of economic activity from the decline in pearling, Dubai encouraged traders from India and Iran to establish their business in Dubai. Traders, attracted by Dubai's liberal policies, especially its lower taxes on foreigners compared to its neighbours, made it their base and Dubai quickly established itself as a leading centre for trade in gold bullion, textiles and consumer durables.

In the 1930s and 1940s, oil was discovered in Kuwait, Qatar and Saudi Arabia—adding to that already found in Bahrain, Iran and Iraq. In 1958, oil was found off the shore of Abu Dhabi and, in 1966, oil was first discovered by the Dubai Petroleum Company at Fateh, which lies 92 kilometres off the coast of Dubai. As the primary regional trading hub, Dubai was well placed to capitalise on the upturn in Middle East business activity that came with oil exports.

The Economy of Dubai

Dubai's strategic position at the crossroads between the East and West has helped establish it as a leading trading and services hub between the Far East and Europe.

Dubai's economy is more diversified than that of Abu Dhabi and it is one of the most important commercial centres in the Middle East, with growing banking, tourism and real estate sectors. However, with only a fraction of the fossil fuel reserves of Abu Dhabi, it has gradually reduced its dependency on oil and gas revenues. The Government of Dubai continues to invest heavily in the infrastructure of the emirate and its economic development. Much of the infrastructure that has been created in recent years, both public and private, is aimed at reinforcing Dubai's strategic position at the East-West crossroads.

Dubai has focused on developing itself as a centre for tourism, trade and commerce in order to diversify its economy away from oil. The emirate has successfully pioneered the use of free zones to spur economic activity and attract companies to its shores. These free zones offer 100% ownership to non-nationals, and serve as an attractive location for companies seeking to serve the growing markets of the Middle East, South Asia and Central Asia.

Some free zones currently operating in Dubai include JAFZ, the Technology Electronic Commerce and Media Free Zone (TECOM) and the DIFC. The DIFC is a financial free zone, aimed at attracting international commercial banks, investment banks, insurance companies and other financial institutions. TECOM consists of Dubai Internet City, Dubai Media City and Knowledge Village and aims to attract global companies that serve the technology, media and training industry. TECOM's tenants include prestigious international and regional IT and media companies such as Microsoft, IBM, Reuters, CNN, CNBC, and MBC, among others. JAFZA was established in 1980 with the specific purpose of facilitating investment in manufacturing and distribution businesses. Currently, around 6,000 companies are registered with JAFZA, including over 160 Fortune Global 500 companies.

Other free zones include the Dubai Multi Commodities Centre, the Airport Free Zone and Dubai Healthcare City. Upcoming free zones include Dubai Logistics City, Dubai Aid City, Dubai Biotech FZ, and Dubai Silicon Oasis, in addition to a number of others.

For more information on the DIFC, see "DIFC" below.

The Government of Dubai

All powers of government in Dubai are vested in the Ruler. The various departments and other arms of the Government and their respective executives operate under the powers and responsibilities specifically delegated to them from time to time by the Ruler. Laws of Dubai are passed by Decree of the Ruler. The present Ruler is H.H. General Sheikh Mohammed bin Rashid Al Maktoum.

In Dubai, there are various local governing bodies charged with regulating and administering local law and policy, including the Dubai Department of Economic Development, Dubai Municipality and the Department of Civil Aviation.

DIFC

The DIFC is a financial free zone with an independent legal system established in 2004 in the emirate of Dubai. The DIFC has been granted authority to self-legislate in civil and commercial areas. Companies operating in the DIFC are subject to the Companies Law. Financial activities in the DIFC are governed by the DIFC Regulatory Law No. 1 of 2004, which also governs the operation of the Dubai Financial Services Authority, a financially and administratively independent body created by Law No. (9) of 2004 issued by the Ruler of Dubai on September 13, 2004 (the "**DIFC Law**") that acts as the independent financial regulator in the DIFC. Legislation, rules and regulations governing companies incorporated in the DIFC and financial activities in the DIFC are available on the websites of the DIFC and the DFSA at *www.difc.ae* and *www.dfsa.ae*, respectively. We have not independently verified the information contained on these websites, can provide no assurance as to the accuracy or completeness of such information and do not incorporate the information contained on these websites into, or otherwise include in, this Prospectus.

TAXATION

The following summary of certain UK, US, EU, UAE and DIFC tax consequences of ownership of Notes is based upon laws, regulations, decrees, rulings, income tax conventions, administrative practice and judicial decisions in effect at the date of this Prospectus. Legislative, judicial or administrative changes or interpretations may, however, be forthcoming that could alter or modify the statements and conclusions set forth herein. Any such changes or interpretations may be retroactive and could affect the tax consequences to holders of the Notes. This summary does not purport to be a legal opinion or to address all tax aspects that may be relevant to a holder of Notes. Each prospective holder is urged to consult its own tax adviser as to the particular tax consequences to such holder of the ownership and disposition of Notes, including the applicability and effect of any other tax laws or tax treaties, and of pending or proposed changes in applicable tax laws as of the date of this Prospectus, and of any actual changes in applicable tax laws after such date.

United Kingdom

The following is a discussion of certain UK withholding tax considerations relating to the Notes. It is based on current law and practice in the United Kingdom and does not discuss any other UK tax considerations relating to the Notes, including but not limited to their acquisition, holding or disposal. The comments are made on the assumption that the Issuer of the Notes is not resident in the United Kingdom for UK tax purposes. The comments relate only to the position of persons who are absolute beneficial owners of the Notes. Prospective Noteholders should be aware that the particular terms of issue of any series of Notes as specified in the relevant pricing supplement may affect the tax treatment of that and other series of Notes. The following is a general guide and should be treated with appropriate caution. Prospective Noteholders who are in any doubt as to their tax position should consult their professional advisers. Noteholders who may be liable to taxation in jurisdictions other than the United Kingdom in respect of their acquisition, holding or disposal of the Notes are particularly advised to consult their professional advisers as to whether they are so liable (and if so under the laws of which jurisdictions), since the following comments relate only to certain UK taxation aspects of payments in respect of the Notes. In particular, Noteholders should be aware that they may be liable to taxation under the laws of other jurisdictions in relation to payments in respect of the Notes even if such payments may be made without withholding or deduction for or on account of taxation under the laws of the United Kingdom.

Withholding Tax

Provided that the Issuer is not resident in the United Kingdom for UK tax purposes, that the Issuer does not carry on any trade or other business in the United Kingdom and that the interest on the Notes does not for any other reason have a United Kingdom source, interest on the Notes may be paid by the Issuer without withholding or deduction for or on account of UK income tax. Depending on the circumstances, interest on Notes may have a UK source where, for example, the Notes paid out of funds maintained in the United Kingdom. However, the Issuer's expectation is that interest on the Notes should not have a UK source. Interest which has a UK source ("**UK interest**") may be paid by the Issuer without withholding or deduction for or on account of UK income tax if the Notes in respect of which the UK interest is paid are issued for a term of less than one year (and are not issued under arrangements the effect of which is to render the Notes part of a borrowing with a total term of one year or more).

UK interest on Notes issued for a term of one year or more (or under arrangements the effect of which is to render the Notes part of a borrowing with a total term of one year or more) may be paid by the Issuer without withholding or deduction for or on account of United Kingdom income tax if the Notes in respect of which the UK interest is paid constitute "**quoted Eurobonds**". Notes which carry a right to interest will constitute quoted Eurobonds provided they are and continue to be listed on a recognised stock exchange within the meaning of section 1005 of the Income Tax Act 2007. On the basis of the interpretation of the relevant legislation published by Her Majesty's Revenue & Customs ("**HMRC**"), securities which are to be listed on a stock exchange in a country which is a member state of the EU or which is part of the EEA will satisfy this requirement if they are listed by a competent authority in that country and are admitted to trading on a recognised stock exchange in that country; securities which are to be listed on a stock exchange in any other country will satisfy this requirement if they are admitted to trading on a recognised stock exchange in that country. The London Stock Exchange is a recognised stock exchange for these purposes. However, the DIFX is not a recognised stock exchange for those purposes. The United Kingdom Finance Bill 2007 includes a new statutory meaning of the term "listed on a recognised stock exchange". If the draft legislation is enacted in its current form, from the date on which the Finance Bill 2007 receives

Royal Assent securities will be treated as listed on a recognised stock exchange if (and only if) they are admitted to trading on that exchange and either they are included in the United Kingdom official list (within the meaning of Part 6 of the Financial Services and Markets Act 2000) or they are officially listed, in accordance with provisions corresponding to those generally applicable in European Economic Area states, in a country outside the United Kingdom in which there is a recognised stock exchange. It is understood that this new definition is not intended to alter the position described above in respect of securities that are listed and admitted to trading on a market of a stock exchange which was already designated as a recognised stock exchange before 21 March 2007.

In all other cases, UK interest on the Notes may fall to be paid under deduction of United Kingdom income tax at the savings rate (currently 20%) subject to such relief as may be available under the provisions of any applicable double taxation treaty or to any other exemption which may apply. In such cases, Noteholders should be aware that the position described in "Terms and Conditions of Notes—Taxation" will not apply.

Provision of Information

Noteholders should note that where any interest on Notes is paid to them (or to any person acting on their behalf) by any person in the United Kingdom acting on behalf of the Issuer (a "**paying agent**"), or is received by any person in the United Kingdom acting on behalf of the relevant Noteholder (other than solely by clearing or arranging the clearing of a cheque) (a "**collecting agent**"), then the paying agent or the collecting agent (as the case may be) may, in certain cases, be required to supply to HMRC details of the payment and certain details relating to the Noteholder (including the Noteholder's name and address). These provisions will apply whether or not the interest has been paid subject to withholding or deduction for or on account of UK income tax and whether or not the Noteholder is resident in the United Kingdom for UK taxation purposes. In certain circumstances, the details provided to HMRC may be passed by HMRC to the tax authorities of certain other jurisdictions.

With effect from April 6, 2008 the provisions referred to above may also apply, in certain circumstances, to payments made on redemption of any Notes which constitute deeply discounted securities as defined in Chapter 8 of Part 4 of the Income Tax (Trading and Other Income) Act 2005.

United States

The discussion in this Prospectus is not intended or written to be used, and cannot be used by any person, for the purpose of avoiding US federal, state or local tax penalties, and was written to support the promotion or marketing of the Prospectus. Each investor should seek advice based on their particular circumstances from an independent tax advisor.

The following is a summary of certain US federal income tax consequences of the acquisition, ownership and disposition of Notes by a US Holder (as defined below). This summary does not address all of the US federal income tax consequences of every type of Note which may be issued under the Programme, and the relevant Final Terms will contain additional or modified disclosure concerning the US federal income tax consequences relevant to such type of Note as appropriate. This summary deals only with purchasers of Notes that are US Holders and that will hold the Notes as capital assets and who purchase a Note at its original issuance and at its original issue price. The discussion does not cover all aspects of US federal income taxation that may be relevant to, or the actual tax effect that any of the matters described herein will have on, the acquisition, ownership or disposition of Notes by particular investors, and does not address state, local, non-US or other tax laws. In particular, this summary does not discuss all of the tax considerations that may be relevant to certain types of investors subject to special treatment under the US federal income tax laws (such as financial institutions, insurance companies, investors liable for the alternative minimum tax, individual retirement accounts and other tax-deferred accounts, tax-exempt organisations, dealers in securities or currencies, investors that will hold the Notes as part of straddles, hedging transactions or conversion transactions for US federal income tax purposes or investors whose functional currency is not the US dollar). Moreover, the summary deals only with Notes with a term of 30 years or less. The US federal income tax consequences of owning Notes with a longer term will be discussed in the applicable Final Terms.

As used herein, the term "US Holder" means a beneficial owner of Notes that is, for US federal income tax purposes, (i) an individual citizen or resident of the United States, (ii) a corporation created or organised under the laws of the United States or any State or locality thereof, (iii) an estate the income of which is subject to US federal income tax without regard to its source or (iv) a trust if a court within the

United States is able to exercise primary supervision over the administration of the trust and one or more US persons have the authority to control all substantial decisions of the trust.

The US federal income tax treatment of a partner in a partnership that holds Notes will depend on the status of the partner and the activities of the partnership. Prospective purchasers that are partnerships should consult their tax adviser concerning the US federal income tax consequences to their partners of the acquisition, ownership and disposition of Notes by the partnership.

The summary is based on the tax laws of the United States including the Internal Revenue Code of 1986, as amended (the "**Code**"), its legislative history, existing and proposed regulations thereunder, published rulings and court decisions, all as currently in effect and all subject to change at any time, possibly with retroactive effect.

Bearer Notes are not being offered to US Holders.

The summary of US federal income tax consequences set out below is for general information only. Prospective purchasers should consult their tax advisers as to the particular tax consequences to them of owning the Notes, including the applicability and effect of state, local, non-US and other tax laws and possible changes in tax law.

Notes Not Covered under this Discussion

This discussion does not apply to currency-linked Notes (such as Dual Currency Notes) or to Notes that have principal or interest determined by reference to commodity prices, securities of entities unaffiliated with the Company, baskets of those securities or an index or indices of those securities (such as Index Linked Notes). The tax treatment of these instruments will be specified in the applicable Final Terms.

Payments of Interest

Interest on a Note, whether payable in US dollars or a currency other than US dollars (a "**foreign currency**"), other than interest on a "Discount Note" that is not "qualified stated interest" (each as defined below under "Original Issue Discount—General"), will be taxable to a US Holder as ordinary income at the time it is received or accrued, depending on the holder's method of accounting for tax purposes. Interest paid by the Company on the Notes and OID, if any, accrued with respect to the Notes (as described below under "Original Issue Discount") generally will constitute income from sources outside the United States.

Original Issue Discount

General

The following is a summary of the principal US federal income tax consequences of the ownership of Notes issued with original issue discount ("**OID**"). The following summary does not discuss Notes that are characterised as contingent payment debt instruments for US federal income tax purposes. In the event the Company issues contingent payment debt instruments the applicable Final Terms will describe the material US. federal income tax consequences thereof.

A Note, other than a Note with a term of one year or less (a "**Short-Term Note**"), will be treated as issued with OID (a "**Discount Note**") if the excess of the Note's "stated redemption price at maturity" over its issue price is equal to or more than a *de minimis* amount (0.25% of the Note's stated redemption price at maturity multiplied by the number of complete years to its maturity). An obligation that provides for the payment of amounts other than qualified stated interest before maturity (an "**instalment obligation**") will be treated as a Discount Note if the excess of the Note's stated redemption price at maturity over its issue price is greater than 0.25% of the Note's stated redemption price at maturity multiplied by the weighted average maturity of the Note. A Note's weighted average maturity is the sum of the following amounts determined for each payment on a Note (other than a payment of qualified stated interest): (i) the number of complete years from the issue date until the payment is made multiplied by (ii) a fraction, the numerator of which is the amount of the payment and the denominator of which is the Note's stated redemption price at maturity. Generally, the issue price of a Note will be the first price at which a substantial amount of Notes included in the issue of which the Note is a part is sold to persons other than bond houses, brokers, or similar persons or organisations acting in the capacity of underwriters, placement agents, or wholesalers. The stated redemption price at maturity of a Note is the total of all payments provided by the Note that are not payments of "qualified stated interest." A qualified stated interest payment is generally any one of a series of stated interest payments on a Note that are unconditionally payable at least annually at a single fixed rate (with certain exceptions for lower rates paid during some periods), or a variable rate (in the circumstances described below under "Variable Interest Rate Notes"), applied to the outstanding principal amount of the Note. Solely for the purposes of determining whether a Note has OID, the Company will be deemed to exercise any call option that has the effect of decreasing the yield on the Note, and the US Holder will be deemed to exercise any put option that has the effect of increasing the yield on the Note.

US Holders of Discount Notes must include OID in income calculated on a constant-yield method before the receipt of cash attributable to the income, and generally will have to include in income increasingly greater amounts of OID over the life of the Discount Notes. The amount of OID includible in income by a US Holder of a Discount Note is the sum of the daily portions of OID with respect to the Discount Note for each day during the taxable year or portion of the taxable year on which the US Holder holds the Discount Note ("**accrued OID**"). The daily portion is determined by allocating to each day in any "accrual period" a pro rata portion of the OID allocable to that accrual period. Accrual periods with respect to a Note may be of any length selected by the US Holder and may vary in length over the term of the Note as long as (i) no accrual period is longer than one year and (ii) each scheduled payment of interest or principal on the Note occurs on either the final or first day of an accrual period. The amount of OID allocable to an accrual period equals the excess of (a) the product of the Discount Note's adjusted issue price at the beginning of the accrual period and the Discount Note's yield to maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) over (b) the sum of the payments of qualified stated interest on the Note allocable to the accrual period. The "adjusted issue price" of a Discount Note at the beginning of any accrual period is the issue price of the Note increased by (x) the amount of accrued OID for each prior accrual period and decreased by (y) the amount of any payments previously made on the Note that were not qualified stated interest payments.

Election to Treat All Interest as Original Issue Discount

A US Holder may elect to include in gross income all interest that accrues on a Note using the constant-yield method described above under "Original Issue Discount—General," with certain modifications. For purposes of this election, interest includes stated interest, OID, *de minimis* OID, market discount, *de minimis* market discount and unstated interest, as adjusted by any amortisable bond premium (described below under "Notes Purchased at a Premium") or acquisition premium. This election will generally apply only to the Note with respect to which it is made and may not be revoked without the consent of the IRS. If the election to apply the constant-yield method to all interest on a Note is made with respect to a Market Discount Note, the electing US Holder will be treated as having made the election discussed above under "Market Discount" to include market discount in income currently over the life of all debt instruments with market discount held or thereafter acquired by the US Holder. US Holders should consult their tax advisers concerning the propriety and consequences of this election.

Variable Interest Rate Notes

Notes that provide for interest at variable rates ("**Variable Interest Rate Notes**") generally will bear interest at a "qualified floating rate" and thus will be treated as "variable rate debt instruments" under Treasury regulations governing accrual of OID. A Variable Interest Rate Note will qualify as a "variable rate debt instrument" if (a) its issue price does not exceed the total non-contingent principal payments due under the Variable Interest Rate Note by more than a specified *de minimis* amount, (b) it provides for stated interest, paid or compounded at least annually, at (i) one or more qualified floating rates, (ii) a single fixed rate and one or more qualified floating rates, (iii) a single objective rate, or (iv) a single fixed rate and a single objective rate that is a qualified inverse floating rate, and (c) it does not provide for any principal payments that are contingent (other than as described in (a) above).

A "qualified floating rate" is any variable rate where variations in the value of the rate can reasonably be expected to measure contemporaneous variations in the cost of newly borrowed funds in the currency in which the Variable Interest Rate Note is denominated. A fixed multiple of a qualified floating rate will constitute a qualified floating rate only if the multiple is greater than 0.65 but not more than 1.35. A variable rate equal to the product of a qualified floating rate and a fixed multiple that is greater than 0.65 but not more than 1.35, increased or decreased by a fixed rate, will also constitute a qualified floating rate. In addition, two or more qualified floating rates that can reasonably be expected to have approximately the same values throughout the term of the Variable Interest Rate Note (e.g., two or more qualified floating rates with values within 25 basis points of each other as determined on the Variable Interest Rate Note's issue date) will be treated as a single qualified floating rate. Notwithstanding the foregoing, a variable rate that would otherwise constitute a qualified floating rate but which is subject to one or more restrictions such as a maximum numerical limitation (i.e., a cap) or a minimum numerical limitation (i.e., a floor) may, under certain circumstances, fail to be treated as a qualified floating rate unless the cap or floor is fixed throughout the term of the Note.

An "objective rate" is a rate that is not itself a qualified floating rate but which is determined using a single fixed formula and which is based on objective financial or economic information (e.g., one or more qualified floating rates or the yield of actively traded personal property). A rate will not qualify as an objective rate if it is based on information that is within the control of the Company (or a related party) or that is unique to the circumstances of the Company (or a related party), such as dividends, profits or the value of the Company's stock (although a rate does not fail to be an objective rate merely because it is based on the credit quality of the Company). Other variable interest rates may be treated as objective rates if so designated by the IRS in the future. Despite the foregoing, a variable rate of interest on a Variable Interest Rate Note will not constitute an objective rate if it is reasonably expected that the average value of the rate during the first half of the Variable Interest Rate Note's term will be either significantly less than or significantly greater than the average value of the rate during the final half of the Variable Interest Rate Note's term. A "qualified inverse floating rate" is any objective rate where the rate is equal to a fixed rate minus a qualified floating rate, as long as variations in the rate can reasonably be expected to inversely reflect contemporaneous variations in the qualified floating rate. If a Variable Interest Rate Note provides for stated interest at a fixed rate for an initial period of one year or less followed by a variable rate that is either a qualified floating rate or an objective rate for a subsequent period and if the variable rate on the Variable Interest Rate Note's issue date is intended to approximate the fixed rate (e.g., the value of the variable rate on the issue date does not differ from the value of the fixed rate by more than 25 basis points), then the fixed rate and the variable rate together will constitute either a single qualified floating rate or objective rate, as the case may be.

A qualified floating rate or objective rate in effect at any time during the term of the instrument must be set at a "current value" of that rate. A "current value" of a rate is the value of the rate on any day that is no earlier than 3 months prior to the first day on which that value is in effect and no later than 1 year following that first day.

If a Variable Interest Rate Note that provides for stated interest at either a single qualified floating rate or a single objective rate throughout the term thereof qualifies as a "variable rate debt instrument", then any stated interest on the Note which is unconditionally payable in cash or property (other than debt instruments of the Company) at least annually will constitute qualified stated interest and will be taxed accordingly. Thus, a Variable Interest Rate Note that provides for stated interest at either a single qualified floating rate or a single objective rate throughout the term thereof and that qualifies as a "variable rate debt instrument" will generally not be treated as having been issued with OID unless the Variable Interest Rate Note is issued at a "true" discount (i.e., at a price below the Note's stated principal amount) in excess of a specified *de minimis* amount. OID on a Variable Interest Rate Note arising from "true" discount is allocated to an accrual period using the constant yield method described above by assuming that the variable rate is a fixed rate equal to (i) in the case of a qualified floating rate or qualified inverse floating rate, the value, as of the issue date, of the qualified floating rate or qualified inverse floating rate, or (ii) in the case of an objective rate (other than a qualified inverse floating rate), a fixed rate that reflects the yield that is reasonably expected for the Variable Interest Rate Note.

In general, any other Variable Interest Rate Note that qualifies as a "variable rate debt instrument" will be converted into an "equivalent" fixed rate debt instrument for purposes of determining the amount and accrual of OID and qualified stated interest on the Variable Interest Rate Note. Such a Variable Interest Rate Note must be converted into an "equivalent" fixed rate debt instrument by substituting any qualified floating rate or qualified inverse floating rate provided for under the terms of the Variable Interest Rate Note with a fixed rate equal to the value of the qualified floating rate or qualified inverse floating rate, as the case may be, as of the Variable Interest Rate Note's issue date. Any objective rate (other than a qualified inverse floating rate) provided for under the terms of the Variable Interest Rate Note is converted into a fixed rate that reflects the yield that is reasonably expected for the Variable Interest Rate Note. In the case of a Variable Interest Rate Note that qualifies as a "variable rate debt instrument" and provides for stated interest at a fixed rate in addition to either one or more qualified floating rates or a qualified inverse floating rate, the fixed rate is initially converted into a qualified floating rate (or a qualified inverse floating rate, if the Variable Interest Rate Note provides for a qualified inverse floating rate). Under these circumstances, the qualified floating rate or qualified inverse floating rate that replaces the fixed rate must be such that the fair market value of the Variable Interest Rate Note as of the Variable Interest Rate Note's issue date is approximately the same as the fair market value of an otherwise identical debt instrument that provides for either the qualified floating rate or qualified inverse floating rate rather than the fixed rate. Subsequent to converting the fixed rate into either a qualified floating rate or a qualified inverse floating rate, the Variable Interest Rate Note is converted into an "equivalent" fixed rate debt instrument in the manner described above.

Once the Variable Interest Rate Note is converted into an "equivalent" fixed rate debt instrument pursuant to the foregoing rules, the amount of OID and qualified stated interest, if any, are determined for the "equivalent" fixed rate debt instrument by applying the general OID rules to the "equivalent" fixed rate debt instrument and a US Holder of the Variable Interest Rate Note will account for the OID and qualified stated interest as if the US Holder held the "equivalent" fixed rate debt instrument. In each accrual period, appropriate adjustments will be made to the amount of qualified stated interest or OID assumed to have been accrued or paid with respect to the "equivalent" fixed rate debt instrument in the event that these amounts differ from the actual amount of interest accrued or paid on the Variable Interest Rate Note during the accrual period.

If a Variable Interest Rate Note, such as a Note the payments on which are determined by reference to an index, does not qualify as a "variable rate debt instrument", then the Variable Interest Rate Note will be treated as a contingent payment debt obligation. The proper US federal income tax treatment of Variable Interest Rate Notes that are treated as contingent payment debt obligations will be more fully described in the applicable Final Terms.

Short-Term Notes

In general, an individual or other cash basis US Holder of a Short-Term Note is not required to accrue OID (as specially defined below for the purposes of this paragraph) for US federal income tax purposes unless it elects to do so (but may be required to include any stated interest in income as the interest is received). Accrual basis US Holders and certain other US Holders are required to accrue OID on Short-Term Notes on a straight-line basis or, if the US Holder so elects, under the constant-yield method (based on daily compounding). In the case of a US Holder not required and not electing to include OID in income currently, any gain realised on the sale or retirement of the Short-Term Note will be ordinary income to the extent of the OID accrued on a straight-line basis (unless an election is made to accrue the OID under the constant-yield method) through the date of sale or retirement. US Holders who are not required and do not elect to accrue OID on Short-Term Notes will be required to defer deductions for interest on borrowings allocable to Short-Term Notes in an amount not exceeding the deferred income until the deferred income is realised.

For purposes of determining the amount of OID subject to these rules, all interest payments on a Short-Term Note are included in the Short-Term Note's stated redemption price at maturity. A US Holder may elect to determine OID on a Short-Term Note as if the Short-Term Note had been originally issued to the US Holder at the US Holder's purchase price for the Short-Term Note. This election shall apply to all obligations with a maturity of one year or less acquired by the US Holder on or after the first day of the first taxable year to which the election applies, and may not be revoked without the consent of the IRS.

Fungible Issue

The Company may, without the consent of the Holders of outstanding Notes, issue additional Notes with identical terms. These additional Notes, even if they are treated for non-tax purposes as part of the same series as the original Notes, in some cases may be treated as a separate series for US federal income tax purposes. In such a case, the additional Notes may be considered to have been issued with OID even if the original Notes had no OID, or the additional Notes may have a greater amount of OID than the original Notes. These differences may affect the market value of the original Notes if the additional Notes are not otherwise distinguishable from the original Notes.

Notes Purchased at a Premium

A US Holder that purchases a Note for an amount in excess of its principal amount, or for a Discount Note, its stated redemption price at maturity, may elect to treat the excess as "amortizable bond premium", in which case the amount required to be included in the US Holder's income each year with respect to interest on the Note will be reduced by the amount of amortisable bond premium allocable (based on the Note's yield to maturity) to that year. Any election to amortise bond premium shall apply to all bonds (other than bonds the interest on which is excludable from gross income for US federal income tax purposes) held by the US Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the US Holder, and is irrevocable without the consent of the IRS. See also "Original Issue Discount—Election to Treat All Interest as Original Issue Discount".

Purchase, Sale and Retirement of Notes

A US Holder's tax basis in a Note will generally be its cost, increased by the amount of any OID or market discount included in the US Holder's income with respect to the Note and the amount, if any, of income attributable to *de minimis* OID and *de minimis* market discount included in the US Holder's income with respect to the Note, and reduced by (i) the amount of any payments that are not qualified stated interest payments, and (ii) the amount of any amortisable bond premium applied to reduce interest on the Note.

A US Holder will generally recognise gain or loss on the sale or retirement of a Note equal to the difference between the amount realised on the sale or retirement and the tax basis of the Note. The amount realised does not include the amount attributable to accrued but unpaid interest, which will be taxable as interest income to the extent not previously included in income. Except to the extent described above under "Original Issue Discount—Market Discount" or "Original Issue Discount—Short Term Notes" or attributable to changes in exchange rates (as discussed below), gain or loss recognised on the sale or retirement of a Note will be capital gain or loss and will be long-term capital gain or loss if the US Holder's holding period in the Notes exceeds one year. Gain or loss realised by a US Holder on the sale or retirement of a Note generally will be US source.

Foreign Currency Notes

Interest

If an interest payment is denominated in, or determined by reference to, a foreign currency, the amount of income recognised by a cash basis US Holder will be the US dollar value of the interest payment, based on the exchange rate in effect on the date of receipt, regardless of whether the payment is in fact converted into US dollars.

An accrual basis US Holder may determine the amount of income recognised with respect to an interest payment denominated in, or determined by reference to, a foreign currency in accordance with either of two methods. Under the first method, the amount of income accrued will be based on the average exchange rate in effect during the interest accrual period (or, in the case of an accrual period that spans two taxable years of a US Holder, the part of the period within the taxable year).

Under the second method, the US Holder may elect to determine the amount of income accrued on the basis of the exchange rate in effect on the last day of the accrual period (or, in the case of an accrual period that spans two taxable years, the exchange rate in effect on the last day of the part of the period within the taxable year). Additionally, if a payment of interest is actually received within five business days of the last day of the accrual period, an electing accrual basis US Holder may instead translate the accrued interest into US dollars at the exchange rate in effect on the day of actual receipt. Any such election will apply to all debt instruments held by the US Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the US Holder, and will be irrevocable without the consent of the IRS.

Upon receipt of an interest payment (including a payment attributable to accrued but unpaid interest upon the sale or retirement of a Note) denominated in, or determined by reference to, a foreign currency, the US Holder may recognise US source exchange gain or loss (taxable as ordinary income or loss) equal to the difference between the amount received (translated into US dollars at the spot rate on the date of receipt) and the amount previously accrued, regardless of whether the payment is in fact converted into US dollars.

OID

OID for each accrual period on a Discount Note that is denominated in, or determined by reference to, a foreign currency, will be determined in the foreign currency and then translated into US dollars in the same manner as stated interest accrued by an accrual basis US Holder, as described above. Upon receipt of an amount attributable to OID (whether in connection with a payment on the Note or a sale of the Note), a US Holder may recognise US source exchange gain or loss (taxable as ordinary income or loss) equal to the difference between the amount received (translated into US dollars at the spot rate on the date of receipt) and the amount previously accrued, regardless of whether the payment is in fact converted into US dollars.

Bond Premium

Bond premium on a Note that is denominated in, or determined by reference to, a foreign currency, will be computed in units of the foreign currency, and any such bond premium that is taken into account currently will reduce interest income in units of the foreign currency. On the date bond premium offsets interest income, a US Holder may recognise US source exchange gain or loss (taxable as ordinary income or loss) measured by the difference between the spot rate in effect on that date, and on the date the Notes were acquired by the US Holder. A US Holder that does not elect to take bond premium (other than acquisition premium) into account currently will recognise a market loss when the Note matures.

Sale or Retirement

As discussed above under "Purchase, Sale and Retirement of Notes", a US Holder will generally recognise gain or loss on the sale or retirement of a Note equal to the difference between the amount realised on the sale or retirement and its tax basis in the Note. A US Holder's tax basis in a Note that is denominated in a foreign currency will be determined by reference to the US dollar cost of the Note. The US dollar cost of a Note purchased with foreign currency will generally be the US dollar value of the purchase price on the date of purchase, or the settlement date for the purchase, in the case of Notes traded on an established securities market, as defined in the applicable Treasury Regulations, that are purchased by a cash basis US Holder (or an accrual basis US Holder that so elects).

The amount realised on a sale or retirement for an amount in foreign currency will be the US dollar value of this amount on the date of sale or retirement, or the settlement date for the sale, in the case of Notes traded on an established securities market, as defined in the applicable Treasury Regulations, sold by a cash basis US Holder (or an accrual basis US Holder that so elects). Such an election by an accrual basis US Holder must be applied consistently from year to year and cannot be revoked without the consent of the IRS.

A US Holder will recognise US source exchange rate gain or loss (taxable as ordinary income or loss) on the sale or retirement of a Note equal to the difference, if any, between the US dollar values of the US Holder's purchase price for the Note (or, if less, the principal amount of the Note) (i) on the date of sale or retirement and (ii) the date on which the US Holder acquired the Note. Any such exchange rate gain or loss will be realised only to the extent of total gain or loss realised on the sale or retirement (including any exchange gain or loss with respect to the receipt of accrued but unpaid interest).

Disposition of Foreign Currency

Foreign currency received as interest on a Note or on the sale or retirement of a Note will have a tax basis equal to its US dollar value at the time the foreign currency is received. Foreign currency that is purchased will generally have a tax basis equal to the US dollar value of the foreign currency on the date of purchase. Any gain or loss recognised on a sale or other disposition of a foreign currency (including its use to purchase Notes or upon exchange for US dollars) will be US source ordinary income or loss.

Reportable Transactions

A US taxpayer that participates in a "reportable transaction" will be required to disclose its participation to the IRS. The scope and application of these rules is not entirely clear. A US Holder may be required to treat a foreign currency exchange loss from the Notes as a reportable transaction if the loss exceeds US$50,000 in a single taxable year, if the US Holder is an individual or trust, or higher amounts for other non-individual US Holders. In the event the acquisition, holding or disposition of Notes constitutes participation in a reportable transaction for purposes of these rules, a US Holder will be required to disclose its investment by filing Form 8886 with the IRS. Pursuant to US tax legislation enacted in 2004, a penalty in the amount of US$10,000 in the case of a natural person and US$50,000 in all other cases is generally imposed on any taxpayer that fails to timely file an information return with the IRS with respect to a transaction resulting in a loss that is treated as a reportable transaction. Accordingly, if a US Holder realises a loss on any Note (or, possibly, aggregate losses from the Notes) satisfying the monetary thresholds discussed above, the US Holder could be required to file an information return with the IRS, and failure to do so may subject the US Holder to the penalties described above. In addition, the Company and its advisers may also be required to disclose the transaction to the IRS, and to maintain a list of

US Holders, and to furnish this list and certain other information to the IRS upon written request. Prospective purchasers are urged to consult their tax advisers regarding the application of these rules to the acquisition, holding or disposition of Notes.

Backup Withholding and Information Reporting

Information returns may be filed with the IRS in connection with payments or original issue discount and the proceeds from a sale or other disposition of a Note unless the US Holder establishes that it is exempt from the information reporting rules, for example by properly establishing that it is a corporation. If the US Holder does not establish that it is exempt from these rules, it may be subject to backup withholding on these payments if it fails to provide its taxpayer identification number or otherwise comply with the backup withholding rules. The amount of any backup withholding from a payment to the US Holder will be allowed as a credit against the US Holder's US federal income tax liability and may entitle it to a refund, provided that the required information is timely furnished to the IRS.

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in that other Member State; however, for a transitional period, Austria, Belgium and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at rates rising over time to 35%. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

A number of non-EU countries, and certain dependent or associated territories of certain Member States, have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories.

UAE and the DIFC

The following summary of the anticipated tax treatment in the UAE and the DIFC in relation to the payments on the Notes is based on the taxation law and practice in force at the date of this Prospectus, and does not constitute legal or tax advice and prospective investors should be aware that the relevant fiscal rules and practice and their interpretation may change. Prospective investors should consult their own professional advisers on the implications of subscribing for, buying, holding, selling, redeeming or disposing of Notes and the receipt of any payments in respect of such Notes and distributions (whether or not on a winding-up) with respect to such Notes under the laws of the jurisdictions in which they may be liable to taxation.

There is currently in force in the Emirate of Dubai legislation establishing a general corporate taxation region (the Dubai Income Tax Decree 1969 (as amended)). The regime is, however, not enforced save in respect of companies active in the hydrocarbon industry, some related service industries and branches of foreign banks operating in the United Arab Emirates. It is not known whether the legislation will or will not be enforced more generally or within other industry sectors in the future. Under current legislation, there is no requirement for withholding or deduction for or on account of UAE, DIFC or Dubai taxation in respect of payments on debt securities.

The Constitution of the UAE specifically reserves to the Federal Government of the UAE the right to raise taxes on a Federal basis for purposes of funding its budget. It is not known whether this right will be exercised in the future.

The United Arab Emirates has entered into Double Taxation Arrangements with a number of countries, but these are not extensive in number.

SUBSCRIPTION AND SALE

Summary of Dealer Agreement

Subject to the terms and on the conditions contained in a dealer agreement dated June 27, 2007 (the "**Dealer Agreement**") between us, the Permanent Dealers and the Arrangers, we will offer the Notes on a continuous basis to the Permanent Dealers. However, we have reserved the right to sell Notes directly on our own behalf to Dealers that are not Permanent Dealers. The Notes may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the relevant Dealer. We may also sell the Notes through the Dealers, acting as our agents. The Dealer Agreement also provides for Notes to be issued in syndicated Tranches that are either (i) jointly and severally or (ii) if agreed between us and the relevant Dealers, severally underwritten by two or more Dealers.

We will pay each relevant Dealer a commission as agreed between us and such Dealers in respect of Notes subscribed by it. We have agreed to reimburse each of the Arrangers for certain of its expenses incurred in connection with the establishment of the Programme.

We have agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Notes. The Dealer Agreement entitles the Dealers to terminate any agreement that they make to subscribe Notes in certain circumstances prior to payment for such Notes being made to us.

Selling Restrictions

United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, US persons, except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that, except as permitted by the Dealer Agreement, and as described below, it will not offer, sell or, in the case of Bearer Notes, deliver the Notes of any identifiable Tranche, (i) as part of their distribution at any time or (ii) otherwise until 40 days after completion of the distribution of such Tranche as determined, and certified to us, by the Issuing and Paying Agent or, in the case of Notes issued on a syndicated basis, the Lead Manager, within the United States or to, or for the account or benefit of, US persons, and it will have sent to each dealer to which it sells Notes during the distribution compliance period (other than resales pursuant to Rule 144A) a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, US persons. Terms used in the preceding sentence have the meanings given to them by Regulation S.

Bearer Notes are subject to US tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a US person, except in certain transactions permitted by US tax regulations. Terms used in this paragraph have the meanings given to them by the US Internal Revenue Code of 1986, as amended, and regulations thereunder.

(A) Where the D Rules are specified in the relevant Final Terms as being applicable in relation to any Tranche of Notes, each Dealer will be required to represent, undertake and agree (and each additional Dealer appointed under the Programme will be required to represent, undertake and agree) that:

   (i) except to the extent permitted under the D Rules, (a) it has not offered or sold, and during the restricted period will not offer or sell, any Bearer Notes to a person who is within the United States or its possessions or to a US person, and (b) it has not delivered and will not deliver within the United States or its possessions Bearer Notes in definitive form that are sold during the restricted period;

   (ii) it has, and throughout the restricted period will have, in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Bearer Notes are aware that such Notes may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a US person, except as permitted by the D Rules;

   (iii) if it is a US person, it is acquiring the Bearer Notes for purposes of resale in connection with their original issuance and, if it retains Bearer Notes for its own account, it will only do so in accordance with the requirements of United States Treasury Regulations §1.163-5(c)(2)(i)(D)(6);

- (iv) with respect to each affiliate (if any) that acquires from such Dealer Bearer Notes for the purposes of offering or selling such Notes during the restricted period, such Dealer either repeats and confirms the representations, undertakings and agreements contained in sub-clauses (i), (ii) and (iii) above on such affiliate's behalf or agrees that it will obtain from such affiliate for the benefit of the Company the representations, undertakings and agreements contained in such sub-clauses (i), (ii) and (iii); and
- (v) shall obtain for the benefit of the Company the representations, undertakings and agreements contained in sub-clauses (i), (ii), (iii) and (iv) of this paragraph from any person other than its affiliate with whom it enters into a written contract, (a "distributor" as defined in United States Treasury Regulations § 1.163-5(c)(2)(i)(D)(4)), for the offer or sale during the restricted period of the Bearer Notes.

(B) In addition, where the C Rules are specified in the relevant Final Terms as being applicable in relation to any Tranche of Notes, such Notes must in their original issuance, be issued and delivered outside the United States and its possessions and, accordingly, each Dealer will be required to represent, undertake and agree (and each additional Dealer will be required to represent, undertake and agree) that, in connection with the original issuance of the Notes:

- (i) it has not offered, sold or delivered, and will not offer, sell or deliver, directly or indirectly, any Bearer Notes within the United States or its possessions; and
- (ii) it has not communicated, and will not communicate, directly or indirectly, with a prospective purchaser if either such purchaser or such Dealer is within the United States or its possessions and will not otherwise involve the United States office of such Dealer in the offer and sale of Bearer Notes.

Terms used in sub-clauses (A) and (B) have the meanings given to them by the Code and the regulations thereunder, including the C Rules and the D Rules.

The Notes are being offered and sold outside the United States to non-US persons in reliance on Regulation S. The Dealer Agreement provides that the Dealers may directly or through their respective US broker-dealer affiliates arrange for the offer and resale of Registered Notes within the United States only to QIBs in reliance on Rule 144A.

In addition, until 40 days after the commencement of the offering, an offer or sale of Notes within the United States by any dealer that is not participating in the offering may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A or another exemption from registration under the Securities Act.

Public Offer Selling Restriction Under the Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Dealer has represented and agreed, and each additional Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Notes which are the subject of the offering contemplated by the Prospectus as completed by the final terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

- (i) if the final terms in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a "**Non-exempt Offer**"), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, provided that any such prospectus has subsequently been completed by the final terms contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or final terms, as applicable;
- (ii) at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;

(iii) at any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;

(iv) at any time to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(v) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in clauses (ii) to (v) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "**offer of Notes to the public**" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "Prospectus Directive" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

United Kingdom

Each Dealer has represented and agreed, and each additional Dealer appointed under the Programme will be required to represent and agree, that:

(i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to us; and

(ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Republic of Italy

Each Dealer has represented and agreed, and each additional Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Prospectus to the public in the Republic of Italy ("**Italy**") other than:

(a) to professional investors (*investitori qualificati*) as defined pursuant to Article 100, paragraph 1 (a), of Legislative Decree No 58, 24 February 1998 (the "**Financial Services Act**") as amended and restated from time to time; or

(b) in any other circumstances provided under Article 100, paragraph 1, of the Financial Services Act and under Article 33, paragraph 1, of CONSOB Regulation No 11971, 14 May 1999, as amended, where exemptions from the requirement to publish a prospectus pursuant to Article 94 of the Financial Services Act are provided.

For the purposes of this provision, the expression "offer of Notes to the public" in Italy means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, including the placement through authorised intermediaries.

Any investor purchasing the Notes is solely responsible for ensuring that any offer or resale of the Notes by such investor occurs in compliance with applicable Italian laws and regulations. The Notes and the information contained in this Prospectus are intended only for the use of its recipient. No person resident or located in Italy other than the original recipients of this Prospectus may rely on it or its content.

Moreover, and subject to the foregoing, each Dealer has acknowledged that any offer, sale or delivery of the Notes or distribution of copies of this document or any other document relating to the Notes in Italy under (a) or (b) above must be:

(i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in Italy in accordance with the Financial Services Act, Legislative Decree No. 385 of September 1, 1993 (the "**Banking Act**"), CONSOB regulation No. 11522, July 1, 1998, all as amended;

(ii) in compliance with the subsequent notification to the Bank of Italy, pursuant to Article 129 of the Banking Act, if applicable, and

(iii) in compliance with any other applicable laws and regulations including any relevant limitations which may be imposed by CONSOB.

UAE and DIFC

Each Dealer has represented and agreed, and each additional Dealer appointed under the Programme will be required to represent and agree, that the Notes have not been and will not be offered, sold or publicly promoted or advertised by it in the UAE or the DIFC other than in compliance with laws applicable in the UAE or the DIFC, as the case may be, governing the issue, offer and sale to the public of securities.

Japan

The Notes have not been and will not be registered under the Securities and Exchange Law of Japan (the "**Securities and Exchange Law**"). Accordingly, each of the Dealers has represented and agreed, and each additional Dealer appointed under the Programme will be required to represent and agree, that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, a resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident in Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Securities and Exchange Law and other relevant laws and regulations of Japan.

General

These selling restrictions may be modified by the agreement between us and the Dealers following a change in a relevant law, regulation or directive. Any such modification will be set out in the Final Terms issued in respect of the issue of Notes to which it relates or in a supplementary Prospectus.

No representation is made that any action has been taken in any jurisdiction that would permit a public offering of any of the Notes, or possession or distribution of this Prospectus or any other offering material or any Final Terms, in any country or jurisdiction where action for that purpose is required.

Each Dealer has agreed, and each additional Dealer appointed under the Programme will be required to agree, that it will, to the best of its knowledge, comply with all relevant laws, regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes this Prospectus, any other offering material or any Final Terms and neither we nor any other Dealer shall have responsibility therefor.

TRANSFER RESTRICTIONS

Restricted Notes

Each purchaser of Restricted Notes, by accepting delivery of this Prospectus and the Restricted Notes, will be deemed to have represented, agreed and acknowledged that:

1. It is (a) a QIB, (b) acting for its own account, or for the account of one or more QIBs, (c) not formed for the purpose of investing in the Restricted Notes or the Company and (d) aware, and each beneficial owner of the Restricted Notes has been advised, that the sale of the Restricted Notes to it is being made in reliance on Rule 144A.

2. (i) The Restricted Notes have not been and will not be registered under the Securities Act and may not be offered, sold, pledged or otherwise transferred except (a) in accordance with Rule 144A to a person that it, and any person acting on its behalf, reasonably believes is a QIB purchasing for its own account or for the account of one or more QIBs, (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S under the Securities Act, (c) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available) or (d) pursuant to an effective registration statement under the Securities Act, in each case in accordance with any applicable securities laws of any State of the United States and (ii) it will, and each subsequent holder of the Restricted Notes is required to, notify any purchaser of the Restricted Notes from it of the resale restrictions on the Restricted Notes.

3. The Restricted Notes, unless the Company determines otherwise in accordance with applicable law, will bear a legend (the "**Rule 144A Legend**") in or substantially in the following form:

   THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE US SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT ("RULE 144A") TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A (A "QIB") THAT IS ACQUIRING THIS NOTE FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QIBS, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER RULE 144 UNDER THE SECURITIES ACT ("RULE 144"), IF AVAILABLE, OR (4) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 FOR RESALES OF THE NOTES.

4. It understands that the Company, each Registrar, the relevant Dealer(s) and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that, if any of the acknowledgements, representations or agreements deemed to have been made by it by its purchase of Restricted Notes is no longer accurate, it shall promptly notify the Company and the relevant Dealer(s). If it is acquiring any Notes for the account of one or more QIBs, it represents that it has sole investment discretion with respect to each of those accounts and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

5. It understands that the Restricted Notes will be represented by a Restricted Global Certificate. Before any interest in a Restricted Global Certificate may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the Unrestricted Global Certificate, it will be required to provide a Transfer Agent with a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws.

Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

Notes sold pursuant to Regulation S

Each purchaser of Notes sold outside the United States pursuant to Regulation S and each subsequent purchaser of such Notes in resales prior to the expiration of the distribution compliance period, by accepting delivery of this Prospectus and the Notes, will be deemed to have represented, agreed and acknowledged that:

(i) It is, or at the time Notes are purchased will be, the beneficial owner of such Notes and (a) it is not a US person and it is located outside the United States (within the meaning of Regulation S) and (b) it is not an affiliate of the Company or a person acting on behalf of such an affiliate.

(ii) It understands that such Notes have not been and will not be registered under the Securities Act and that, prior to the expiration of the distribution compliance period, it will not offer, sell, pledge or otherwise transfer such Notes except (a) in accordance with Rule 144A under the Securities Act to a person that it and any person acting on its behalf reasonably believes is a QIB purchasing for its own account, or for the account of one or more QIBs or (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, in each case in accordance with any applicable securities laws of any State of the United States.

(iii) It understands that such Notes, unless otherwise determined by the Company in accordance with applicable law, will bear a legend in or substantially in the following form:

> "THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE US SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT."

(iv) It understands that the Company, each Registrar, the relevant Dealer(s) and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

(v) It understands that the Notes offered in reliance on Regulation S will be represented by an Unrestricted Global Certificate, or as the case may be, a Global Note. Prior to the expiration of the distribution compliance period, before any interest in an Unrestricted Global Certificate may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in a Restricted Global Certificate, it will be required to provide a Transfer Agent with a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws.

CLEARANCE AND SETTLEMENT

Book-Entry Ownership

Bearer Notes

We may make applications to Euroclear and/or Clearstream, Luxembourg for acceptance in their respective book-entry systems in respect of any Series of Bearer Notes. In respect of Bearer Notes, a temporary Global Note and/or a permanent Global Note in bearer form without coupons may be deposited with a common depositary for Euroclear and/or Clearstream, Luxembourg or an Alternative Clearing System as agreed between us and the Dealer. Transfers of interests in such temporary Global Notes or permanent Global Notes will be made in accordance with the normal Euromarket debt securities operating procedures of Euroclear and Clearstream, Luxembourg or, if appropriate, the Alternative Clearing System.

Registered Notes

We may make applications to Euroclear and/or Clearstream, Luxembourg for acceptance in their respective book-entry systems in respect of the Notes to be represented by an Unrestricted Global Certificate. Each Unrestricted Global Certificate deposited with a common depositary for, and registered in the name of, a nominee of Euroclear and/or Clearstream, Luxembourg will have an ISIN and a Common Code.

We, and a relevant US agent appointed for such purpose that is an eligible DTC participant, may make application to DTC for acceptance in its book-entry settlement system of the Registered Notes represented by a Restricted Global Certificate. Each such Restricted Global Certificate will have a CUSIP number. Each Restricted Global Certificate will be subject to restrictions on transfer contained in a legend appearing on the front of such Global Certificate, as set out under "Transfer Restrictions". In certain circumstances, as described below in "Transfers of Registered Notes", transfers of interests in a Restricted Global Certificate may be made as a result of which such legend may no longer be required.

In the case of a Tranche of Registered Notes to be cleared through the facilities of DTC, the Custodian, with whom the Restricted Global Certificates are deposited, and DTC, will electronically record the nominal amount of the Restricted Notes held within the DTC system. Investors may hold their beneficial interests in a Restricted Global Certificate directly through DTC if they are participants in the DTC system, or indirectly through organisations which are participants in such system.

Payments of the principal of, and interest on, each Restricted Global Certificate registered in the name of DTC's nominee will be to, or to the order of, its nominee as the registered owner of such Restricted Global Certificate. We expect that the nominee, upon receipt of any such payment, will immediately credit DTC participants' accounts with payments in amounts proportionate to their respective beneficial interests in the nominal amount of the relevant Restricted Global Certificate as shown on the records of DTC or the nominee. We also expect that payments by DTC participants to owners of beneficial interests in such Restricted Global Certificate held through such DTC participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in the names of nominees for such customers. Such payments will be the responsibility of such DTC participants. Neither we nor any Paying Agent or any Transfer Agent will have any responsibility or liability for any aspect of the records relating, to or payments made on account of, ownership interests in any Restricted Global Certificate or for maintaining, supervising or reviewing any records relating to such ownership interests.

All Registered Notes will initially be in the form of an Unrestricted Global Certificate and/or a Restricted Global Certificate. Individual Certificates will only be available, in the case of Notes initially represented by an Unrestricted Global Certificate, in amounts specified in the applicable Final Terms, and, in the case of Notes initially represented by a Restricted Global Certificate, in minimum amounts of US$100,000 (or its equivalent rounded upwards as agreed between us and the relevant Dealer(s)), or higher integral multiples of US$1,000, in certain limited circumstances described below.

Payments through DTC

Payments in US dollars of principal and interest in respect of a Restricted Global Certificate registered in the name of a nominee of DTC will be made to the order of such nominee as the registered holder of such Note. Payments of principal and interest in a currency other than US dollars in respect of Notes evidenced by a Restricted Global Certificate registered in the name of a nominee of DTC will be made or procured to be made by the Paying Agent in such currency in accordance with the following provisions. The amounts in such currency payable by the Paying Agent or its agent to DTC with respect to Notes held by DTC or its nominee will be received from the Company by the Paying Agent who will make payments in such currency by wire transfer of same day funds to the designated bank account in such currency of those DTC participants entitled to receive the relevant payment who have made an irrevocable election to DTC, in the case of payments of interest, on or prior to the third business day in New York City after the Record Date for the relevant payment of interest and, in the case of payments of principal, at least 12 business days in New York City prior to the relevant payment date, to receive that payment in such currency. The Paying Agent will convert amounts in such currency into US dollars and deliver such US dollar amount in same day funds to DTC for payment through its settlement system to those DTC participants entitled to receive the relevant payment who did not elect to receive such payment in such currency. The Agency Agreement sets out the manner in which such conversions are to be made.

Transfers of Registered Notes

Transfers of interests in Global Certificates within Euroclear, Clearstream, Luxembourg and DTC will be in accordance with the usual rules and operating procedures of the relevant clearing system. The laws of some states in the United States require that certain persons take physical delivery in definitive form of securities. Consequently, the ability to transfer interests in a Restricted Global Certificate to such persons may be limited. Because DTC can only act on behalf of participants, who in turn act on behalf of indirect participants, the ability of a person having an interest in a Restricted Global Certificate to pledge such interest to persons or entities that do not participate in DTC, or otherwise take actions in respect of such interest, may be affected by the lack of a physical certificate in respect of such interest.

Beneficial interests in an Unrestricted Global Certificate may only be held through Euroclear or Clearstream, Luxembourg. In the case of Registered Notes to be cleared through Euroclear, Clearstream, Luxembourg and/or DTC, transfers may be made at any time by a holder of an interest in an Unrestricted Global Certificate to a transferee who wishes to take delivery of such interest through a Restricted Global Certificate for the same Series of Notes provided that any such transfer made on or prior to the expiration of the distribution compliance period (as used in "Subscription and Sale") relating to the Notes represented by such Unrestricted Global Certificate will only be made upon receipt by any Transfer Agent of a written certificate from Euroclear or Clearstream, Luxembourg, as the case may be, (based on a written certificate from the transferor of such interest) to the effect that such transfer is being made to a person whom the transferor, and any person acting on its behalf, reasonably believes is a QIB within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States. Any such transfer made thereafter of the Notes represented by such Unrestricted Global Certificate will only be made upon request through Euroclear or Clearstream, Luxembourg by the holder of an interest in the Unrestricted Global Certificate to the Issuing and Paying Agent of details of that account at DTC to be credited with the relevant interest in the Restricted Global Certificate. Transfers at any time by a holder of any interest in the Restricted Global Certificate to a transferee who takes delivery of such interest through an Unrestricted Global Certificate will only be made upon delivery to any Transfer Agent of a certificate setting forth compliance with the provisions of Regulation S and giving details of the account at Euroclear or Clearstream, Luxembourg, as the case may be, and DTC to be credited and debited, respectively, with an interest in each relevant Global Certificate.

Subject to compliance with the transfer restrictions applicable to the Registered Notes described above and under "Transfer Restrictions", cross-market transfers between DTC, on the one hand, and directly or indirectly through Euroclear or Clearstream, Luxembourg accountholders, on the other, will be effected by the relevant clearing system in accordance with its rules and through action taken by the Custodian, the Registrar and the Issuing and Paying Agent.

On or after the Issue Date for any Series, transfers of Notes of such Series between accountholders in Euroclear and/or Clearstream, Luxembourg and transfers of Notes of such Series between participants in DTC will generally have a settlement date three business days after the trade date (T+3). The customary arrangements for delivery versus payment will apply to such transfers.

Cross-market transfers between accountholders in Euroclear or Clearstream, Luxembourg and DTC participants will need to have an agreed settlement date between the parties to such transfer. Because there is no direct link between DTC, on the one hand, and Euroclear and Clearstream, Luxembourg, on the other, transfers of interests in the relevant Global Certificates will be effected through the Issuing and Paying Agent, the Custodian, the relevant Registrar and any applicable Transfer Agent receiving instructions (and where appropriate certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. Transfers will be effected on the later of (i) three business days after the trade date for the disposal of the interest in the relevant Global Certificate resulting in such transfer and (ii) two business days after receipt by the Issuing and Paying Agent or the Registrar, as the case may be, of the necessary certification or information to effect such transfer. In the case of cross-market transfers, settlement between Euroclear or Clearstream, Luxembourg accountholders and DTC participants cannot be made on a delivery versus payment basis. The securities will be delivered on a free delivery basis and arrangements for payment must be made separately.

For a further description of restrictions on transfer of Registered Notes, see "Transfer Restrictions".

DTC has advised us that it will take any action permitted to be taken by a holder of Registered Notes (including, without limitation, the presentation of Restricted Global Certificates for exchange as described above) only at the direction of one or more participants in whose account with DTC interests in Restricted Global Certificates are credited and only in respect of such portion of the aggregate nominal amount of the relevant Restricted Global Certificates as to which such participant or participants has or have given such direction. However, in the circumstances described above, DTC will surrender the relevant Restricted Global Certificates for exchange for Individual Certificates (which will, in the case of Restricted Notes, bear the legend applicable to transfers pursuant to Rule 144A).

DTC has advised us as follows: DTC is a limited purpose trust company organised under the laws of the State of New York, a "banking organisation" under the laws of the State of New York, a member of the US Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for its participants and facilitate the clearance and settlement of securities transactions between participants through electronic computerised book-entry changes in accounts of its participants, thereby eliminating the need for physical movement of certificates. Direct participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Indirect access to DTC is available to others, such as banks, securities brokers, dealers and trust companies, that clear through or maintain a custodial relationship with a DTC direct participant, either directly or indirectly.

Although Euroclear, Clearstream, Luxembourg and DTC have agreed to the foregoing procedures in order to facilitate transfers of beneficial interests in the Global Certificates among participants and accountholders of DTC, Clearstream, Luxembourg and Euroclear, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. Neither we, nor any Paying Agent nor any Transfer Agent will have any responsibility for the performance by Euroclear, Clearstream, Luxembourg or DTC or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations.

While a Restricted Global Certificate is lodged with DTC or the Custodian, Restricted Notes represented by Individual Certificates will not be eligible for clearing or settlement through Euroclear, Clearstream, Luxembourg or DTC.

Individual Certificates

Registration of title to Registered Notes in a name other than a depositary or its nominee for Clearstream, Luxembourg and Euroclear or for DTC will be permitted only (i) in the case of Restricted Global Certificates in the circumstances set forth in "Summary of Provisions Relating to the Notes while in Global Form—Exchange—Restricted Global Certificates" or (ii) in the case of Unrestricted Global Certificates in the circumstances set forth in "Summary of Provisions Relating to the Notes while in Global Form—Exchange—Unrestricted Global Certificates". In such circumstances, we will cause sufficient individual Certificates to be executed and delivered to the Registrar for completion, authentication and despatch to the relevant Noteholder(s). A person having an interest in a Global Certificate must provide the Registrar with:

(i) a written order containing instructions and such other information as we and the Registrar may require to complete, execute and deliver such Individual Certificates; and

(ii) in the case of a Restricted Global Certificate only, a fully completed, signed certification substantially to the effect that the exchanging holder is not transferring its interest at the time of such exchange, or in the case of a simultaneous resale pursuant to Rule 144A, a certification that the transfer is being made in compliance with the provisions of Rule 144A. Individual Certificates issued pursuant to this paragraph (ii) shall bear the legends applicable to transfers pursuant to Rule 144A.

Pre-issue Trades Settlement

It is expected that delivery of Notes will be made against payment therefor on the relevant Issue Date, which could be more than three business days following the date of pricing. Under Rule 15c6-1 of the Exchange Act, trades in the US secondary market generally are required to settle within three business days ("**T+3**"), unless the parties to any such trade expressly agree otherwise. Accordingly, in the event that an Issue Date is more than three business days following the relevant date of pricing, purchasers who wish to trade Registered Notes in the United States between the date of pricing and the date that is three business days prior to the relevant Issue Date will be required, by virtue of the fact that such Notes initially will settle beyond T+3, to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement. Settlement procedures in other countries will vary. Purchasers of Notes may be affected by such local settlement practices and, in the event that an Issue Date is more than three business days following the relevant date of pricing, purchasers of Notes who wish to trade Notes between the date of pricing and the date that is three business days prior to the relevant Issue Date should consult their own adviser.

SUMMARY OF CERTAIN SIGNIFICANT DIFFERENCES BETWEEN IFRS AND US GAAP

Our consolidated financial statements have been prepared in accordance with IFRS. There are a number of significant differences between IFRS and US generally accepted accounting procedures ("**US GAAP**") (hereafter referred to as "**GAAP differences**").

The discussion below primarily focuses on GAAP differences in recognition and measurement requirements affecting our balance sheet and income statement. Consequently, this summary does not describe differences related to the statement of cash flows, statement of recognised income and expenses, and presentation and disclosure requirements.

For purposes of this summary, the GAAP differences described are differences that existed during 2006. IFRS and US GAAP have moved towards convergence in recent years. Accordingly, additional GAAP differences that existed prior to 2006 are not described below. Also, as accounting rules are further developed or changed over time, additional GAAP differences may arise in the future.

Accordingly, no assurance is provided that the following summary of GAAP differences is complete. Potential investors should consult their own professional advisers for an understanding of the GAAP differences and how those differences might affect the financial information included in this Prospectus.

Impairment of assets

Under IFRS, when there is an indication of impairment, a detailed calculation must be performed. If an asset's carrying value exceeds the higher of the asset's value-in-use (discounted present value of the asset's expected future cash flows) and net selling price (after deducting selling costs), an impairment loss should be recognised. Subsequent reversal of previously recognised impairment losses is required if certain criteria are met.

Under US GAAP, where impairment is indicated, a detailed calculation also must be performed. If an asset's carrying value exceeds the expected future cash flows to be derived from the asset on an undiscounted basis then the measurement of an impairment loss is based on fair value. Subsequent reversal of previously recognised impairment losses is prohibited under US GAAP.

Goodwill

Under IFRS, goodwill is not amortised but is tested for impairment annually or more frequently if events or circumstances indicate that the asset might be impaired. The impairment testing is performed in a one-step test by comparing the carrying value of the cash-generating unit including goodwill with its recoverable amount. If the carrying value of the cash-generating unit exceeds the recoverable amount an impairment loss is recognised.

Under US GAAP, goodwill is not amortised but is tested for impairment annually or more frequently if events or circumstances indicate that the asset might be impaired. The impairment testing is performed in a two-step test. In the first step, the fair value of the reporting unit is compared to the carrying value of the reporting unit including goodwill. If the carrying value of the reporting unit exceeds the fair value of the reporting unit, then the second step must be performed requiring the impairment to be measured, and recorded, as the excess of recorded goodwill over the implied fair value of goodwill. The implied fair value of goodwill is calculated as the excess of the fair value of the reporting unit over the amount allocated to the assets and liabilities of the reporting unit.

GENERAL INFORMATION

(1) The listing of the Notes on the Official List will be expressed as a percentage of their nominal amount (exclusive of accrued interest). It is expected that each Tranche of the Notes which is to be admitted to the Official List and to trading on the Market will be admitted separately as and when issued, subject only to the issue of a temporary or permanent Global Note (or one or more Global Certificates) in respect of each Tranche. The listing of the Programme in respect of the Notes is expected to be granted on or about June 29, 2007. Prior to official listing and admission to trading, however, dealings will be permitted by the London Stock Exchange in accordance with its rules. Transactions on the Market will normally be effected for delivery on the third working day after the day of the transaction.

Application has also been made for Notes to be listed on the DIFX.

(2) We have obtained all necessary consents, waivers, approvals and authorisations in connection with the establishment of the Programme. The establishment of the Programme was authorised by resolutions of our Board of Directors passed on May 30, 2007.

(3) There has been no significant change in the financial or trading position of the Company or of the Group since December 31, 2006 and no material adverse change in the prospects of the Company or of the Group since December 31, 2006.

(4) Neither the Company nor any of its subsidiaries has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) during the 12 months preceding the date of this Prospectus which may have or has had in the recent past significant effects on the financial position or profitability of the Company or the Group.

(5) Each Bearer Note issued in compliance with the D Rules, Receipt, Coupon and Talon will bear the following legend:

"Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code of 1986, as amended".

(6) Each Note will bear the following legend:

"No offer of the Notes may be made to any person in the Dubai International Financial Centre unless such offer is (a) deemed to be an "Exempt Offer" in accordance with the Offered Securities Rules of the Dubai Financial Services Authority (the "**Rules**") and (b) made to Qualified Investors as defined in the Rules. Persons into whose possession this Note may come must inform themselves about, and observe, any applicable restrictions in any relevant jurisdiction on the offering, purchase and sale of the Notes".

(7) Notes may be accepted for clearance through the Euroclear and Clearstream, Luxembourg systems. In addition, we may make an application for any Restricted Notes to be accepted for trading in book-entry form by DTC. Acceptance by DTC of such Notes will be confirmed in the relevant Final Terms. The Common Code, the International Securities Identification Number ("**ISIN**"), the Committee on the Uniform Security Identification Procedure ("**CUSIP**") number and (where applicable) the identification number for any other relevant clearing system for each Series of Notes will be set out in the relevant Final Terms.

The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium, the address of Clearstream, Luxembourg is 42 Avenue J.F. Kennedy L-1855 Luxembourg and the address of DTC is 55 Water Street, New York, New York 10041. The address of any alternative clearing system will be specified in the relevant Final Terms.

(8) Where information in this Prospectus has been sourced from third parties this information has been accurately reproduced and as far as we are aware and are able to ascertain from the information published by such third parties no facts have been omitted which would render the reproduced information inaccurate or misleading. The source of third party information is identified where used.

(9) The issue price and the amount of the relevant Notes will be determined, before filing of the relevant Final Terms of each Tranche, based on the prevailing market conditions. We do not intend to provide any post-issuance information in relation to any issue of Notes.

(10) The Audited DPA Consolidated Financial Statements included in this Propsectus have been audited by Ernst & Young, independent auditors, as stated in their audit reports appearing herein. The registered office of Ernst & Young is P.O. Box 9267, Al Attar Business Tower, Sheikh Zayed Road, Dubai, UAE.

(11) We expect that our future consolidated financial statements will be audited by KPMG, independent auditors. The registered office of KPMG is P.O. Box 3800, Level 32, Emirates Towers, Sheikh Zayed Road, Dubai, UAE.

(12) The Audited P&O Consolidated Financial Statements included in this Prospectus have been audited by KPMG Audit Plc, independent auditors and members of the Institute of Chartered Accountants in England and Wales, as stated in their audit report appearing herein. The registered office of KMPG Audit Plc is at 8 Salisbury Square, London EC4Y 8BB, United Kingdom.

(13) For so long as Notes may be issued pursuant to this Prospectus, the following documents will be available, during usual business hours on any weekday (Saturdays and public holidays excepted), for inspection at the office of the Issuer and each of the Paying Agents:

(i) the Trust Deed (which includes the form of the Global Notes, the definitive Bearer Notes, the Global Certificates, the Coupons, the Receipts and the Talons);

(ii) the Agency Agreement;

(iii) the Dealer Agreement;

(iv) our constitutional documents;

(v) the Audited DPA Consolidated Financial Statements, including the audit reports of Ernst & Young in respect thereof;

(vi) the P&O Consolidated Financial Statements, including the audit report of KPMG Audit Plc in respect thereof;

(vii) each Final Terms (save that Final Terms relating to a Note which is neither admitted to trading on a regulated market within the EEA nor offered in the EEA in circumstances where a prospectus is required to be published under the Prospectus Directive will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to us and the Issuing and Paying Agent as to its holding of Notes and identity); and

(viii) a copy of this Prospectus together with any supplementary prospectus or further prospectus.

This Prospectus and each Final Terms for Notes that are listed on the Official List and admitted to trading on the Market will be published on the website of the Regulatory News Service operated by the London Stock Exchange at *www.londonstockexchange.com/en-gb/pricesnews/marketnews*.

(14) Copies of our latest consolidated financial statements may be obtained, and copies of the Trust Deed will be available for inspection, at the specified offices of each of the Paying Agents during normal business hours, so long as any of the Notes is outstanding.

FORM OF FINAL TERMS

The form of Final Terms that will be issued in respect of each Tranche, subject only to the deletion of non-applicable provisions, is set out below:

Final Terms dated [●]
DP World Limited
Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]

under the US$5,000,000,000
Global Medium Term Note Programme

PART A—CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Prospectus dated June 27, 2007 [and the supplemental prospectus dated [●]] which [together] constitute[s] a base Prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the "**Prospectus Directive**"). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Prospectus [as so supplemented]. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectus [as so supplemented]. [The Prospectus [and the supplemental prospectus] [is] [are] available for viewing at [address] [and] [website] and copies may be obtained from [address].]

The following alternative language applies if the first tranche of an issue which is being increased was issued under a Prospectus with an earlier date.

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Prospectus dated June 27, 2007 [and the supplemental Prospectus dated [●]]. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the "**Prospectus Directive**") and must be read in conjunction with the Prospectus dated [current date] [and the supplemental prospectus dated [●]], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive, save in respect of the Conditions which are extracted from the Prospectus dated [original date] [and the supplemental prospectus dated [●]] and are attached hereto. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectuses dated [original date] and [current date] [and the supplemental prospectuses dated [●] and [●]]. [The Prospectuses [and the supplemental prospectuses] are available for viewing at [address] [and] [website] and copies may be obtained from [address].]

[Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote guidance for completing the Final Terms.]

[When completing final terms or adding any other final terms or information consideration should be given as to whether such terms or information constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.]

1	Issuer:	DP World Limited
2	[(i)] Series Number:	[●]
	[(ii) Tranche Number:	[●]
	(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible).]	
3	Specified Currency or Currencies:	[●]
4	Aggregate Nominal Amount of Notes admitted to trading:	[●]

	[(i)]	Series:	[●]
	[(ii)	Tranche:	[●]]
5	Issue Price:		[●]% of the Aggregate Nominal Amount [plus accrued interest from [*insert date*] (*if applicable*)]
6	(i)	Specified Denominations:	[●]
	(ii)	Calculation Amount:	[*If only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination, insert the highest common factor.*] [*Note: There must be a common factor in the case of two or more Specified Denominations*]
7	[(i)]	Issue Date:	[●]
	[(ii)]	Interest Commencement Date:	[●]
8	Maturity Date:		[*specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year*]
9	Interest Basis:		[[●]% Fixed Rate] [[*specify reference rate*] +/− [●]% Floating Rate] [Zero Coupon] [Index Linked Interest] [Other (*specify*)] (further particulars specified below)
10	Redemption/Payment Basis:		[Redemption at par] [Index Linked Redemption] [Dual Currency] [Partly Paid] [Instalment] [Other (*specify*)] [*(N.B. If the Final Redemption Amount is other than 100% of the nominal value, the Notes will constitute derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation No. 809/2004 will apply and the Issuer will prepare and publish a supplement to the Prospectus.*)]
11	Change of Interest or Redemption/ Payment Basis:		[*Specify details of any provision for convertibility of Notes into another interest or redemption/payment basis*]
12	Put/Call Options:		[Investor Put] [Issuer Call] [(further particulars specified below)]
13	[(i)]	Status of the Notes:	[Senior]
	[(ii)]	[Date approval for issuance of Notes obtained:	[●] [and [●], respectively] (*N.B. Only relevant where authorisation is required for the particular tranche of Notes*)]
14	Method of distribution:		[Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15	**Fixed Rate Note Provisions**		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Rate[(s)] of Interest:	[●] per cent. per annum [payable [annually/semi-annually/ quarterly/monthly] in arrear]

	(ii) Interest Payment Date(s):	[●] in each year
	(iii) Fixed Coupon Amount[(s)]:	[●] per Calculation Amount
	(iv) Broken Amount(s):	[[●] per Calculation Amount payable on the Interest Payment date falling [in/on] [●]] [*Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount[(s)]*]
	(v) Day Count Fraction:	[30/360 / Actual/Actual (ICMA/ISDA) / other]
	(vi) Determination Dates:	[●] in each year (*insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon. N.B. only relevant where Day Count Fraction is Actual/Actual (ICMA)*)
	(vii) Other terms relating to the method of calculating interest for Fixed Rate Notes:	[Not Applicable/*give details*]
16	**Floating Rate Note Provisions**	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i) Interest Period(s):	[●]
	(ii) Specified Interest Payment Dates:	[●]
	(iii) Interest Period Date	[●] (*Not applicable unless different from Interest Payment Date*)
	(iv) Business Day Convention:	[Floating Rate Convention/ Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (*give details*)]
	(v) Business Centre(s):	[●]
	(vi) Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination/other (*give details*)]
	(vii) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Calculation Agent):	[●]
	(viii) Screen Rate Determination:	
	— Reference Rate:	[●]
	— Interest Determination Date(s):	[●]
	— Relevant Screen Page:	[●]
	(ix) ISDA Determination:	
	— Floating Rate Option:	[●]
	— Designated Maturity:	[●]
	— Reset Date:	[●]
	(x) Margin(s):	[+/−][●]% per annum
	(xi) Minimum Rate of Interest:	[●]% per annum

	(xii) Maximum Rate of Interest:	[●]% per annum
	(xiii) Day Count Fraction:	[●]
	(xiv) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	[●]
17	**Zero Coupon Note Provisions**	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i) Amortisation Yield:	[●]% per annum
	(ii) Any other formula/basis of determining amount payable:	[●]
18	**Index Linked Interest Note/other variable-linked interest Note Provisions**	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i) Index/Formula/other variable:	[*give or annex details*]
	(ii) Calculation Agent responsible for calculating the interest due:	[●]
	(iii) Provisions for determining Coupon where calculated by reference to Index and/or Formula and/or other variable:	[●]
	(iv) Interest Determination Date(s):	[●]
	(v) Provisions for determining Coupon where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted:	[●]
	(vi) Interest Period(s):	[●]
	(vii) Specified Interest Payment Dates:	[●]
	(viii) Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (*give details*)]
	(ix) Business Centre(s):	[●]
	(x) Minimum Rate of Interest:	[●]% per annum
	(xi) Maximum Rate of Interest:	[●]% per annum
	(xii) Day Count Fraction:	[●]
19	**Dual Currency Note Provisions**	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i) Rate of Exchange/method of calculating Rate of Exchange:	[*give details*]

	(ii)	Calculation Agent, if any, responsible for calculating the principal and/or interest due:	[●]
	(iii)	Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable:	[●]
	(iv)	Person at whose option Specified Currency(ies) is/are payable:	[●]

PROVISIONS RELATING TO REDEMPTION

20	**Call Option**		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Optional Redemption Date(s):	[●]
	(ii)	Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):	[●] per Note of [●] specified denomination
	(iii)	If redeemable in part:	
		(a) Minimum Redemption Amount:	[●]
		(b) Maximum Redemption Amount:	[●]
	(iv)	Notice period:	[●]
21	**Put Option**		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Optional Redemption Date(s):	[●]
	(ii)	Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):	[●] per Note of [●] specified denomination
	(iii)	Notice period:	[●]
22	**Final Redemption Amount of each Note**		[[●] per Note of [●] specified denomination/other/see Appendix]
	In cases where the Final Redemption Amount is Index Linked or other variable-linked:		[*If the Final Redemption Amount is linked to an underlying reference or security, the Notes will constitute derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation No. 809/2004 will apply and the Issuer will prepare and publish a supplement to the Prospectus which shall constitute a supplementary Prospectus pursuant to Prospectus Rule 3-4 and Section 87G of the FSMA.*]
	(i)	Index/Formula/variable:	[*give or annex details*]
	(ii)	Calculation Agent responsible for calculating the Final Redemption Amount:	[●]
	(iii)	Provisions for determining Final Redemption Amount where calculated by reference to Index	[●]

		and/or Formula and/or other variable:	
	(iv)	Determination Date(s):	[●]
	(v)	Provisions for determining Final Redemption Amount where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted:	[●]
	(vi)	Payment Date:	[●]
	(vii)	Minimum Final Redemption Amount:	[●]
	(viii)	Maximum Final Redemption Amount:	[●]
23	**Early Redemption Amount**		
	Early Redemption Amount(s) of each Note payable on redemption for taxation reasons or on event of default or other early redemption and/or the method of calculating the same (if required or if different from that set out in the Conditions):		[●]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

24	Form of Notes:	Bearer Notes: [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note] [Temporary Global Note exchangeable for Definitive Notes on [●] days' notice] [Permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note] Registered Notes: [Restricted Global Certificate] [Unrestricted Global Certificate]
25	Financial Centre(s) or other special provisions relating to payment dates:	[Not Applicable/*give details. Note that this paragraph relates to the date and place of payment, and not interest period end dates, to which sub-paragraphs 16(iv) and 18(ix) relate*]
26	Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment:	[Not Applicable/*give details*]

27	Details relating to Instalment Notes: amount of each instalment, date on which each payment is to be made:	[Not Applicable/*give details*]
28	Other final terms:	[Not Applicable/*give details*] (*When adding any other final terms consideration should be given as to whether such terms constitute a "significant new factor" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.*)

DISTRIBUTION

29	(i) If syndicated, names [and addresses]* of Managers:	[Not Applicable/*give names*]
	[(ii) Date of Subscription Agreement]*	
	(iii) Stabilising Manager(s) (if any):	[Not Applicable/*give name*]
30	If non-syndicated, name of Dealer:	[Not Applicable/*give name*]
31	Additional selling restrictions:	[Not Applicable/*give details*]

[LISTING AND ADMISSION TO TRADING APPLICATION

These Final Terms comprise the final terms required to list and have admitted to trading the issue of Notes described herein pursuant to the US$5,000,000,000 Global Medium Term Note Programme of DP World Limited.]

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in these Final Terms. [[●] has been extracted from [●]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [●], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of the Issuer:

By: ....
Duly authorised

* Required for derivative securities to which Annex XII to the Prospectus Directive Regulation applies.

PART B—OTHER INFORMATION

1 LISTING

(i) Listing:	[Dubai International Financial Exchange/London/other (*specify*)/None]
(ii) Admission to trading:	[Application has been made for the Notes to be admitted to trading on [●] with effect from [●].] [Not Applicable.]
(iii) Estimate of total expenses related to admission to trading:	[●]

2 RATINGS

Ratings:	The Notes to be issued have been rated:
	[S & P: [●]
	[Moody's: [●]]
	[[Other]: [●]]
	(*The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.*)

3 [NOTIFICATION

The [Financial Services Authority in its capacity as competent authority under the Financial Services and Markets Act 2000] [has been requested to provide/has provided—include first alternative for an issue which is contemporaneous with the establishment or update of the Programme and the second alternative for subsequent issues] the [*include names of competent authorities of host Member States*] with a certificate of approval attesting that the Prospectus has been drawn up in accordance with the Prospectus Directive.]

4 [INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE [ISSUE/OFFER]

Need to include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement:

"So far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer."]

[5 REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

[(i) Reasons for the offer:	[●]
	(*See ["Use of Proceeds"] wording in Prospectus—if reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here.)*]
[(ii)] Estimated net proceeds:	[●]
	(*If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.*)
[(iii)] Estimated total expenses:	[●] [*Include breakdown of expenses.*]
	(*Only necessary to include disclosure of net proceeds and total expenses at (ii) and (iii) above where disclosure is included at (i) above.)*]*

* Required for derivative securities to which Annex XII to the Prospectus Directive Regulation applies.

6 [*Fixed Rate Notes only*—YIELD

Indication of yield:	[●] The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

7 [*Index Linked or other variable-linked Notes only*—PERFORMANCE OF INDEX/FORMULA/ OTHER VARIABLE AND OTHER INFORMATION CONCERNING THE UNDERLYING

Need to include details of where past and future performance and volatility of the index/formula/other variable can be obtained. Where the underlying is an index need to include the name of the index and a description if composed by the Issuer and if the index is not composed by the Issuer need to include details of where the information about the index can be obtained. Where the underlying is not an index need to include equivalent information. Where the underlying is an interest rate, need to include a description of the interest rate. Where the underlying is a security need to include the name of the issuer of the security and the International Securities Identification Number (ISIN) or equivalent identification number. Where the underlying is a basket of underlyings, need to include the relevant weightings of each underlying in the basket. Also need to include any other relevant information concerning the underlying, including a description of any market disruption or settlement events that affect the underlying.]

8 [*Dual Currency Notes only*—PERFORMANCE OF RATE[S] OF EXCHANGE

Need to include details of where past and future performance and volatility of the relevant rate[s] can be obtained.]

9 OPERATIONAL INFORMATION

ISIN Code:	[●]
Common Code:	[●]
[CUSIP Number:	[●]]
Any clearing system(s) other than Euroclear Bank S.A./N.V., Clearstream Banking, *société anonyme* and/or DTC and the relevant identification number(s):	[Not Applicable/*give name(s) and number(s) [and address(es)]*]
Delivery:	Delivery [against/free of] payment
Names and addresses of additional Paying and Transfer Agent(s) (if any):	[●]
Applicable TEFRA exemption:	[C Rules/D Rules/Not Applicable]

INDEX TO FINANCIAL STATEMENTS

Dubai Ports Authority and its Subsidiaries

The Peninsular and Oriental Steam Navigation Company(1)

(1) The consolidated audited financial statements of The Peninsular and Oriental Steam Navigation Company set forth on pages F-104 to F-211 have been reproduced from those included in the Annual Report of The Peninsular and Oriental Steam Navigation Company for the year ended December 31, 2005, save for certain references to page numbers, which have been altered to conform to the pagination of this Prospectus. References to page numbers that have not been altered to conform to the pagination of this Prospectus refer to pages that are contained in the Annual Report of The Peninsular and Oriental Steam Navigation Company for the year ended December 31, 2005, but have not been reproduced herein. In addition, these financial statements contain references to the Directors' Report and Directors' Renumeration Report that are contained in the Annual Report of The Peninsular and Oriental Steam Navigation Company for the year ended December 31, 2005, but have not been reproduced in full herein.

AUDITORS' REPORT TO THE OWNER OF
DUBAI PORTS AUTHORITY AND ITS SUBSIDIARIES

We have audited the accompanying financial statements of Dubai Ports Authority (the "Authority") and its subsidiaries (together "the Group"), which comprise the consolidated balance sheets as at 31 December 2006 and 31 December 2005 and the consolidated income statements, consolidated statements of recognised income and expense and consolidated cash flow statements for the years then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2006 and 31 December 2005, and of its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

/s/ Ernst & Young
Ernst & Young

Signed by:
Edward B Quinlan
Partner
Registration No. 93

15 March 2007

Dubai

Dubai Ports Authority and its Subsidiaries

Consolidated Statements of Income

Year ended 31 December 2006

	Note	Year ended 31 December 2006			Year ended 31 December 2005		
		Before separately disclosable items USD'000	Separately disclosable items (note 7) USD'000	Total USD'000	Before separately disclosable items USD'000	Separately disclosable items (note 7) USD'000	Total USD'000
Continuing operations:							
Revenue from operations		**3,486,778**	**—**	**3,486,778**	674,920	—	674,920
Cost of sales		**(2,490,091)**	**(32,400)**	**(2,522,491)**	(288,299)	—	(288,299)
GROSS PROFIT		**996,687**	**(32,400)**	**964,287**	386,621	—	386,621
General and administration expenses	3	**(473,470)**	**(51,338)**	**(524,808)**	(86,704)	(7,713)	(94,417)
		523,217	**(83,738)**	**439,479**	299,917	(7,713)	292,204
Other income	4	**25,933**	**17,000**	**42,933**	1,434	—	1,434
Interest income		**95,113**	**—**	**95,113**	3,407	—	3,407
Finance costs		**(341,936)**	**(61,146)**	**(403,082)**	(58,397)	—	(58,397)
Share of profit of associates and joint ventures	13	**35,514**	**—**	**35,514**	8,022	—	8,022
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		**337,841**	**(127,884)**	**209,957**	254,383	(7,713)	246,670
Income tax	6	**(20,577)**	**8,300**	**(12,277)**	(4,162)	—	(4,162)
PROFIT AFTER TAX FROM CONTINUING OPERATIONS		**317,264**	**(119,584)**	**197,680**	250,221	(7,713)	242,508
Discontinued operations:							
Profit after tax from discontinued operations	30	**19,233**	**—**	**19,233**	—	—	—
PROFIT FOR THE YEAR	5	**336,497**	**(119,584)**	**216,913**	250,221	(7,713)	242,508
Attributable to:							
Equity holder of the parent		**311,364**	**(119,584)**	**191,780**	247,417	(7,713)	239,704
Minority interests		**25,133**	**—**	**25,133**	2,804	—	2,804
		336,497	**(119,584)**	**216,913**	250,221	(7,713)	242,508

The attached notes 1 to 33 form part of these financial statements.

Dubai Ports Authority and its Subsidiaries

Consolidated Statements of Recognised Income and Expense

Year ended 31 December 2006

	2006 USD'000	2005 USD'000
Income and expense recognised directly in equity		
Fair value movements in available for sale financial assets	**2,200**	—
Foreign exchange translation differences	**677,509**	(15,015)
Effective portion of net changes in fair value of cash flow hedge	**17,628**	10,781
Net actuarial gain on pension schemes	**197,800**	—
Income and expense recognised directly in equity	**895,137**	(4,234)
Transfers to income statement		
On disposal of available for sale financial assets	**(2,200)**	—
On cash flow hedges	**(881)**	—
Tax on items taken directly to equity	**4,100**	—
Profit for the year	**216,913**	242,508
Total recognised income and expense for the year	**1,113,069**	238,274
Attributable to:		
Equity holders of the parent	**1,083,636**	235,470
Minority interests	**29,433**	2,804
	1,113,069	238,274

The Group holds certain foreign currency borrowings as a hedge against net investments in foreign currency operations. Gains or losses on the retranslation of those borrowings are transferred to equity to offset any gains or losses on translation of these net investments. Included in foreign exchange translation differences is a gain of USD 9,500 thousand (2005: Nil) in respect of foreign currency liability hedges of net investments in foreign currency operations.

Tax of USD 4,100 thousand (2005: Nil) has been credited directly to equity in the consolidated statements of recognised income and expense. This consists of an income tax charge of USD 1,700 thousand arising on foreign exchange translation differences and a net tax credit of USD 3,800 thousand (USD 1,100 thousand income tax plus USD 3,300 thousand deferred tax, less USD 600 thousand arising in joint ventures and associates) arising on actuarial gains and losses and a credit of USD 2,000 thousand arising on other payments.

The effective portion of net changes in fair value of cash flow hedge mainly represents the increase in positive fair value of interest rate swaps.

The attached notes 1 to 33 form part of these financial statements.

Dubai Ports Authority and its Subsidiaries

Consolidated Balance Sheets

At 31 December 2006

	Notes	2006 USD'000	2005 USD'000
ASSETS			
Non-current assets			
Property, plant and equipment	8	**3,681,973**	975,721
Intangible assets	11	**3,440,853**	186,156
Goodwill	11	**3,103,870**	461,011
Investment in associates and joint ventures	13	**2,940,715**	1,123,885
Deferred tax assets	6	**12,119**	1,003
Other investments	14	**13,500**	—
Accounts receivable and prepayments	17	**76,271**	11,092
		13,269,301	2,758,868
Current assets			
Property held for development and sale	15	**137,400**	—
Inventories	16	**63,887**	13,037
Accounts receivable and prepayments	17	**1,248,219**	605,406
Tax recoverable		**18,660**	—
Bank balances and cash	18	**2,241,039**	250,238
Assets classified as held for sale	30	**1,263,621**	—
		4,972,826	868,681
TOTAL ASSETS		**18,242,127**	3,627,549

The attached notes 1 to 33 form part of these financial statements.

Dubai Ports Authority and its Subsidiaries

Consolidated Balance Sheets (Continued)

At 31 December 2006

	Notes	2006 USD'000	2005 USD'000
EQUITY AND LIABILITIES			
Equity attributable to equity holder of the parent			
Owner's account	19	**7,545,666**	915,721
Cumulative changes in fair value	19	**27,928**	10,781
Actuarial reserve	19	**200,100**	—
Translation reserve	19	**655,494**	(15,015)
		8,429,188	911,487
Minority interests	19	**702,224**	226,466
Total equity		**9,131,412**	1,137,953
Non-current liabilities			
Pension and post-employment benefits	23	**277,625**	69,444
Interest bearing loans and borrowings	20	**5,526,061**	2,858
Deferred tax liabilities	6	**1,277,528**	183,244
Provisions	21	**26,800**	—
Accounts payable and accruals	22	**183,736**	9,235
		7,291,750	264,781
Current liabilities			
Accounts payable and accruals	22	**1,092,422**	568,406
Bank overdrafts	18	**4,301**	—
Interest bearing loans and borrowings	20	**191,977**	1,656,409
Pension and post-employment benefits	23	**66,464**	—
Provisions	21	**73,800**	—
Liabilities classified as held for sale	30	**390,001**	—
		1,818,965	2,224,815
Total liabilities		**9,110,715**	2,489,596
TOTAL EQUITY AND LIABILITIES		**18,242,127**	3,627,549

The financial statements were authorised for issue on 15 March 2007.

/s/ Mohammed Sharaf
Chief Executive Officer

/s/ Yuvraj Narayan
Chief Financial Officer

The attached notes 1 to 33 form part of these financial statements.

Dubai Ports Authority and its Subsidiaries

Consolidated Statements of Cash Flows

Year ended 31 December 2006

	Notes	2006 USD'000	2005 USD'000
OPERATING ACTIVITIES			
Profit before tax from continuing operations		**209,957**	246,670
Profit before tax from discontinued operations		**29,045**	—
Adjustments for:			
Depreciation and amortisation		**296,023**	55,451
Finance costs		**403,082**	58,397
(Profit)/loss on disposal of property, plant and equipment		**(5,900)**	351
Interest income		**(95,113)**	(3,407)
Movements in provisions, pensions and post-employment benefits		**9,111**	2,418
		846,205	359,880
Working capital adjustments:			
Inventories		**12,350**	(1,616)
Receivables		**113,309**	(175,170)
Payables		**(198,004)**	124,738
Cash from operations		**773,860**	307,832
Taxes paid		**(94,260)**	(4,072)
Interest paid		**(382,096)**	(58,397)
Net cash flow from operating activities		**297,504**	245,363
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(712,528)**	(320,604)
Proceeds from disposal of property, plant and equipment		**55,497**	13,309
Investments, net		**23,594**	(27,120)
Other investment		**(13,500)**	—
Interest received		**77,077**	3,407
Loan given during the year		**—**	(1,473)
Cost of business combinations, net of cash acquired	9	**(6,971,976)**	(1,283,213)
Deposits under lien		**(496,184)**	—
Property held for development and sale		**(9,000)**	—
Cash inflow on acquisition of subsidiary	10	**835,260**	—
Net cash used in investing activities		**(7,211,760)**	(1,615,694)
FINANCING ACTIVITIES			
Amounts paid to owner	19	**(16,338)**	(65,350)
Term loan paid		**(1,656,000)**	—
Term loan, net		**6,065,471**	1,454,183
Capital contributed by the Owner		**4,000,000**	—
Dividends paid to minority interests		**(26,791)**	(10,314)
Contribution by minority interest holders		**1,929**	3,897
Net cash flows from financing activities		**8,368,271**	1,382,416
INCREASE IN CASH AND CASH EQUIVALENTS		**1,454,015**	12,085
Net foreign exchange translation difference		**36,301**	(2,130)
Cash and cash equivalents at the beginning of the year		**250,238**	240,283
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	18	**1,740,554**	250,238

The attached notes 1 to 33 form part of these financial statements.

Dubai Ports Authority and its Subsidiaries
Notes to the Consolidated Financial Statements
At 31 December 2006

1.1 Activities

Dubai Ports Authority (the "Authority") was originally formed in Dubai as Port Rashid Authority under Decree number 1 of 1990 issued by HH The Ruler of Dubai on 7 January 1990 to acquire and operate Port Rashid in the Emirate of Dubai.

Pursuant to Decree number 4 of 1991 issued by HH The Ruler of Dubai on 11 May 1991, the assets, liabilities and results of the operations of Jebel Ali Port Corporation along with the rights in relation to construction, operation, maintenance, repairs and renewals of Jebel Ali Port were transferred to Port Rashid Authority and Jebel Ali Port Corporation was dissolved.

On 12 May 1991, by Decree number 5 of 1991 issued by HH The Ruler of Dubai, the name of Port Rashid Authority was changed to Dubai Ports Authority.

Pursuant to Law No. (1) of 2001 on Ports, Customs and Free Zone Corporation ("PCFC") issued by HH The Ruler of Dubai on 1 April 2001, Dubai Ports Authority became a wholly owned subsidiary of PCFC (the "Ultimate Parent Company") as of that date. PCFC is wholly owned by The Government of Dubai.

With effect from 1 January 2002, the operations of Hamriya Port and Dubai Creek Operations, along with all their assets, were transferred to the Authority at nil value.

The Authority owns and operates three ports namely Jebel Ali Port, Port Rashid and Hamriya Port and Creek Operations in the Emirate of Dubai, United Arab Emirates. The registered address of the Authority is P.O.Box 17000, Dubai, United Arab Emirates.

Effective 1 January 2006, the Authority acquired a 100% beneficial ownership interest in Thunder FZE, a limited liability company registered in Dubai, United Arab Emirates, from the Ultimate Parent Company (note 10).

On 8 March 2006, the Authority, through its 100% owned subsidiary (Thunder FZE), acquired a 100% ownership interest in Peninsular and Oriental Steam Navigation Company (P&O), a Public Limited Company registered in United Kingdom. This Company is primarily engaged in the business of management and operation of seaports worldwide. Following its acquisition by Thunder FZE, P&O was de-listed from the official list of UK FSA and trading on the regulated market of London Stock Exchange was ceased (note 9).

The Group made the following acquisitions during 2005:

1. On 22 February 2005 the Authority, through its 100% owned subsidiary (Dubai Ports International FZE), acquired from CSX Corporation Limited, a 100% ownership interest in SL Service Inc. (a limited liability company registered in Delaware, United States of America) and in Orange Blossom Investment Company Limited (a limited liability company registered in British Virgin Islands). During June 2005, the Authority through its 100% owned subsidiary acquired an additional 14.55% ownership interest in Pusan Newport Company Limited (PNC). The Group previously held 25% ownership interest in PNC as part of its acquisition of SL Service Inc. and Orange Blossom Investment Company Limited. The Group had planned this acquisition of additional ownership interest in PNC at the time of acquiring initial 25% ownership interest and accordingly, the above acquisitions are treated as one transaction by the Group. These Companies are engaged in the business of management and operation of seaports worldwide (note 9); and

2. On 30 Nov 2005 the Authority, through its 100% owned subsidiary acquired a 100% ownership interest in Yarimca Porselen Sanayi Ve Ticaret A.S., a limited liability Company registered in Turkey. That company holds the right to develop and operate a seaport in Yarimca, Turkey (note 9).

1.2 Events after the Balance Sheet Date

On 1 January 2007, DP World FZE and Thunder FZE (Limited Liability Companies registered in the Emirate of Dubai, United Arab Emirates and wholly owned subsidiaries of the Authority), were transferred to an affiliate of the Authority, Galaxy Investments Limited (the Company), a Limited Liability Company incorporated in Dubai International Financial Centre, Dubai, United Arab Emirates. As a result of this transfer, all the ports related commercial activities of the Group were transferred to the Company and the activities of the Authority will be confined to the function of port regulator in respect of ports located in Dubai, United Arab Emirates. Consequently, only certain immaterial revenues and expenses will arise in the Authority.

2.1 Basis of Preparation

The functional currency of the Authority is UAE Dirhams. However, the consolidated financial statements have been presented in thousands of US Dollars, which management believes is the most appropriate reporting currency in view of the global presence of the Group.

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and applicable requirements of UAE Law.

Basis of consolidation

The consolidated financial statements comprise the financial statements of Dubai Ports Authority and its subsidiaries. The accounting policies used by the subsidiaries are consistent with the policies adopted by the Group. All inter company balances and transactions are eliminated on consolidation.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Non current assets (disposal groups) and discontinued operations that are classified as held for sale in accordance with IFRS 5-Non-current Assets Held for Sale and Discontinued Operations are shown at lower of the cost and fair value less costs to sell.

Minority interests represent that portion, of profit or loss and net assets in certain subsidiaries, which is not held by the Group and, as such, is presented separately in the consolidated statement of income and within equity in the consolidated balance sheet, separately from owner's equity.

2.2 Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial years' except as follows:

The Group has adopted the following new and amended IFRS and IFRIC interpretations during 2006. Adoption of these revised standards and interpretations did not have any effect on the financial statements of the Group. They did however give rise to additional disclosures.

- IAS 19 Amendment-Employee Benefits
- IAS 39 Amendments-Financial/instruments: Recognition and Measurement
- IFRIC 4 Determining whether an Arrangement contains a Lease

The principal effects of these changes are as follows:

IAS 19 Employee Benefits

As of 1 January 2006, the Group adopted the amendments to IAS 19. As a result, additional disclosures are made providing information about trends in the assets and liabilities in its defined benefit plans and the assumptions underlying the components of the defined benefit cost. This change has resulted in additional

2.2 Changes in Accounting Policies (Continued)

disclosures being included for the years ending 31 December 2006 and 31 December 2005. The Group has also adopted the new option offered to recognise actuarial gains and losses outside of the income statement in a statement of recognised income and expenses. In the opinion of the management, this change results in the consolidated financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the Group's financial position, financial performance or cash flows. This change has no material recognition or measurement impact on the previously recognised equity or other comparative amounts.

IAS 39 Financial Instruments: Recognition and Measurement

Amendment for financial guarantee contracts (issued August 2005)—amended the scope of IAS 39 to require financial guarantee contracts that are not considered to be insurance contracts to be recognised initially at fair value and to be remeasured at the higher of the amount determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with IAS 18 Revenue. This amendment did not have an effect on the financial statements.

Amendment for hedges of forecast intragroup transactions (issued April 2005)—amended IAS 39 to permit the foreign currency risk of a highly probable intragroup forecast transaction to qualify as the hedged item in a cash flow hedge, provided that the transaction is denominated in a currency other than the functional currency of the entity entering into that transaction and that the foreign currency risk will affect the consolidated income statement. As the Group currently has no such transactions, the amendment did not have an effect on the financial statements.

Amendment for the fair value option (issued June 2005)—amended IAS 39 to restrict the use of the option to designate any financial asset or any financial liability to be measured at fair value through the income statement. The Group had not previously used this option, hence the amendment did not have an effect on the financial statements.

IFRIC 4 Determining Whether an Arrangement contains a Lease

The Group adopted IFRIC Interpretation 4 as of 1 January 2006, which provides guidance in determining whether arrangements contain a lease to which lease accounting must be applied. This change in accounting policy has not had a significant impact on the Group as at 31 December 2006 or 31 December 2005.

The management has made the following other voluntary changes in their accounting policies during 2006. In the view of management those changes results in the financial statements providing reliable and more relevant information about the effects of the transactions, other events or conditions on the Group's financial position, financial performance or cash flows:

IAS 1 Presentation of financial statements

Due to the significance of certain item of income and expenses occurring during the year, the management has decided to present such items on the face of the income statements as separately disclosable items. The accounting policy of the management in respect of separately disclosable items is set out under note 2.3. This change has no material recognition or measurement impact on the previously recognised equity or other comparative amounts.

The management has decided to use the option available under IAS 1 Presentation of financial statements to present the statement of recognised income and expense as a primary statement instead of statement of changes in equity, which was used in the previous years'. As a result of this change profit and loss for the years, each item of income and expense for the years that is required by other standards or interpretations to be recognised in equity and effects of changes in accounting policies that impacts the components of equity are shown under the statement of recognised income and expense. The movement of capital and reserves is shown in the notes to the financial statements.

2.3 Summary of Significant Accounting Policies

Revenue recognition

Revenue comprises amounts derived from the provision of goods and services (excluding VAT and similar sales taxes) and includes rent receivable from properties. Revenue from the provision of goods includes income from the sale of properties held for development and sale, which is recognised when contracts become unconditional. Revenue from the provision of services is recognised on the delivery of those services; which, for Ports, is once the relevant throughput has taken place;for Ferries, is on provision of carriage; and for commercial trucking, cold storage and document processing is recognised when the relevant services have been rendered.

Interest income is recognised as the interest accrues (using the effective interest method; that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

Income tax

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the consolidated balance sheet date.

Deferred tax

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

2.3 Summary of Significant Accounting Policies (Continued)

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income tax relating to items recognised directly in equity is recognised in equity and not in the consolidated statement of income.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Cost of sales

Cost of sales include those costs incurred for the operation, maintenance and security of the Group's facilities and other costs directly attributable to the various services provided by the Group.

Borrowing costs

Borrowing costs are recognised as an expense when incurred except when such borrowing costs are directly attributable to the acquisition, construction or production of qualifying assets such as property held for development and sale. In those cases, borrowing costs are capitalised as part of the cost of the qualifying asset.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value.

Depreciation is calculated on a straight line basis over the estimated useful lives of property, plant and equipment as follows:

Buildings and infrastructure	5 to 50 years
Cranes and marine equipment	5 to 25 years
Plant, equipment, furniture and others	3 to 40 years
Ships	10 to 35 years

Land and capital work in progress are not depreciated.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposable proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognised.

The asset's residual values, useful lives and methods of depreciation, are reviewed and adjusted if appropriate at each financial year end.

Business combination and goodwill

Except for transactions involving entities under common control, where the provisions of IFRS 3-Business Combinations are not applicable, business combinations are accounted for using the acquisition accounting

2.3 Summary of Significant Accounting Policies (Continued)

method. This involves recognising identifiable assets (including previously unrecognised intangible assets) and liabilities (including contingent liabilities and excluding future restructuring) of the acquired business at fair value. Transactions with entities under common control are accounted using the merger accounting method.

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units, or groups of cash generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Each unit or group of units to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and is not larger than a segment based on either the Group's primary or the Group's secondary reporting format determined in accordance with IAS 14 Segment Reporting.

Where goodwill forms part of a cash-generating unit (group of cash generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative translation differences and unamortised goodwill is recognised in the income statement.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is charged against profits in the year in which the expenditure is incurred. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the assets are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite useful lives is recognised in the consolidated statement of income in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

2.3 Summary of Significant Accounting Policies (Continued)

Investment in associates

The Group's investment in associates is accounted for under the equity method of accounting. An associate is an entity in which the Group exerts significant influence, and is neither a subsidiary nor a joint venture, usually where the group has between 20% to 50% of the voting power. Investment in associates is carried in the consolidated balance sheet at cost, plus post-acquisition changes in the Group's share of net assets of the associate, less any impairment in value. Goodwill relating to an associate which is acquired directly is included in the carrying amount of the investment and is not amortised. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate. The consolidated income statement reflects the Group's share of the results of its associates. When there has been a change recognised directly in the equity of the associate, the Group recognise its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity.

The reporting dates of the associates and the Group are identical and the associates' accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

Interest in joint ventures

The Group has interests in joint ventures which are jointly controlled entities. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venturer has an interest. The Group's investment in joint ventures is accounted for under the equity method of accounting. Investment in joint ventures is carried in the consolidated balance sheet at cost, plus post-acquisition changes in the Group's share of net assets of the joint venture, less any impairment in value.

Goodwill relating to a joint venture which is acquired directly is included in the carrying amount of the investment and is not amortised. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the joint venture. The consolidated income statement reflects the Group's share of the results of its joint ventures. When there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity.

The reporting dates of the joint ventures and the Group are identical and the joint ventures' accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets which carry fixed or determinable payments and fixed maturities and which the Group has the positive intention and ability to hold to maturity. After initial measurement, held to maturity investments are measured at amortised cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation, using the effective interest method, of any difference between the initially recognised amount and the maturity amount, less allowance for impairment. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. Gains and losses are recognised in the income statement when the investments are derecognised or impaired, as well as through the amortisation process.

2.3 Summary of Significant Accounting Policies (Continued)

Impairment of assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value, less costs to sell, and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognised in the consolidated statement of income in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life. Impairment losses recognised in relation to goodwill are not reversed for subsequent increase in its recoverable amount.

The following criteria are also applied in assessing impairment of specific assets:

Goodwill

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount of the cash-generating unit (group of cash-generating units) to which goodwill has been allocated, an impairment loss is recognised. Impairment losses relating to Goodwill cannot be reversed in future periods. The Group performs its annual impairment test of goodwill as at 31 December.

Intangible assets

Intangible assets with indefinite useful lives are tested for impairment annually as of 31 December either individually or at the cash generating unit level, as appropriate.

Inventories

Inventories mainly consist of spare parts and consumables. Inventories are stated at cost less provision for obsolete and slow moving items. Cost represents those expenses incurred in bringing each product to its present location and condition, as determined on a weighted average basis.

2.3 Summary of Significant Accounting Policies (Continued)

Accounts receivable

Accounts receivable are stated at original invoice amount less a provision for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

Bank balances and cash

Bank balances and cash comprise cash at hand, bank balances and short-term deposits with an original maturity of three months or less.

For the purpose of the consolidated cash flow statements, cash and cash equivalents consists of bank balances and cash as defined above, net of outstanding bank overdrafts and deposits under lien.

Accounts payable and accruals

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Retentions payable are presented as current liabilities although they may not be payable within twelve months of the balance sheet date.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Properties held for development and sale

Properties held for development and sale are included under current assets at the lower of cost and net realisable value, with any resultant gain or loss recognised in the income statement. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Interest and other outgoings less income receivable are charged to the income statement during development, except in respect of properties where the development period is extensive, when such amounts are included in cost.

Pension and post employment benefits

UAE Region

The Group provides end of service benefits to its expatriate employees in the United Arab Emirates. The entitlement to these benefits is based upon the employees' basic salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

With respect to its UAE national employees, the Group makes a provision for contributions to be made to the UAE Pension Authority calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

2.3 Summary of Significant Accounting Policies (Continued)

Outside UAE Region

The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine the present value, and the fair value of any plan assets is deducted. The calculation is performed by a qualified actuary using the projected unit credit method. The discount rate is the yield at the balance sheet date on AA credit rated bonds or local equivalent that have maturity dates approximating to the terms of the Group's obligations.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the income statement on a straight line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the income statement.

Actuarial gains and losses that arise in calculating the Group's obligation in respect of a plan are recognised in the period in which they arise directly in the statement of recognised income and expenses. The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligation) and is based on actuarial advice.

Contributions, including lump sum payments, in respect of defined contribution pension schemes and multi employer defined benefit schemes where it is not possible to identify the Group's share of the scheme, are charged to the income statement as they fall due.

Long term service benefits

The Group's net obligation in respect of long term service benefits, other than pension plans, is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using the projected unit credit method and is discounted to its present value and the fair value of any related assets is deducted. The discount rate is the yield at the balance sheet date on AA credit rated bonds (or local equivalent) that have maturity dates approximating to the terms of the Group's obligations.

Interest bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in net profit or loss when the liabilities are derecognised as well as through the amortisation process.

Foreign currency translation

The consolidated financial statements are presented in United States Dollars, which is the Authority's presentation currency. All the assets and liabilities are translated at the closing rate at the date of balance sheet; income and expenses are translated at the average exchange rate for the year. The UAE Dirham, which is the Authority's functional currency is effectively pegged to the United States Dollar and the exchange rate used for translation is 1 United States Dollar = 3.6725 UAE Dirhams, which remained constant during the year. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the

2.3 Summary of Significant Accounting Policies (Continued)

functional currency rate of exchange ruling at the balance sheet date. All differences are taken to profit or loss with the exception of differences on foreign currency borrowings that provide an effective hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in profit or loss. Tax charges and credits attributable to exchange differences on those borrowings are also dealt with in equity. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

All the assets and liabilities of the foreign subsidiaries are translated into the presentation currency of the Group at the rate of exchange ruling at the balance sheet date and their income statements are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of that foreign operation are treated as assets and liabilities of the foreign operations. Those assets and liabilities are translated into the presentation currency of the Group at the rate of exchange ruling at the balance sheet date. The exchange differences arising on the translation are taken directly to a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

Derivatives

Derivative financial instruments and hedging

The Group uses derivative financial instruments such as forward currency contracts and interest rate swaps to hedge its risks associated with interest rate and foreign currency fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives during the year that do not qualify for hedge accounting are taken directly to the income statement.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

For the purpose of hedge accounting, hedges are classified as:

- cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment; or
- hedge of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they

2.3 Summary of Significant Accounting Policies (Continued)

actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while any ineffective portion is recognised immediately in the income statement.

Amounts taken to equity are transferred to the income statement when the hedged transaction affects the income statement, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction or firm commitment is no longer expected to occur, amounts previously recognised in equity are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction or firm commitment occurs.

Hedges of a net investment

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised directly in equity while any gains or losses relating to the ineffective portion are recognised in the income statement. On disposal of the foreign operation, the cumulative value of any such gains or losses recognised directly in equity is transferred to the income statement.

Fair values

For derivatives quoted in an active market, fair value is determined by reference to quoted market prices. Bid prices are used for assets and offer prices are used for liabilities.

The fair value of unquoted derivatives is determined either by discounted cash flows, (internal) pricing models, or by reference to broker's quotes.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

(a) there is a change in contractual terms, other than a renewal or extension of the arrangement;

(b) a renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;

(c) there is a change in the determination of whether fulfilment is dependent on a specified asset; or

(d) there is a substantial change to the asset.

Where a reassessment is made, lease accounting commences or ceases from the date when the change in circumstances gave rise to the reassessment for scenarios a), c) or d) and at the date of renewal or extension period for scenario b).

2.3 Summary of Significant Accounting Policies (Continued)

For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005 in accordance with the transitional requirements of IFRIC 4.

Group as a lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

Group as a lessor

Leases where the Group retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

Leasing and sub-leasing transactions

A series of leasing and sub-leasing transactions between and the Group and third parties, which are closely interrelated, negotiated as a single transaction, and take place concurrently or in a continuous sequence are considered linked and accounted for as one transaction when the overall economic effect cannot be understood without reference to the series of transactions as a whole.

These leasing and sub-leasing transactions are designed to achieve certain benefits for the third parties in overseas locations in return for a cash benefit to the Group. Such cash benefit is accounted for as upfront income in the consolidated statements of income.

Under these leasing and sub-leasing transactions, current and non-current liabilities have been defeased by the loan receivable and the placement of deposits. Those liabilities, receivable and deposits (and income and charges arising therefrom) are netted off in the consolidated financial statements, in order to reflect the overall commercial effect of the arrangement.

Separately disclosable items

The Group presents, as separately disclosable items on the face of the income statement, those material items of income and expense which, because of the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow users to understand better the elements of financial performance in the period, so as to facilitate a comparison with prior periods and a better assessment of trends in financial performance.

Non-current assets held for sale

The Group classifies a non-current asset (or disposal group) as held for sale if its carrying amount will be recovered through a sale transaction rather than continuing use and the sale transaction is expected to complete within one year from the date of classification.

Liabilities directly associated with such non-current assets (or disposal group) are classified as liabilities held for sale.

A non-current asset (disposal group) classified as held for sale is measured at the lower of its net carrying amount and fair value less costs to sell.

2.3 Summary of Significant Accounting Policies (Continued)

A discontinued operation is a component of the Group that is classified as held for sale and which represents a separate major line of business or geographical area of operations; is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operation; or is a subsidiary acquired exclusively with a view to resale.

2.4 Future Changes in Accounting Policies

IFRIC Interpretations not yet effective

IFRIC 9 was issued in March 2006, and becomes effective for financial years beginning on or after 1 June 2006. This interpretation establishes that the date to assess the existence of an embedded derivative is the date an entity first becomes a party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows. The Group is still evaluating the effect of this interpretation and expects that adoption of this interpretation will have no impact on the Group's financial statements when implemented in 2007.

IFRIC 12 becomes effective for financial years beginning on or after 1 January 2008. This interpretation gives guidance on the accounting by operators for public-to-private service concession arrangements. The Group is currently evaluating the effect of this interpretation and expects that its adoption will have no material impact on the Group's financial statements when implemented in 2008.

IFRS not yet effective

IFRS 7 Financial Instruments: Disclosures

The application of IFRS 7, which will be effective for the year ending 31 December 2007 will result in amended and additional disclosures relating to financial instruments and associated risks. This IFRS is not expected to have any material impact on the Group's financial statements in the period of initial application.

IAS 1 Presentation of financial statements (amended)

The application of IAS 1 (amended), which will be effective for the year ending 31 December 2007 will result in amended and additional disclosures relating to the Group's objectives, policies and procedures for managing capital. This IFRS is not expected to have any material impact on the Group's financial statements in the period of initial application.

IFRS 8 Operating Segments

The application of IFRS 8, which will be effective for the year ending 31 December 2009 will result in the disclosure of certain information about the Group's operating segments, its products and services, the geographical areas in which it operates, and its major customers. This IFRS is not expected to have any material impact on the Group's financial statements in the period of initial application.

Other IFRS and IFRIC interpretations have been issued but are not yet effective and are not relevant to the activities of the Group

3 General and Administration Expenses

General and administration expenses include certain staff costs, depreciation, repair and maintenance costs and other sundry expenses.

4 Other Income

	2006 USD'000	2005 USD'000
Gain on sale of property, plant and equipment	**5,900**	—
Duty free rental income	**545**	545
Gain on termination of interest rate swap previously designated as a cash flow hedge	**11,100**	—
Miscellaneous income	**25,388**	889
	42,933	1,434

5 Profits for the year

	2006 USD'000	2005 USD'000
The profit for the year is stated after charging the following costs:		
Staff costs	**792,065**	148,586
Operating leases	**307,298**	8,253
Depreciation and amortisation	**296,023**	55,451

6 Income Tax

The major components of income tax expense for the years ended 31 December 2006 and 2005 are:

Consolidated income statements

	2006 USD'000	2005 USD'000
Current income tax		
Current income tax charge	**(56,986)**	(2,438)
Deferred income tax		
Relating to origination and reversal of temporary differences	**44,709**	(1,724)
Income tax reported in the consolidated statements of income	**(12,277)**	(4,162)
Income tax attributable to discontinued operations	**(9,812)**	—
	(22,089)	(4,162)

6 Income Tax (Continued)

The Group is not subject to income tax on its domestic operations. A reconciliation between the tax expense and the product of accounting profit multiplied by the tax rate applicable to foreign subsidiaries of the Group for the years ended 31 December 2006 and 2005 is as follows:

	2006 USD'000	2005 USD'000
Accounting profit before income tax	**209,957**	246,670
Profit before tax from discontinued operations	**29,045**	—
Accounting profit before income tax	**239,002**	246,670
At the Group's domestic income tax rate of 0% (2005: 0%)	**—**	—
Expenses not deductible and other permanent difference	**(12,400)**	—
Profit and losses not subject to taxation	**20,300**	—
Unutilised tax losses arising in the year	**(2,200)**	—
Effect of joint ventures and associates	**20,700**	—
Higher Income tax on foreign earnings	**(66,903)**	(5,855)
Deferred tax in respect of fair value adjustments	**24,124**	—
Deferred tax benefits on temporary differences	**(1,898)**	327
Adjustments in respect of income tax of previous years	**5,600**	(14)
Deferred tax benefits on tax losses carried forward	**—**	1,380
Others	**400**	—
Income tax reported in the consolidated statements of income	**(12,277)**	(4,162)
Income tax attributable to discontinued operations	**(9,812)**	—
	(22,089)	(4,162)

6 Income Tax (Continued)

Deferred income tax

Deferred income tax at 31 December relates to the following:

	Consolidated Balance sheets		Consolidated Income Statements	
	2006 USD'000	2005 USD'000	2006 USD'000	2005 USD'000
Deferred tax liability				
Accelerated depreciation for tax purposes	**(108,924)**	5,425	**25,868**	404
Investments in joint ventures	**(13,300)**	—	**3,500**	—
Employees' end of service benefits	**(200)**	801	**—**	(4)
Unrepatriated foreign earnings of subsidiaries	**—**	13,903	**—**	(3,432)
Fair value adjustment on acquisitions	**1,342,072**	165,192	**(12,259)**	—
Tax losses carry forward	**—**	(1,380)	**(8,800)**	1,380
Others	**(5,920)**	(697)	**(7,400)**	(77)
Utilised tax losses carry forward	**63,800**	—	**—**	—
	1,277,528	183,244		
Deferred income tax assets				
Decelerated depreciation for tax purposes	**1,319**	1,003	**(2,600)**	5
Equity losses	**2,200**	—	**—**	—
Prepaid inventories	**(200)**	—	**—**	—
Employees' end of service benefits	**30,700**	—	**23,600**	—
Provisions	**17,400**	—	**23,800**	—
Tax value of loss carry-forwards recognised	**(50,300)**	—	**—**	—
Others	**11,000**	—	**(1,000)**	—
	12,119	1,003		
Deferred income tax			**44,709**	(1,724)

The Group has tax losses of USD 278,945 thousand (2005: USD 11,021 thousand) in certain foreign operations that are available for offset against future taxable profits of the companies in which the losses arose. Deferred tax benefit of USD 12,281 thousand (2005: USD 1,380 thousand) has been recognised during the year in respect of such tax losses.

At 31 December 2006, the Group has recorded USD 1,629 thousand (2005: USD 3,431 thousand) of U.S. deferred income tax related to USD 4,654 thousand (2005: USD 16,070 thousand) of undistributed earnings of foreign subsidiaries owned through SL Service Inc, a U.S. intermediary holding company of the Group. The Group has not recognised deferred tax liability for taxes that would be payable on unremitted earnings of certain of the Group's other subsidiaries and associates as the Group has determined that the undistributed profits in those entities will not be distributed in the foreseeable future.

The temporary differences associated with investments in subsidiaries and associates, for which deferred tax liability has not been recognised aggregate to USD 56,667 thousand (2005: USD 13,039 thousand).

7 Separately Disclosable Items

	2006 USD'000	2005 USD'000
Expenses incurred on integration of acquired business	**(83,738)**	(7,713)
Profit on disposal of property, plant and equipment	**5,900**	—
Gain on termination of interest rate swap previously designated as a cash flow hedge	**11,100**	—
Finance cost	**(61,146)**	—
Tax impact of above separately disclosable items	**8,300**	—
	(119,584)	(7,713)

Expenses incurred on integration of acquired business

During the year, the Group has incurred USD 83,738 thousand (2005: USD 7,713 thousand relating to acquisition of SL Service Inc. and Orange Blossom Investment Company Limited—note 1) in expenses in respect of relocation, redundancies and reorganisation related costs arising as a result of its acquisition of P&O. Those costs are not indicative of a trend in financial performance of the Group.

Profit on disposal of property, plant and equipment

The above profits or losses on property, plant and equipment are classified as separately disclosable items on the basis that they arise from transactions to dispose of assets other than at the end of their usual expected lives or at values significantly different to their previously assessed residual value. As such, the amounts earned or charged in any given period are not indicative of a trend in financial performance.

Gain on termination of interest rate swap previously designated as cash flow hedge

The gain on termination of interest rate swap previously designated as a cash flow hedge arose as a result of group restructuring and has, therefore, been treated as a separately disclosable item as it is not expected to recur and is not indicative of a trend in financial performance of the group.

Finance cost

During the period, the Group entered into various derivative contracts to hedge against the variability in cash flows arising as a result of movements in foreign exchange rates up to the time of acquisition of P&O. Those costs are regarded as separately disclosable items because they were incurred due to the acquisition of P&O and are not indicative of a trend in financial performance of the Group.

8 Property, Plant and Equipment

2006:	Land, buildings and infrastructure USD'000	Cranes and marine equipment USD'000	Plant, equipment, furniture and other USD'000	Ships USD'000	Total USD'000
Cost					
At 1 January 2006	506,570	408,630	456,422	—	1,371,622
Additions	459,406	65,815	181,907	5,400	712,528
Acquired in business combinations	701,835	59,427	844,054	555,600	2,160,916
Translation adjustment	27,116	855	139,076	92,900	259,947
Transfers to assets held for sale	(10,000)	—	(112,700)	—	(122,700)
Disposals	(11,460)	(19,935)	(71,758)	(7,100)	(110,253)
At 31 December 2006	**1,673,467**	**514,792**	**1,437,001**	**646,800**	**4,272,060**
Depreciation					
At 1 January 2006	89,031	140,296	166,574	—	395,901
Depreciation charge for the year	44,536	21,806	121,033	39,700	227,075
Translation adjustment	13,333	2,076	57,558	25,800	98,767
Transfer to assets held for sale	(5,300)	—	(65,700)	—	(71,000)
Relating to disposals	(7,100)	—	(46,656)	(6,900)	(60,656)
At 31 December 2006	**134,500**	**164,178**	**232,809**	**58,600**	**590,087**
Net carrying amount					
At 31 December 2006	**1,538,967**	**350,614**	**1,204,192**	**588,200**	**3,681,973**

During the year, the Group has entered into agreements with third parties pursuant to which the Group participated in a series of linked transactions including leasing and sub-leasing of certain cranes of the Group (the "Crane French Lease Arrangements"). As at 31 December 2006, cranes with aggregate net book value amounting to USD 107,328 thousand (2005: Nil) were covered by these Crane French Lease Arrangements. These cranes are accounted for as property, plant and equipment as the Group retains all the risks and rewards incidental to the ownership of the underlying assets.

Property, plant and equipment includes capital work in progress amounting to USD 485,149 thousand under the various categories as follows: land, buildings and infrastructure USD 403,882 thousand; cranes and marine equipment USD 38,627 thousand; and plant, equipment, furniture and others USD 42,640 thousand.

8 Property, Plant and Equipment (Continued)

2005:	Land, buildings and infrastructure USD'000	Cranes and marine equipment USD'000	Plant, equipment, furniture and other USD'000	Total USD'000
Cost				
At 1 January 2005	431,980	267,200	239,847	**939,027**
Additions	32,622	124,612	163,370	**320,604**
Acquired in business combinations	44,874	32,065	59,266	**136,205**
Translation adjustment	—	(283)	(1,949)	**(2,232)**
Disposals	(2,906)	(14,964)	(4,112)	**(21,982)**
At 31 December 2005	506,570	408,630	456,422	**1,371,622**
Depreciation				
At 1 January 2005	79,689	131,631	143,834	**355,154**
Depreciation charge for the year	10,939	14,398	24,289	**49,626**
Translation adjustment	—	(60)	(497)	**(557)**
Relating to disposals	(1,597)	(5,673)	(1,052)	**(8,322)**
At 31 December 2005	89,031	140,296	166,574	**395,901**
Net carrying amount				
At 31 December 2005	417,539	268,334	289,848	**975,721**

Property, plant and equipment includes capital work in progress amounting to USD 137,042 thousand under the various categories as follows: land, buildings and infrastructure USD 89,220 thousand; cranes and marine equipment USD 25,959 thousand and plant, equipment, furniture and other USD 21,863 thousand.

9 Business Combinations

On 8 March 2006, the Authority, through its 100% owned subsidiary (Thunder FZE), acquired a 100% ownership interest in Peninsular and Oriental Steam Navigation Company (note 1).

The fair values of the identifiable assets and liabilities acquired by the Group are as follows:

	Recognised on acquisition USD'000	Carrying value USD'000
Property, plant and equipment	2,160,916	1,976,005
Deferred tax asset	8,800	8,800
Cash and cash equivalents	220,074	220,074
Trade receivables	719,428	719,428
Inventories	63,200	63,200
Intangible assets	3,084,426	263,000
Investment in associates and joint ventures	1,840,424	577,870
Assets held for sale	843,844	203,625
Property held for development and sale	181,000	181,000
Others	99,184	91,698
	9,221,296	4,304,700
Trade payables	(704,198)	(704,198)
Accrued liabilities and other payables	(147,817)	(147,817)
Long term loans	(1,149,300)	(1,149,300)
Pensions and post-employment benefits	(460,234)	(460,234)
Deferred tax liability	(1,089,269)	(69,285)
Liabilities held for sale	(373,381)	(136,914)
Others	(132,977)	(129,453)
	(4,057,176)	(2,797,201)
Fair value of net assets	5,164,120	
Less: Attributable to minority shareholders	(471,187)	
Fair value of net assets acquired by the Group	4,692,933	
Goodwill arising on acquisition	2,499,117	
Total acquisition cost	7,192,050	

The total acquisition cost of USD 7,192,050 thousand comprised a cash payment of USD 7,119,252 thousand and costs of USD 72,798 thousand directly attributable to the acquisition.

Cash outflow on acquisition:

	USD'000
Net cash acquired in business combination	220,074
Cash paid	(7,119,252)
Acquisition costs	(72,798)
Net cash outflow	(6,971,976)

From the date of acquisition, P&O has contributed a profit of USD 159,300 thousand to the Group. If the combination had taken place at the beginning of the year, the profit of the Group would have been USD 274,513 thousand and revenue from continuing operations would have been USD 4,118,378 thousand. The goodwill of USD 2,499,117 thousand comprise the fair value of expected synergies arising from the acquisition.

9 Business Combinations (Continued)

The goodwill of USD 2,499,117 thousand comprises the value attributable to such intangibles as expected synergies arising from the acquisition, potential development opportunities, customer loyalty and the readily assembled workforce, which cannot be recognised separately.

2005:

The Group had made the following acquisitions during 2005:

(1) On 22 February 2005 the Authority, through its 100% owned subsidiary (Dubai Ports International FZE), acquired from CSX Corporation Limited, a 100% ownership interest in SL Service Inc. (a limited liability company registered in Delaware, United States of America) and in Orange Blossom Investment Company Limited (a limited liability company registered in British Virgin Islands). During June 2005, the Authority through its 100% owned subsidiary acquired an additional 14.55% ownership interest in Pusan Newport Company Limited (PNC). The Group previously held 25% ownership interest in PNC as part of its acquisition of SL Service Inc. and Orange Blossom Investment Company Limited. The Group had planned this acquisition of additional ownership interest in PNC at the time of acquiring initial 25% ownership interest and accordingly, the above acquisitions are treated as one transaction by the Group. These Companies are engaged in the business of management and operation of seaports worldwide (note 1).

The fair values of the identifiable assets and liabilities acquired by the Group are as follows:

	2005	
	Recognised on acquisition USD'000	**Carrying value USD'000**
Property, plant and equipment	91,331	85,840
Deferred tax asset	1,080	1,080
Cash and cash equivalents	57,163	57,163
Trade receivables	24,515	24,515
Inventories	1,928	1,928
Intangible assets	265,396	61,167
Investment in associates	993,382	593,327
Others	4,408	4,408
	1,439,203	829,428
Trade payables	(3,737)	(3,737)
Accrued liabilities and other payables	(28,411)	(28,411)
Long term loans	(219,948)	(219,948)
Deferred tax liability	(155,968)	(17,884)
	(408,064)	(269,980)
Fair value of net assets	1,031,139	
Less: Attributable to minority shareholders	(230,079)	
Fair value of net assets acquired by the Group	801,060	
Goodwill arising on acquisition	434,496	
Total acquisition cost	1,235,556	

9 Business Combinations (Continued)

	USD'000
Cash flow on acquisition:	
Cost of acquisition	1,235,556
Net cash acquired	(57,163)
Net cash outflow	1,178,393

(2) On 30 November 2005, the Authority, through its 100% owned subsidiary, (Dubai Ports International FZE), acquired a 100% ownership interest in Yarimca Porselen Sanayi Ve Ticaret A.S., a limited liability Company registered in Turkey. That company holds the rights to develop and operate a sea port in Yarimca, Turkey (note 1).

The fair values of the identifiable assets and liabilities acquired by the Group are as follows:

	Recognised on Acquisition USD'000	Carrying Value USD'000
Property, plant and equipment	44,874	6,823
Cash and cash equivalents	22,232	22,232
Intangible assets	59,938	—
Other	8	8
	127,052	29,063
Tax payable	—	
Deferred tax liability	(29,401)	
	(29,401)	
Fair value of net assets acquired by the Group	97,651	
Goodwill arising on acquisition	29,401	
Total acquisition cost	127,052	
Cash flow on acquisition:		
Cost of acquisition	127,052	
Net cash acquired	(22,232)	
Net cash outflow	104,820	

The above acquisitions made the following contributions to the net profit of the Group in 2005 from the date of acquisition.

- SL Service Inc. and Orange Blossom Investment Company Limited (including additional equity stake of 14.55% in PNC) have incurred a net loss of USD 43,121 thousand.
- Yarimca Porselen Sanayi Ve Ticaret A.S. has incurred a net loss of USD 173 thousand.

If the above combinations had taken place at the beginning of 2005, the profit for the Group in 2005 would have been USD 251,945 thousand and revenue from continuing operations would have been USD 689,109 thousand.

10 Acquisition of Subsidiary

Effective 1 January 2006, the Authority acquired a 100% beneficial ownership interest in Thunder FZE, a limited liability company registered in Dubai, United Arab Emirates, from PCFC (note 1). The assets and liabilities of Thunder FZE as on 1 January 2006 were as follows:

	Carrying value USD'000
Available-for-sale investments	109,091
Other assets	60,605
Bank balances and cash	835,260
	1,004,956
Accruals and other payables	(54,553)
Net assets acquired	950,403

The above acquisition was made at the carrying value of net assets of Thunder FZE and since this acquisition involved entities under common control, the provisions of IFRS 3 Business Combinations are not applicable (note 25).

11 Intangible Assets

	Concession agreements USD'000	Goodwill USD'000	Total USD'000
Cost:			
At 1 January 2005	—	—	—
Acquisition of business (note 9)	202,205	463,897	666,102
Translation adjustment	(10,224)	(2,886)	(13,110)
At 31 December 2005	191,981	461,011	652,992
Acquisition of business	3,084,426	2,499,117	5,583,543
Transfer to assets held for sale	—	(79,067)	(79,067)
Translation adjustment	239,219	222,809	462,028
At 31 December 2006	**3,515,626**	**3,103,870**	**6,619,496**
Amortisation and impairment:			
At 1 January 2005	—	—	—
Amortisation	(5,825)	—	(5,825)
At 31 December 2005	(5,825)	—	(5,825)
Amortisation	(68,948)	—	(68,948)
At 31 December 2006	**(74,773)**	**—**	**(74,773)**
Net book value:			
At 31 December 2006	**3,440,853**	**3,103,870**	**6,544,723**
At 31 December 2005	186,156	461,011	647,167

Concession agreements comprise intangible assets acquired through business combinations. Those intangibles were determined to have finite useful lives based on the term of the respective concession agreement and the income approach model was used for the purpose of determining their fair value. The terms of these concessions range from 9 to 50 years based on the respective concession agreements.

11 Intangible Assets (Continued)

Concession agreements are amortised using the straight-line method over the concession period. If an indication of impairment arises, the recoverable amount is estimated and an impairment loss is recognised if the recoverable amount is lower than the carrying amount.

12 Impairment Testing of Goodwill

Goodwill acquired through business combinations has been allocated to various cash-generating units, which are reportable business units, for the purpose of impairment testing. An aggregation of such cash generating units is shown below.

2006:

Cash generating units aggregated as follows:

	Carrying amount of goodwill USD'000	Weighted average discount rate applied to cash flows projections	Weighted average perpetual growth rate
Asia Pacific and Indian Subcontinent	**741,533**	**9.92%**	**2.55%**
Americas	**165,902**	**6.93%**	**2.53%**
Australia	**648,502**	**7.94%**	**2.38%**
Europe and North and West Africa	**1,543,277**	**6.86%**	**2.48%**
UAE, Middle East and South and East Africa	**4,656**	**13.00%**	**2.50%**
Total	**3,103,870**		

The recoverable amount of the above cash-generating units has been determined based on their value in use calculated using cash flow projections based on the financial budgets approved by senior management covering a three-year period and a further outlook for five years, which is considered appropriate in view of the outlook for the industry and the long-term nature of the concession agreements held.

In the view of the senior management, the perpetual growth rate is the minimum growth rate expected to be achieved beyond the eight-year period.

Key assumptions used in the value in use calculations

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill.

Budgeted gross margins—The basis used to determine the value assigned to the budgeted gross margin is the average gross margins achieved in the year immediately before the budgeted year, adjusted for expected efficiency improvements, price fluctuations and manpower costs.

Discounting rates—These represents the cost of capital for the Group adjusted for the respective location risk factors.

Cost inflation—The basis used to determine cost inflation is the forecast general price index during the budget year for the respective countries where the Group is operating.

The values assigned to key assumptions are consistent with the past experience of the management.

Sensitivity to changes in assumptions

With regard to assessment of value in use of the above cash generating units, management believes that no reasonably possible change in any of the above key assumptions will cause the carrying value of the unit to materially exceed its recoverable amount.

12 Impairment Testing of Goodwill (Continued)

2005:

Cash generating units aggregated as follows:

	Carrying amount of goodwill USD'000	Weighted average discount rate applied to cash flows projections	Weighted average perpetual growth rate
Asia Pacific and Indian Subcontinent	345,018	8.77%	2.59%
Americas	10,141	10.00%	3.00%
Australia	29,533	8.00%	0.00%
Europe and North and West Africa	76,319	8.24%	2.03%
Total	461,011		

The recoverable amount of the above cash-generating units has been determined based on their value in use calculated using cash flow projections based on the financial budgets approved by senior management covering a three-year period and a further outlook for five years, which is considered appropriate in view of the outlook for the industry and the long-term nature of the concession agreements held.

In the view of the senior management, the perpetual growth rate is the minimum growth rate expected to be achieved beyond the eight-year period.

Key assumptions used in the value in use calculations

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill.

Budgeted gross margins—The basis used to determine the value assigned to the budgeted gross margin is the average gross margins achieved in the year immediately before the budgeted year, adjusted for expected efficiency improvements, price fluctuations and manpower costs.

Discounting rates—These represents the cost of capital for the Group adjusted for the respective location risk factors.

Cost inflation—The basis used to determine cost inflation is the forecast general price index during the budget year for the respective countries where the Group is operating.

The values assigned to key assumptions are consistent with the past experience of the management.

Sensitivity to changes in assumptions

With regard to assessment of value in use of the above cash generating units, management believes that no reasonably possible change in any of the above key assumptions will cause the carrying value of the unit to materially exceed its recoverable amount.

13 Investment in Associates and Joint Ventures

The significant associates of the Group are shown in note 25. Summarised financial information for the Group's share of the aggregate total of revenues, profit, assets and liabilities of the associates and joint ventures is set out below:

	2006 USD'000	2005 USD'000
Current assets	**218,545**	100,267
Non-current assets	**3,364,899**	1,269,845
Current liabilities	**(352,333)**	(56,987)
Non-current liabilities	**(504,811)**	(402,908)
Net assets	**2,726,300**	910,217
Group investment in associates and joint ventures		
Group share of net assets (as above)	**2,726,300**	910,217
Loans made by group companies to associates and joint ventures	**209,236**	211,767
Translation adjustment	**5,179**	1,901
	2,940,715	1,123,885
Share of associates' and joint ventures revenues and results:		
Revenues	**694,993**	99,149
Result	**35,514**	8,022

14 Other Investments

	2006 USD'000	2005 USD'000
Debt securities held to maturity	**12,100**	—
Available-for-sale financial assets	**1,400**	—
	13,500	—

Debt securities held to maturity carry an effective interest rate of 5.35%.

Available-for-sale financial assets comprise unquoted equity shares.

15 Property Held for Development and Sale

	2006 USD'000	2005 USD'000
As on 1 January	**—**	—
Acquired in business combination	**181,000**	—
Exchange movements	**18,000**	—
Additions	**17,500**	—
Transfer to assets classified as held for sale	**(70,600)**	—
Disposals	**(7,600)**	—
Write-down	**(900)**	—
Balance at 31 December	**137,400**	—

All properties held for development and sale are currently under development in the UK and are mainly in respect of the separate London Gateway Port and Business Park proposals.

16 Inventories

	2006 USD'000	2005 USD'000
Spare parts and consumables, net of provisions	**63,475**	12,727
Others	**412**	310
	63,887	13,037

The amount of write-down of inventories recognised as an expense is USD 204 thousand (2005: USD 391 thousand).

17 Accounts Receivable and Prepayments

	2006 USD'000		2005 USD'000	
	Current	Non-current	Current	Non-current
Trade accounts receivable	**511,860**	**8,400**	75,508	—
Advances paid to suppliers	**377**	**—**	6,557	—
Other receivables and prepayments	**272,349**	**26,790**	20,448	4,089
Fair value of derivatives (note 26)	**8,025**	**28,103**	10,781	—
Other assets	**4,128**	**—**	—	—
Due from related parties (note 25)	**451,480**	**12,978**	492,112	7,003
	1,248,219	**76,271**	605,406	11,092

18 Cash and Term Deposits

	2006 USD'000	2005 USD'000
Cash at banks and in hand	**1,022,176**	159,095
Term deposits	**1,218,863**	91,143
	2,241,039	250,238
Deposits under lien	**(496,184)**	—
Bank Overdrafts	**(4,301)**	—
Cash and cash equivalents	**1,740,554**	250,238

Term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at an effective rates ranging from 4.8% to 5.6%.

At 31 December 2006, the Group had available USD 637,900 thousand (2005: Nil) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

Bank balances of USD 8,100 thousand (2005: USD 122,200 thousand) are held in the name of PCFC, in a fiduciary capacity, on behalf of the Group.

Out of the Deposits under lien, USD 368,000 thousand arises from amounts drawn down under the Group's syndicated term loan facility and placed on deposit to collaterise some of the borrowings of P&O. The balance of USD 128,184 thousand is under lien in respect of certain loan notes issued to the erstwhile shareholders of P&O.

19 Capital and Reserves

2006:

	Attributable to equity holder of the parent						
	Owner's account USD'000	Cumulative changes in fair value USD'000	Actuarial reserve USD'000	Translation reserve USD'000	Total USD'000	Minority interests USD'000	Total USD'000
As of 1 January 2006	915,721	10,781	—	(15,015)	911,487	226,466	1,137,953
Total recognised income and expenses for the year	195,880	17,147	200,100	670,509	1,083,636	29,433	1,113,069
Capital contributed by the Owner (note 25)	6,450,403	—	—	—	6,450,403	—	6,450,403
Recognised in business combination	—	—	—	—	—	471,187	471,187
Amounts contributed by minority interests	—	—	—	—	—	1,929	1,929
Dividends paid to minority interests	—	—	—	—	—	(26,791)	(26,791)
Amounts distributed to owner	(16,338)	—	—	—	(16,338)	—	(16,338)
Balance at 31 December 2006	**7,545,666**	**27,928**	**200,100**	**655,494**	**8,429,188**	**702,224**	**9,131,412**

Owner's Account

Owner's account comprises undistributed accumulated net profits of the Group and capital contributions made by the Owner.

2005:

	Attributable to equity holder of the parent					
	Owner's account USD'000	Cumulative changes in fair value USD'000	Translation reserve USD'000	Total USD'000	Minority interests USD'000	Total USD'000
Balance at 1 January 2005	741,367	—	—	741,367	—	741,367
Total recognised income and expenses for the year	239,704	10,781	(15,015)	235,470	2,804	238,274
Minority interests recognised on business combinations	—	—	—	—	230,079	230,079
Amounts contributed by minority interests	—	—	—	—	3,897	3,897
Dividends paid to minority interests	—	—	—	—	(10,314)	(10,314)
Amounts distributed to owner	(65,350)	—	—	(65,350)	—	(65,350)
Balance at 31 December 2005	**915,721**	**10,781**	**(15,015)**	**911,487**	**226,466**	**1,137,953**

Owner's Account

Owner's account comprises undistributed accumulated net profits of the Group and capital contributions made by the Owner.

20 Interest-bearing Loans and Borrowings

	2006 USD'000	2005 USD'000
US dollar bonds and notes 2007-2027 (unsecured)	**23,100**	—
Term loans: secured	**4,676,480**	1,656,205
unsecured	**914,300**	—
Finance leases	**92,000**	—
Mortgage loan	**2,858**	3,062
Mortgage debentures stocks	**2,700**	—
Unsecured loan stock	**6,600**	—
	5,718,038	1,659,267

The secured term loans include USD 4,608 million drawn under a USD 6,800 million credit facility obtained during 2005 by the Group (Thunder FZE and Authority) along with a fellow subsidiary of PCFC ("other joint borrower") from its bankers. The purpose of that credit facility was to fund the acquisition of Peninsular and Oriental Steam Navigation Company (a Public Limited Company registered in United Kingdom). The balance amount in the credit facility was drawn by the other joint borrower.

The credit facility was jointly and severally guaranteed by the Group and other joint borrower. The credit facility is also secured by a charge over all of the shares and stock acquired in Peninsular and Oriental Steam Navigation Company (note 9). The term loan carries interest at floating interest rates.

Subsequent to the year-end, the bankers have agreed to release the other joint borrower as a guarantor in respect of the above mentioned USD 4,608 million term loan.

Under the terms of the loan agreement, the loan is fully repayable after five years from the date of the loan agreement.

Group loans are denominated in the following currencies:

	2006 USD'000	2005 USD'000
Sterling	**279,700**	—
US Dollars	**4,747,476**	1,650,674
Canadian Dollars	**175,500**	—
Australian Dollars	**122,747**	—
Euro	**12,503**	5,531
Indian Rupees	**292,854**	—
Other	**87,258**	3,062
	5,718,038	1,659,267

20 Interest-bearing Loans and Borrowings (Continued)

An analysis of the maturity and interest rates of Group loans is as follows:

2006:

	Within one year USD'000	Between one and two years USD'000	Between two and three years USD'000	Between three and four years USD'000	Between four and five years USD'000	Between five and ten years USD'000	Over ten years USD'000	Total USD'000
Between 5% and 6%	**128,562**	**67,462**	**28,388**	**—**	**4,579,776**	**43,323**	**4,514**	**4,852,025**
Over 6% to 8%	**35,015**	**187,282**	**7,889**	**441,800**	**9,500**	**47,427**	**37,000**	**765,913**
Over 8% to 10%	**28,400**	**35,000**	**16,600**	**6,800**	**13,300**	**—**	**—**	**100,100**
At 31 December 2006	**191,977**	**289,744**	**52,877**	**448,600**	**4,602,576**	**90,750**	**41,514**	**5,718,038**
Current	**191,977**	**—**	**—**	**—**	**—**	**—**	**—**	**191,977**
Non-current	**—**	**289,744**	**52,877**	**448,600**	**4,602,576**	**90,750**	**41,514**	**5,526,061**
								5,718,038

2005:

	Within one year USD'000	Between one and two years USD'000	Between two and three years USD'000	Between three and four years USD'000	Between four and five years USD'000	Between five and ten years USD'000	Over ten years USD'000	Total USD'000
Between 4% and 6%	1,656,409	—	—	—	—	—	—	1,656,409
Over 6% to 8%	—	—	—	—	—	—	—	—
Over 8% to 10%	—	—	—	—	—	—	2,858	2,858
At 31 December 2005	1,656,409	—	—	—	—	—	2,858	1,659,267
Current	1,656,409	—	—	—	—	—	—	1,656,409
Non- current	—	—	—	—	—	—	2,858	2,858
								1,659,267

21 Provisions

	Employee compensation USD'000	Reorganisation and restructuring USD'000	Other provisions USD'000	Total USD'000
At 1 January 2005	—	—	—	—
At 31 December 2005	—	—	—	—
Liabilities acquired in business combinations	6,000	35,500	62,200	103,700
Exchange movements	(800)	3,500	8,400	11,100
Amounts provided during the year	27,600	1,500	58,700	87,800
Unused amounts reversed during the year	—	(8,800)	(6,600)	(15,400)
Transfers to liabilities held for sale	(16,800)	(2,000)	(3,500)	(22,300)
On disposal of subsidiaries	—	—	(200)	(200)
Paid during the year	(16,000)	(17,900)	(30,200)	(64,100)
Total Provisions	**—**	**11,800**	**88,800**	**100,600**
Disclosed as:				
Current	—	11,000	62,800	73,800
Non current	—	800	26,000	26,800
Total Provisions	**—**	**11,800**	**88,800**	**100,600**

Reorganisation and restructuring provision mainly represents the Group's liability in respect of various restructuring and reorganisation activities undertaken by P&O prior to its acquisition by the Authority. This liability primarily relates to the ferries division of the Group.

Other provisions include USD 26,600 thousand in respect of rental guarantees for properties in Germany and the UK, USD 12,700 thousand relating to the repayment of state aid following a European Commission ruling, USD 20,900 thousand in respect of certain claims raised by the previous employees of P&O, USD 8,500 thousand in respect of certain liabilities in the ferries division, and other miscellaneous items.

22 Accounts Payable and Accruals

	2006 USD'000		2005 USD'000	
	Current	Non-current	Current	Non-current
Trade payables	**193,869**	**4,300**	23,346	—
Amounts payable to joint ventures and associates (note 25)	**123,100**	**4,500**	—	—
Tax payables	**67,606**	**—**	2,138	—
Other payables and accruals	**550,401**	**69,751**	122,764	9,235
Fair value of derivatives (note 26)	**23,700**	**9,800**	—	—
Due to other parent group entities (note 25)	**133,746**	**95,385**	420,158	—
	1,092,422	**183,736**	568,406	9,235

23 Pension and Post-Employment Benefits

	2006 USD'000	2005 USD'000
UAE region	**41,589**	69,444
Non UAE region	**297,800**	—
	339,389	69,444

UAE REGION

Movements in the provision recognised in the consolidated balance sheets are as follows:

	2006 USD'000	2005 USD'000
Provision at 1 January	**69,444**	67,026
Provision during the year	**9,493**	6,194
Amounts paid during the year or transferred to related parties (net)	**(37,348)**	(3,776)
Provision as at 31 December	**41,589**	69,444

	2006 USD'000	2005 USD'000
Provision as at 31 December		
Non current	**23,625**	69,444
Current	**17,964**	—
	41,589	69,444

Pension and post-employment benefits at 31 December 2006 include provision for pension costs of UAE National employees of the Authority amounting to USD 24,534 thousand in respect of periods of service prior to 31 December 2002. Payment of this amount to the Pension Authority is being effected through monthly instalments of USD 1,497 thousand (2005: Nil) as agreed with the Pension Authority during 2006.

23 Pension and Post-Employment Benefits (Continued)

NON UAE REGION

Reconciliation of assets and liabilities recognised in the balance sheet

	2006 USD'000	2005 USD'000
Non current		
Defined benefit schemes net liabilities	**243,400**	—
Liabilities from defined contribution schemes	**1,000**	—
Liability in respect of long service leave	**3,900**	—
Liability for other non-current deferred compensation	**1,000**	—
	249,300	—
Current		
Liability for current deferred compensation	**48,500**	—
Net liabilities	**297,800**	—

	2006 USD'000	2005 USD'000
Net liabilities		
Reflected in balance sheet as follows:		
Employee benefits assets (included within other receivables note 17)	**(4,700)**	**—**
Employee benefits liabilities: Non-current	**254,000**	**—**
Employee benefits liabilities: Current	**48,500**	**—**
	297,800	**—**

The defined benefit pension schemes net liabilities of USD 243,400 thousand is in respect of the total P&O schemes shown below. The USD 4,300 thousand net liabilities in respect of the P&O's share of joint ventures and associates are included within investments in joint ventures and associates in the consolidated balance sheet.

The current portion of employee benefits liabilities includes a liability of USD 27,202 thousand in respect of annual leave, USD 13,699 thousand in respect of long service leave, and USD 7,599 thousand in respect of sick leave and other miscellaneous employee benefit items.

Pensions

The P&O participates in a number of pension schemes throughout the world. The principal scheme is located in the UK (the "P&O UK Scheme"). The P&O UK Scheme is a funded defined benefit scheme and was closed to routine new members on 1 January 2002. The assets of the scheme are managed on behalf of the trustee by independent fund managers.

The P&O also operates a number of smaller defined benefit and defined contribution schemes. In addition, the P&O participates in various industry schemes, the most significant of which is the Merchant Navy Officers' Pension Fund (the "MNOPF Scheme"). These generally have assets held in separate trustee administered funds.

23 Pension and Post-Employment Benefits (Continued)

Expenses recognised in income statement

	Defined Benefit Pension schemes						
	P&O UK Scheme USD'000	MNOPF Scheme USD'000	Other schemes USD'000	P&O Group schemes USD'000	Total Associates schemes USD'000	Share of Joint Ventures & 2006 Total USD'000	2005 Total USD'000
Employer's current service cost	11,500	1,500	9,700	22,700	400	23,100	—
Employer's past service cost	3,900	—	200	4,100	—	4,100	—
Gain due to settlements/ curtailments	—	—	(900)	(900)	—	(900)	—
	15,400	1,500	9,000	25,900	400	26,300	—
Expected return on scheme assets	(108,700)	(31,400)	(13,800)	(153,900)	(900)	(154,800)	—
Interest cost	95,800	33,000	13,100	141,900	1,100	143,000	—
	(12,900)	1,600	(700)	(12,000)	200	(11,800)	—
Total defined benefit expenses	2,500	3,100	8,300	13,900	600	14,500	—
Total defined contribution expense	—	—	—	34,927	3,493	38,420	—
	2,500	3,100	8,300	48,827	4,093	52,920	—

The expenses for defined benefit and defined contribution schemes are recognised in the following line items in the income statement:

	Defined Benefit Pension schemes							
	P&O UK Scheme USD'000	MNOPF Scheme USD'000	Other schemes USD'000	Defined Contribution Pension schemes USD'000	Total Group schemes USD'000	Share of Joint Ventures & Associates schemes USD'000	2006 Total USD'000	2005 Total USD'000
Cost of sales	2,600	1,500	4,500	29,612	38,212	—	38,212	—
General and administration expenses	12,800	—	4,500	5,315	22,615	—	22,615	—
Share of results of joint ventures and associates	—	—	—	—	—	4,093	4,093	—
	15,400	1,500	9,000	34,927	60,827	4,093	64,920	—
Financial expense/ (income)	(12,900)	1,600	(700)	—	(12,000)	—	(12,000)	—
	2,500	3,100	8,300	34,927	48,827	4,093	52,920	—

Total pension expenses in relation to defined benefit other schemes include an expense of USD 1,658 thousand in relation to discontinued operations which comprises general and administration costs of USD 737 thousand, cost of sales of USD 553 thousand and net financing costs of USD 368 thousand. Total pension expenses in relation to defined contribution schemes include an expense of USD 4,449 thousand in relation to discontinued operations recognised in operating expenses.

23 Pension and Post-Employment Benefits (Continued)

Total amount of actuarial gains recognised in the statement of recognised income and expense.

	2006 USD'000	2005 USD'000
Total actuarial gains recognised in the statement of recognised income and expense in the year	**197,800**	—

The cumulative amount of actuarial gains recognised in the statement of recognised income and expense is a gain of USD 197,800 thousand (2005: Nil).

Actuarial valuations and assumptions

The latest valuations of the defined benefit schemes have been updated to 31 December 2006 by qualified independent actuaries. The principal assumptions are included in the table below.

The assumptions used by the actuaries are the best estimates chosen from a range of possible actuarial assumptions, which, due to the timescale covered, may not necessarily be borne out in practice.

Actuarial valuations and assumptions

	P&O UK Scheme		MNOPF Scheme		Other schemes		Share of Joint Ventures & Associates schemes	
	2006	2005	2006	2005	2006	2005	2006	2005
Discount rates	**5.10%**	—	**5.10%**	—	**5.30%**	—	**5.40%**	—
Expected rates of salary increases	**4.40%**	—	**4.40%**	—	**3.75%**	—	**3.55%**	—
Pension increases:								
Deferment	**2.90%**	—	**2.90%**	—	**—**	—		
Payment	**2.70%**	—	**2.70%**	—	**2.30%**	—	**3.00%**	—
Inflation	**2.90%**	—	**2.90%**	—	**2.70%**	—	**3.00%**	—
Expected rates of return on scheme assets	**5.70%**	—	**6.85%**	—	**6.20%**	—	**6.50%**	—

In addition to the assumption for expected rates of salary increases set out in the table above, a further allowance for pay increases of up to 3% per annum is applied to members under 50 years of age, the allowance being greater at younger ages.

The assumptions for pensioner longevity under both the P&O UK Scheme and the MNOPF Scheme are based on analyses of pensioner death trends under the respective schemes over many years. For the P&O UK Scheme the PA92U2004 tables are used (with a +1 year age rating applied for females), together with a reduction of 0.1 per cent applied to the discount rate disclosed above to allow for any further longevity improvements, as adopted for the most recent funding valuation of the scheme. This rate is due to be reviewed at the next funding valuation (due to take place at 31 March 2007), and in advance of that review the assumption at this accounting year-end has been strengthened by a further 0.15 per cent p.a. reduction in the discount rate for non-pensioners. For the MNOPF scheme the PA80C2006 tables are used (with a −1 year age rating applied for both males and females), together with a reduction of 0.25 per cent in the discount rate.

23 Pension and Post-Employment Benefits (Continued)

For illustration, the life expectancies for the two schemes at age 65 now and in the future are detailed in the table below.

	Male		Female	
	Age 65 now	Age 65 in 20 years' time	Age 65 now	Age 65 in 20 years' time
P&O UK Scheme	19.7	23.1	21.9	25.4
MNOPF Scheme	18.0	19.5	22.1	23.7

The expected long-term rates of return for each of the main asset classes are subjective judgements based on market indicators, economic background, historical analysis of returns and industry forecasts. They take into account the schemes' strategic asset allocations across the sectors of the main asset classes.

	P&O UK Scheme		MNOPF Scheme		Other Schemes				
	Expected long term rate of return % pa	Fair value USD'000	Expected long term rate of return % pa	Fair value USD'000	Expected long term rate of return % pa	Fair value USD'000	Total Group schemes fair value USD'000	Share of joint ventures and associates schemes fair value USD'000	Total fair value USD'000
2006:									
Equities	**7.70**	**939,800**	**7.70**	**435,000**	**7.85**	**124,900**	**1,499,700**	**10,000**	**1,509,700**
Bonds	**4.60**	**1,571,700**	**5.00**	**178,300**	**4.15**	**74,400**	**1,824,400**	**7,600**	**1,832,000**
Other	**4.20**	**66,800**	**6.05**	**67,000**	**5.55**	**34,000**	**167,800**	**—**	**167,800**
	5.70	**2,578,300**	**6.85**	**680,300**	**6.40**	**233,300**	**3,491,900**	**17,600**	**3,509,500**

	P&O UK Scheme		MNOPF Scheme		Other Schemes				
	Expected long term rate of return % pa	Fair value USD'000	Expected long term rate of return % pa	Fair value USD'000	Expected long term rate of return % pa	Fair value USD'000	Total Group schemes fair value USD'000	Share of joint ventures and associates schemes fair value USD'000	Total fair value USD'000
2005:									
Equities	—	—	—	—	—	—	—	—	—
Bonds	—	—	—	—	—	—	—	—	—
Other	—	—	—	—	—	—	—	—	—
	—	—	—	—	—	—	—	—	—

23 Pension and Post-Employment Benefits (Continued)

Reconciliation of the opening and closing fair value scheme assets and present value defined benefit obligations:

	P&O UK Scheme USD'000	MNOPF Scheme USD'000	Other schemes USD'000	Total Group schemes USD'000	Share of Joint Ventures & Associates schemes USD'000	2006 Total USD'000	2005 Total USD'000
Present value of obligation on acquisition	(2,406,600)	(814,900)	(270,000)	(3,491,500)	(20,000)	**(3,511,500)**	—
Employer's interest cost	(95,800)	(33,000)	(13,100)	(141,900)	(1,100)	**(143,000)**	—
Employer's current service cost	(11,500)	(1,500)	(9,700)	(22,700)	(400)	**(23,100)**	—
Past service costs—vested benefits	(3,900)	—	(200)	(4,100)	—	**(4,100)**	—
Contributions by scheme participants	(2,400)	(1,100)	(3,300)	(6,800)	(200)	**(7,000)**	—
Foreign currency exchange	(300,400)	(99,400)	(23,000)	(422,800)	(2,500)	**(425,300)**	—
Benefits paid	101,700	24,600	21,900	148,200	600	**148,800**	—
Curtailments	—	—	900	900	—	**900**	—
Amounts recognised in the statement of recognised income and expense							
Actuarial gain on obligation	95,900	79,900	2,900	178,700	1,700	**180,400**	—
Transfer to assets/liabilities classified as held for sale	—	—	26,700	26,700	—	**26,700**	—
Present value of obligation at 31 December	(2,623,000)	(845,400)	(266,900)	(3,735,300)	(21,900)	**(3,757,200)**	—

	P&O UK Scheme USD'000	MNOPF Scheme USD'000	Other schemes USD'000	Total Group schemes USD'000	Share of Joint Ventures & Associates schemes USD'000	2006 Total USD'000	2005 Total USD'000
Fair value of scheme assets on acquisition	2,231,000	580,900	223,100	3,035,000	14,200	3,049,200	—
Expected return on scheme assets	108,700	31,400	13,800	153,900	900	154,800	—
Contributions by employer	40,100	12,800	12,200	65,100	700	65,800	—
Contributions by scheme participants	2,400	1,100	3,300	6,800	200	7,000	—
Foreign currency exchange	285,300	75,200	19,800	380,300	2,000	382,300	—
Benefits paid	(101,700)	(24,600)	(21,900)	(148,200)	(600)	(148,800)	—
Amounts recognised in the statement of recognised income and expense							
Actuarial gain on assets	12,500	3,500	1,200	17,200	200	17,400	—
Transfer to assets/liabilities classified as held for sale	—	—	(18,200)	(18,200)	—	(18,200)	—
Fair value of scheme assets at 31 December	2,578,300	680,300	233,300	3,491,900	17,600	3,509,500	—
Defined benefit schemes net liabilities	(44,700)	(165,100)	(33,600)	(243,400)	(4,300)	(247,700)	—
Actual gain on scheme assets	121,200	34,900	15,000	171,100	1,100	172,200	—

23 Pension and Post-Employment Benefits (Continued)

It is anticipated that the Group will make the following contributions to the pension schemes in 2007:

	P&O UK Scheme USD'000	MNOPF Scheme USD'000	Other schemes USD'000	Total Group schemes USD'000	Share of Joint Ventures & Associates schemes USD'000	2007 Total USD'000
Pension scheme contributions	37,700	12,700	10,900	61,300	2,600	63,900

	P&O UK Scheme USD'000	MNOPF Scheme USD'000	Other schemes USD'000	Total Group schemes USD'000	Share of Joint Ventures & Associates schemes USD'000	2006 Total USD'000
2006						
Present value of defined benefit obligation	(2,623,000)	(845,400)	(266,900)	(3,735,300)	(21,900)	(3,757,200)
Fair value of scheme assets	2,578,300	680,300	233,300	3,491,900	17,600	3,509,500
Surplus or deficit in the scheme	(44,700)	(165,100)	(33,600)	(243,400)	(4,300)	(247,700)
Experience gains on scheme assets	12,500	3,500	1,200	17,200	200	17,400
Experience gains on scheme liabilities	95,900	79,900	2,900	178,700	1,700	180,400

P&O UK Scheme

Formal actuarial valuations of the P&O UK Scheme are normally carried out triennially by qualified independent actuaries, the latest completed regular valuation report for the scheme being at 1 April 2003, using the projected unit method. As a result of the decision by P&O Nedlloyd to form its own UK scheme and the request to transfer its share of the assets and liabilities of the P&O UK Scheme into that new scheme, an additional valuation was carried out as at 30 September 2004 using the projected unit method.

At this date, allowing for the P&O Nedlloyd transfer and related transactions, the market value of the P&O UK Scheme's assets were USD 1,786,470 thousand and the value of accrued benefits to members allowing for future increases in earnings was USD 2,128,560 thousand giving a deficit of USD 342,090 thousand and a funding ratio of 83.9 per cent.

The valuation report for 1 April 2006 is currently underway.

Excluding the deficit reduction payments, the average contribution rates for the P&O UK Scheme were 23.7 per cent for the year to 31 December 2006 and 23.7 per cent from 1 January 2007.

The principal long term assumptions in the P&O UK Scheme's 2004 valuation are:

	Nominal % per annum
Price inflation	3.00
Investment return on pre-employment portfolio	6.50
Investment return on post-employment portfolio	5.50
Earnings escalation	4.50
LEL escalation	3.00
Increase in accrued pensions on excess over Guaranteed Minimum Pensions	2.75

As a result of this valuation and the subsequent take over of P&O by the Group, the P&O made a further deficit contribution to the scheme of USD 46,500 thousand in March 2006 and has committed to further

23 Pension and Post-Employment Benefits (Continued)

regular monthly deficit payments totalling USD 139,500 thousand over the next five years. These monthly payments are supported by bank guarantees.

Merchant Navy Officers' Pension Fund

The MNOPF Scheme is a defined benefit multi-employer scheme in which officers employed by companies within the Group have participated and continue to participate.

The scheme is divided into two sections, the Old Section and the New Section, both of which are closed to new members and the latest valuation was carried out at 31 March 2003.

The Old Section has been closed to benefit accrual since 1978. The scheme's independent actuary advised that at 31 March 2003 the market value of the scheme's assets for the Old Section was USD 2,080,596 thousand representing approximately 115 per cent of the value of the benefits accrued to members. The assets of the Old Section were substantially invested in bonds.

As at 31 March 2003, the date of the most recent formal actuarial valuation, the New Section had assets with a market value of USD 1,846,608 thousand, representing approximately 86 per cent of the benefits accrued to members. The valuation assumptions were as follows:

	Nominal % per annum
Discount rate	7.80
Rate of national average earnings increase	4.00
Rate of pension increases (where increases apply)	2.50

At the date of the valuation, approximately 59 per cent of the New Section's assets were invested in equities, 28 per cent in bonds and 13 per cent in property and cash.

Following a court decision in 2005, the trustee advised the P&O that its share of the net deficit of the New Section was 18.319 per cent and issued a schedule of regular deficit payments from P&O companies totalling USD 10,010 thousand per annum commencing on 30 September 2005 and payable annually on 31 March thereafter until 31 March 2014. In addition part of the deficit payments being made by Carnival plc are attributable to the P&O under the terms of the demerger agreement relating to the demerger of P&O Princes Cruises in 2000, these payments equate to a further 1.096 per cent of the net deficit. The proportion of the deficit attributable to the P&O will change following the next actuarial valuation, to be prepared as at 31 March 2006, as not all employers have made their deficit payments, with shortfalls to be reallocated to other employers. The valuation report for the scheme at 31 March 2006 is currently underway.

Merchant Navy Ratings' Pension Fund

The Merchant Navy Ratings' Pension Fund (the "MNRPF Scheme") is an industry wide multi-employer defined benefit pension scheme in which sea staff employed by companies within the P&O have participated. The scheme has a significant funding deficit and has been closed to further benefit accrual.

As at 31 March 2005, the date of the most recent full triennial actuarial valuation carried out by an independent actuary, the scheme had assets with a market value of USD 1,115,100 thousand, representing 86 per cent of the benefits accrued to members allowing for future increases. Approximately 68 per cent of

23 Pension and Post-Employment Benefits (Continued)

the scheme's assets were invested in bonds, 25 per cent in equities and 7 per cent in property and cash. The valuation assumptions were as follows:

	Nominal % per annum
Investment return on pre-employment portfolio	6.50
Investment return on post-employment portfolio	5.00
Rate of national average earnings increase	4.20
Rate of pension increases (where increases apply)	2.70

Following this valuation the P&O is yet to receive any adjustments to the previous schedule of payments. The P&O is making current contributions in respect of subsidiaries that are current employers in the scheme and voluntary payments in respect of subsidiaries that have settled the relevant statutory debt obligations and are no longer current employers within the scheme. Current contributions and voluntary payments by the P&O to the scheme in 2006 totalled USD 10,868 thousand, which included amounts previously provided for. These payments are included within total defined contribution expense for the P&O.

P&O has appointed an independent actuary to estimate the deficit of the MNRPF Scheme at 31 December 2006 using the same assumptions as applied for the IAS 19 valuation of the P&O UK Scheme as set out above. Based on the share of current contributions to the scheme by P&O companies, the Group's share of the estimated deficit could be between USD 11,742 thousand and USD 15,656 thousand.

The Group cannot identify its share of the underlying assets and liabilities of the MNRPF Scheme on a consistent and reasonable basis and is therefore accounting for contributions and payments to the MNRPF Scheme under IAS 19 as if it were a defined contribution scheme.

Other schemes

Other defined benefit schemes include schemes in Australia, Ireland, Canada, Indonesia, South Africa, Pakistan, North America, Hong Kong and the Philippines.

Other industry schemes are mainly overseas multi-employer schemes, in which the Group is unable to identify its share of the underlying assets and liabilities on a consistent and reasonable basis. The Group is therefore accounting for contributions to these schemes as if they were defined contribution schemes for IAS 19 purposes.

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") in Hong Kong, under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the consolidated statement income as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The Group also operates a defined contribution retirement benefits scheme (the "ORSO Scheme") in Hong Kong for those employees who are eligible to participate in this scheme. The ORSO Scheme operates in a similar way to the MPF Scheme, except that when an employee leaves the ORSO Scheme before his/her interest in the Group's employer contributions vesting fully, the ongoing contributions payable by the Group are reduced by the relevant amount of the forfeited employer contributions.

The Group operates one defined benefit pension plan in Australia through the Stevedoring Employees' Retirement Fund (SERF), which requires contributions to be made to a separately administered fund. This fund is a multi-employer superannuation plan, and as such, there is no reliable basis for allocating benefits, assets and costs between employers. The Group has therefore adopted multi employer provisions when

23 Pension and Post-Employment Benefits (Continued)

reporting under IFRS. Those provisions allow the employers to report as if the fund was a defined contribution fund.

SERF is a superannuation fund which, in addition to providing defined contribution benefits to some categories of members, provides other members with defined benefits. There is no basis that could be used to definitively apportion the benefits, assets and costs associated with the fund, between the various full participating employers.

A total surplus of Australian Dollars 126.4 million was determined in SERF as at 30 June 2004, using a net of tax discount rate of 5.04% p.a. and an assumed future salary escalation rate of 3.5% p.a. Other assumptions relating to decrements are as set out in the report on the most recent actuarial valuation of SERF.

From time to time, surpluses arise in SERF, which allow a reduction in the rate of contributions the employers pay. Typically, any surplus is shared between members and employees, on a basis agreed by the trustee, from time to time. The trust deed and rules of SERF limit the amount of contributions payable by an employer in respect of defined benefits. Hence, if there were a deficit, it is expected that the employers would not be required to pay any more contributions at 12.6%.

A contractual agreement exists between the Group and SERF as to how part of surplus in the employers' fund can be used and, accordingly, the Group has recognised the asset attributable to them.

24 Segment Information

Following the acquisition of P&O during 2006 (note 1), the primary segment reporting format was changed to business segments as the Group's risks and rates of return are now affected predominantly by different business segments in which the Group operates. Secondary information is reported geographically. During 2005, the Group had only one major business segment; being port operations and for reporting purposes it used to segment those operations by geographical locations. However, with the acquisition of P&O, 2005 comparatives have been changed in accordance with 2006 presentation. The operating businesses are organised and managed separately according to the nature of the services provided, with each segment representing a strategic business unit that offers different services and also serves a different market.

Segment revenue, segment expense and segment result include transfers between business segments. Those transfers are eliminated in consolidation.

The Group's geographical segments are based on the location of the Group's assets. Sales to external customers disclosed in geographical segments are based on the geographical location of its customers.

24 Segment Information (Continued)

The following table presents revenue and profit and certain assets and liability information regarding the Group's geographical segments for the years ended 31 December 2006 and 2005.

2006:

Segment analysis by business segments

	Ports USD'000	Ferries USD'000	Properties USD'000	Head office USD'000	Total USD'000
Revenue	2,315,478	1,436,000	48,400	—	3,799,878
Less: Revenue from discounted operations	(270,300)	—	(42,800)	—	(313,100)
Revenue from continuing operations	2,045,178	1,436,000	5,600	—	3,486,778
Segment result	549,652	98,900	(3,437)	(101,000)	544,115
Less: Segment result from discontinued business	(8,070)	—	(11,163)	—	(19,233)
Segment result from continuing operations	541,582	98,900	(14,600)	(101,000)	524,882
Net finance cost	(269,569)	—	—	(38,400)	(307,969)
Profit/(loss) for the year	280,083	98,900	(3,437)	(139,400)	236,146
Less: Loss from discontinued business	(8,070)	—	(11,163)	—	(19,233)
Profit/(loss) from continuing operations	272,013	98,900	(14,600)	(139,400)	216,913
Segment assets	16,521,627	975,400	506,100	239,000	18,242,127
Segment liabilities	5,778,580	572,600	239,900	1,174,501	7,765,581
Add: Tax liabilities					1,345,134
Total liabilities					9,110,715
Capex	690,028	21,900	600	—	712,528
Depreciation	175,775	50,500	400	400	227,075
Amortisation	68,948	—	—	—	68,948

2006:

Segment analysis by geographical segments

	Asia Pacific and Indian Sub-continent USD'000	Americas USD'000	Australia USD'000	Europe and North and West Africa USD'000	UAE, Middle East and South and East Africa USD'000	Head Office USD'000	Total USD'000
Revenue	333,307	407,222	495,033	1,858,571	692,481	13,264	3,799,878
Less: Revenue from discounted operations	—	(270,300)	—	(42,800)	—	—	(313,100)
Revenue from continuing operations	333,307	136,922	495,033	1,815,771	692,481	13,264	3,486,778
Segment assets	5,734,965	1,580,036	1,876,222	5,860,411	1,739,330	1,451,163	18,242,127
Profit/(loss) for the year	131,791	47,848	61,007	119,380	414,722	(538,602)	236,146
Less: Profit from discontinued operations	—	(8,070)	—	(11,163)	—	—	(19,233)
Profit/(loss) from continued operations	131,791	39,778	61,007	108,217	414,722	(538,602)	216,913
Depreciation	46,748	16,694	31,326	82,396	49,911	—	227,075

24 Segment Information (Continued)

2005:

Segment analysis by business segments

	Ports USD'000	Ferries USD'000	Properties USD'000	Head office USD'000	Total USD'000
Revenue	674,920	—	—	—	674,920
Profit for the year before net finance cost	297,498	—	—	—	297,498
Net finance cost	—	—	—	(54,990)	(54,990)
Profit / (loss) for the year	297,498	—	—	(54,990)	242,508
Segment assets	3,627,549	—	—	—	3,627,549
Segment liabilities	2,304,214	—	—	—	2,304,214
Add: Tax liabilities					185,382
Total liabilities					2,489,596
Capex	320,604	—	—	—	320,604
Depreciation	49,626	—	—	—	49,626
Amortisation	5,825	—	—	—	5,825

Segment analysis by geographical segments

	Asia Pacific and Indian Sub-continent USD'000	Americas USD'000	Australia USD'000	Europe and North and West Africa USD'000	UAE, Middle East and South and East Africa USD'000	Head Office USD'000	Total USD'000
Revenue	30,074	446	24,295	63,714	547,991	8,400	674,920
Segment assets	1,644,893	92,829	66,663	209,244	1,485,936	127,984	3,627,549
Loss (profit) for the year	(25,639)	(5,326)	1,281	2,017	325,366	(55,191)	242,508
Depreciation	6,647	334	958	3,221	36,967	1,499	49,626

25 Related Party Transactions

For the purpose of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over it in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or significant influence i.e. part of the same Parent Group.

Related parties represent associated companies, major shareholders, directors and key management personnel of the Group, and entities jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management.

Transactions with related parties during the years are as follows:

a) The Parent Group operates a Shared Services Unit (SSU) which processes and maintains the accounting records of the Authority and other companies within the Parent Group and provides certain other administrative services to the Authority and such other companies. During 2006, effective 1 July 2006, the Authority has ceased to use the services of SSU in respect of maintaining and processing its accounting records. This function is now performed by the finance and accounting department of the Authority. SSU recharged the proportionate costs of services provided to the Authority and the other companies. SSU also processes the payroll for the Authority and such companies and recharges the respective payroll costs to them.

b) All liabilities in respect of amounts payable to third parties by certain companies in the Parent Group were previously taken over by the Authority, which disbursed funds on behalf of those companies. In addition, surplus funds of the Parent Group were transferred to the Authority for the purpose of

25 Related Party Transactions (Continued)

central cash management of the Parent Group (the "Central Treasury Functions"). Amounts disbursed on behalf of certain companies in the Parent Group and surplus funds of the Parent Group transferred to the Authority did not bear any interest. With effect from 1 July 2006, the Authority has transferred the treasury function in respect of other Parent Group entities to PCFC and all amounts due from and due to related parties in respect thereof were taken over by PCFC. Consequently, the Group now only operates its own treasury function.

c) PCFC's bankers have issued letters of credit amounting to Nil (2005: USD 87,750 thousand) on behalf of the Group;

d) The Owner has made a capital contribution of USD 6,450,403 thousand during 2006 (note 19). The details of the Owner's capital contribution are as follows:

	USD'000
Amounts contributed in cash	4,000,000
Long term payable to a related party taken over by the Owner (refer note (i) below)	1,500,000
Amounts in respect of acquisition of Thunder FZE (refer note (ii) below)	950,403
	6,450,403

Note (i)

During 2006, the Authority agreed with the banks to transfer a portion of its liability under a secured term loan amounting to USD 1,500,000 thousand to the other joint borrower (a fellow subsidiary of PCFC). The liability to the fellow subsidiary which arose as result of above transfer was taken over by the Owner of the Group. This amount has been transferred to the Owner's account at the request of the Owner.

Note (ii)

During 2006, the Authority acquired a 100% beneficial ownership in Thunder FZE from PCFC for USD 950,403 thousand. This amount payable to PCFC has been transferred to the Owner's account.

Transactions with related parties included in the financial statements are as follows:

	2006 Other related parties USD'000	**2005 Other related parties USD'000**
Shared services costs charged by a related party	**19,104**	17,052
Expenses charged by other Parent Group entities	**12,274**	839
Management fee charged to associates	**1,042**	2,887

Balances with related parties included in the balance sheet are as follows:

	2006		**2005**	
	Amounts due from related parties USD'000	**Amounts due to related parties USD'000**	**Amounts due from related parties USD'000**	**Amounts due to related parties USD'000**
Associates and joint ventures	**21,267**	**127,600**	14,237	—
Other Parent Group entities	**443,191**	**229,131**	484,878	420,158
	464,458	**356,731**	499,115	420,158

25 Related Party Transactions (Continued)

The extent of the Authority's ownership in its various subsidiaries and associates and their principal activities are as follows:

Name	Ownership Interest 2006	Ownership Interest 2005	Country of incorporation	Principal Activities
Subsidiaries:				
DP World FZE	**100%**	100%	United Arab Emirates	Management and operation of Seaports and airports and leasing of port equipment
Peninsular and Oriental Steam Navigation Company Limited	**100%**	—	United Kingdom	Management and operations of Seaports, running ferries and real estate investment, development and management
CSX World Crane Services (Shanghai) Limited	**100%**	100%	People's Republic of China	Technical Support, Services and Consulting to Crane Manufacturers
DPI Crane Services UK Limited	**100%**	100%	United Kingdom	Investment Holding Company
DPI Terminals (Bermuda) Limited	**100%**	100%	Bermuda	Holding Company
DPI Terminals (Europe) Limited	**100%**	100%	United Kingdom	Holding Company
DP World Germersheim Beteiligungs, GmbH	**100%**	100%	Germany	Holding Company
DP World Germersheim, GmbH and Co. KG	**100%**	100%	Germany	Terminal and Barge Management (Operator)
CSX World Terminals Hong Kong Limited	**66.66%**	66.66%	Hong Kong	Terminal Operator (Construction, Maintenance, Warehousing)
DPI Terminals Latin Holdings Limited	**100%**	100%	Bermuda	Holding Company
CSX World Terminals South African (Proprietary) Limited	**100%**	100%	Republic of South Africa	Holding Company
DP World Zurich I LLC	**100%**	100%	Delaware, USA	Holding Company
DP World Asia Limited	**100%**	100%	Hong Kong	Investment Holding Company
DP World Zurich II LLC	**100%**	100%	Delaware, USA	Holding Company
DP World China (Qingdao) Limited	**100%**	100%	Cayman Islands	Holding Company
DP World China (Yantai) Limited	**100%**	100%	Cayman Islands	Holding Company
DPI Terminals (Latin America) Management Ltd.	**100%**	100%	British Virgin Islands	Management Company
DP World 8 Limited	**66.66%**	66.66%	British Virgin Islands	Investment Holding Company
DP World Adelaide PTY Ltd.	**85.47%**	85.47%	Australia	Terminal Operations
DPI Terminals Asia (BVI) Ltd.	**100%**	100%	British Virgin Islands	Holding Company
DPI Terminals Asia Holdings Ltd.	**100%**	100%	British Virgin Islands	Holding Company
DP World Australia Pty. Ltd	**100%**	100%	Australia	Holding Company

25 Related Party Transactions (Continued)

Name	Ownership Interest 2006	Ownership Interest 2005	Country of incorporation	Principal Activities
Subsidiaries:				
DPI Terminals (BVI) Limited	**100%**	100%	British Virgin Islands	Holding Company
DPI Terminals Dominicana Limited	**70%**	70%	British Virgin Islands	Holding Company
DP World Germesheim B.V.	**100%**	100%	The Netherlands	Terminal and Barge Operator
DPI Terminals Holding C.V.	**100%**	100%	The Netherlands	Holding Company
DPI Terminals International B.V.	**100%**	100%	The Netherlands	Holding Company
DPI Terminals Management B.V.	**100%**	100%	The Netherlands	Management Company
DPI Terminals Management Consultation (Shanghai) Co. Ltd	**100%**	100%	People's Republic of China	Management Company
Dubai International Djibouti FZE	**100%**	100%	UAE	Terminal Operator
Greenstone Overseas, Inc.	**100%**	100%	British Virgin Islands	Holding Company
India Gateway Terminal Pvt. Ltd	**76%**	76.%	Cochin, India	Terminal Operator
Kingsfund Limited	**100%**	100%	Hong Kong	Investment Holding Company
Linerbulk Shipping Pty Limited	**100%**	100%	Australia	Investment Holding Company
Network Financing, B.V.	**100%**	100%	The Netherlands	Holding and Finance Company
Pacific Container Limited	**66.66%**	66.66%	British Virgin Islands	Holding Company
Pacific Owner Limited	**66.66%**	66.66%	British Virgin Islands	Investment Holding Company
DP World Switzerland LLC	**100%**	100%	Delaware, USA	Holding Company
Yarimca Porselen Sanayi Ve Ticaret A.S	**100%**	100%	Turkey	Terminal Operator
Constanta South Container Terminal SRL	**100%**	100%	Romania	Terminal Operator
Asia Container Terminals Holdings Limited	**55.16%**	58.76%	Cayman Islands	Holding Company
DP World Infrastructure Ltd	**100%**	100%	Hong Kong	Holding Company
DP World Financial Management Inc.	**100%**	100%	Delaware, USA	Holding Company
DP World China Investments Ltd	**100%**	100%	British Virgin Islands	Holding Company
DP World Luxembourg S.A.R.L.	**100%**	100%	Luxembourg	Holding Company
DP World Crane Services LLC	**100%**	100%	Delaware, USA	Crane Maintenance and Repair
DP World Crane Services International LLC	**100%**	100%	Delaware, USA	Holding Company
DP World China Holdings Ltd	**100%**	100%	Hong Kong	Holding Company
Rail Rhine BV	**100%**	100%	The Netherlands	Holding Company (Dormant)

25 Related Party Transactions (Continued)

Name	Ownership Interest 2006	Ownership Interest 2005	Country of incorporation	Principal Activities
Subsidiaries:				
DP World LLC	**100%**	100%	Delaware, USA	Holding Company
CSX World Crane Services International Mauritius Ltd	**100%**	100%	Mauritius	Holding Company
DP World Qingdao Company Ltd.	**100%**	100%	People's Republic of China	Terminal Operator
Dubai Ports International UK Ltd	**100%**	100%	United Kingdom	Terminal Management Service Provider
Orange Blossom Investment Co. Ltd.	**100%**	100%	British Virgin Islands	Holding Company
SL Service, Inc.	**100%**	100%	Delaware, USA	Containerized Transportation Company
Container Terminals Australia Ltd.	**100%**	—	Australia	Container terminal operations
Mundra International Container Terminal Limited	**100%**	—	India	Container Terminal Operations
Nhava Sheva International Container Terminal Private Ltd.	**100%**	—	India	Container Terminal Operations
P&O Australia Potts Pty Ltd.	**100%**	—	Australia	Holding Company
P&O Maritime Services Pty Ltd.	**100%**	—	Australia	Off shore services, ships agency and chartering
P&O Polar Australia Pty Ltd.	**100%**	—	Australia	Antartic research and resupply services
P&O PNG Ltd.	**100%**	—	Papua New Guinea	Port and maritime services
P&O Ports Antwerp NV	**100%**	—	Belgium	Container terminal and other port operations
P&O Ports Canada Inc	**100%**	—	Canada	Container Terminals and Stevedoring
P&O Ports Ltd.	**100%**	—	Australia	Container Terminals, stevedoring and international port management
P&O Ports North America Inc.	**100%**	—	USA	Stevedoring and Passenger Terminal services
Ports Insurance Company Inc	**100%**	—	Delaware, USA	Workers Compensation Insurance
Qasim International Container Terminal Pakistan Ltd	**55%**	—	Pakistan	Container terminal operations
Southampton Container Terminals Ltd	**51%**	—	United Kingdom	Container terminal operations
Terminales Rio de la Plata SA	**53.1%**	—	Argentina	Container terminal operations
Lame Harbour Ltd	**100%**	—	Northern Ireland	Harbour operator
P&O European Ferries (Irish Sea) Ltd	**100%**	—	United Kingdom	Ferry services

25 Related Party Transactions (Continued)

Name	Ownership Interest 2006	Ownership Interest 2005	Country of incorporation	Principal Activities
Subsidiaries:				
P&O European Ferries (Portsmouth) Ltd	**100%**	—	United Kingdom	Ferry services
P&O European Ferries (Holdings) Ltd	**100%**	—	United Kingdom	Holding Company
P&O Ferries Ltd	**100%**	—	United Kingdom	Ferry services
P&O Ferrymasters Ltd	**100%**	—	Northern Ireland	International unit loads
P&O North Sea Ferries BV	**100%**	—	Netherland	Ferry services
P&O North Sea Ferries Ltd	**100%**	—	United Kingdom	Ferry services
HTC Hanseatic Trade Center Gmbh & Co Grundbesitz KG	**47.5%**	—	Germany	Property development
P&O Developments Ltd	**100%**	—	United Kingdom	Property development
P&O Properties Inc	**100%**	—	USA	Holding Company
P&O Properties Ltd	**100%**	—	United Kingdom	Property management
P&O Property Holdings Ltd	**100%**	—	United Kingdom	Property investment
Asian Terminals Inc	**84.1%**	—	The Philippines	Container Terminal Operations
Chennai Container Terminal	**75%**	—	India	Container Terminal Operations
Joint ventures and associates:				
Asia Container Terminals Limited	**55.16%**	58.7647%	Hong Kong	Terminal Operator
ATL Logistics Centre Hong Kong Limited	**34.00%**	34.00%	Hong Kong	Warehouse Owner/Operator
ATL Logistics Centre Yantian Limited	**48.83%**	48.83%	Hong Kong	Warehousing and Logistics
Caucedo Investment Inc.	**35.00%**	35.00%	British Virgin Islands	Terminal Operator
Caucedo Logistics Center, Inc.	**35.00%**	35.00%	British Virgin Islands	Logistics Company
Caucedo Services Inc.	**35.00%**	35.00%	British Virgin Islands	Marketing Company
CSX Orient (Tianjin) Container Terminals Co. Limited	**24.50%**	24.50%	People's Republic of China	Terminal Operator
Pusan New Port Co. Ltd.	**39.55%**	39.55%	Korea	Terminal Operator
DP World New World Limited	**50.00%**	50.00%	British Virgin Islands	Holding Company
DPI Terminals Yantai Company Limited	**32.50%**	50.00%	People's Republic of China	Terminal Operator
Dudula-CSX World Terminals (Proprietary) Limited	**50%**	50.00%	Republic of South Africa	Terminal Operator

25 Related Party Transactions (Continued)

Name	Ownership Interest 2006	Ownership Interest 2005	Country of incorporation	Principal Activities
Joint ventures and associates:				
Venezuela Terminals and Logistics VTA CA	**50%**	50%	Venezuela	Holding Company
Shanghai JIFA Logistics Co. Ltd.	**21.99%**	21.99%	People's Republic of China	Warehousing and Logistics
CT9 Project Management Limited	**19.59%**	19.59%	Hong Kong	Project Management Holding Company
Shanghai Pudong JiFa Logistics Company Limited	**19.79%**	19.79%	People's Republic of China	Warehouse and Logistics
PT Terminal PetikemasSurabaya	**49%**	—	Indonesia	Container Terminal operations
Port Newark Container Terminal LLC	**50%**	—	USA	Container Terminal operations
Port Synergy SAS	**50%**	—	France	Container Terminal operations
ATL Logistics Centre Yantian (Shenzhen) Ltd.	**48.83%**	48.83%	People's Republic of China	Warehousing and Logistics Management Information Consultancy
Vishaka Container Terminals Private Limited	**26%**	26%	India	Terminal Operator
CSX World Terminals Boulton Puerto Cabello, C.A.	**50.00%**	50.00%	Venezuela	Terminal Operator
DP World New World (Tianjin) Limited	**50.00%**	50.00%	Cayman Islands	Investment Holding Company
Zona Franca Multimodal Caucedo S.A.	**35%**	35%	Dominican Republic	Terminal Management Service Provider
Asia Container Terminals French Leasing Limited	**55.76%**	58.76%	Hong Kong	Holding Company
Antwerp Gateway N.V.	**42.5%**	—	Belgium	Container Terminal Operations
Laem Chabang International Terminal Co. Ltd.	**34.5%**	—	Thailand	Container Terminal Operations
Manutention General Mediterraneene SA (Marseille)	**25.5%**	—	France	Container Terminal Operations
Manutention Terminal Nord Development SA (Le Havre)	**41.67%**	—	France	Container Terminal Operations
Qingdao Qianwan Container Terminal	**29%**	—	People's Republic of China	Container Terminal Operations
Shekou Container Terminals Ltd	**22%**	—	People's Republic of China	Container Terminal Operations
South Asia Gateway Terminals Pte Ltd.	**16.2%**	—	Sri Lanka	Container Terminal Operations
Tilbury Container Services Ltd.	**34%**	—	United Kingdom	Container Terminal Operations

25 Related Party Transactions (Continued)

Compensation of key management personnel

The remuneration of directors and other key members of the management during the years were as follows:

	2006 USD'000	2005 USD'000
Short-term benefits	**7,017**	4,811
Employees' end of service benefits	**540**	454
	7,557	5,265

26 Derivatives

The table below shows the positive and negative fair values of derivative financial instruments, which are equivalent to the fair values, together with the notional amounts analysed by the term to maturity. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the years end and are neither indicative of the market risk nor credit risk.

31 December 2006:

				Notional amounts by term to maturity			
	Positive fair value USD'000	Negative fair value USD'000	Notional amount Total USD'000	Within 3 months USD'000	Over 3 months to 6 months USD'000	Over 6 months to 12 months USD'000	Over 1 to 5 years USD'000
Derivatives held as cash flow hedges:							
Interest rate swaps	35,291	16,576	6,498,739	—	—	695,575	5,803,164
Forward foreign exchange contracts	837	6,893	183,874	—	—	173,997	9,877
Others	—	10,031	62,775	—	—	58,170	4,605
	36,128	**33,500**	**6,745,388**	**—**	**—**	**927,742**	**5,817,646**

31 December 2005:

				Notional amounts by term to maturity			
	Positive fair value USD'000	Negative fair value USD'000	Notional amount Total USD'000	Within 3 months USD'000	Over 3 months to 6 months USD'000	Over 6 months to 12 months USD'000	Over 1 to 5 years USD'000
Derivatives held as cash flow hedges:							
Interest rate swap	10,781	—	1,360,555	—	—	—	1,360,555

Derivative product types

Swaps are contractual agreements between two parties to exchange interest or foreign currency differentials based on a specific notional amount. For interest rate swaps, counterparties generally exchange fixed and floating rate interest payments based on a notional value in a single currency.

Forwards are contractual agreements to either buy or sell a specified currency, commodity or financial instrument at a specific price and date in future. Forwards are customised contracts transacted in the over-the-counter market.

26 Derivatives (Continued)

Others mainly includes commodity futures contracts which are standardised, transferable, exchange-traded contracts that require delivery of a commodity, bond, currency, or stock index, at a specified price, on a specified future date.

Derivative related credit risk

Credit risk in respect of derivative financial instruments arises from the potential for a counterparty to default on its contractual obligations and is limited to the positive fair value of instruments that are favourable to the Group. All the derivative contracts of the Group are entered into with reputable financial institutions.

Derivatives held or issued for hedging purposes

The Group uses interest rate swaps to hedge against the cash flow risks arising on interest payments on long term loans. Forward foreign exchange contracts are used to hedge against the variability in cash flows arising as a result of movements in foreign exchange rates that are either associated with a recognised asset or liability or a highly probable firm commitment. In all such cases, the hedging relationship and objective, including details of the hedged item and hedging instrument, are formally documented and the transactions are accounted for as cash flow hedges.

27 Capital Commitments

	2006 USD'000	2005 USD'000
Estimated capital expenditure contracted for at the balance sheet date but not provided for	**123,490**	38,641

28 Contingencies

Legislation and regulations regarding taxation are constantly evolving in a number of the territories in which the Group operates. The various legislation and regulations are not always clearly written and their interpretation is subject to the opinions of both local authorities and national authorities.

The Group's policy is to accrue for contingencies, including those relating to taxation, whenever there is a probable outflow of resources embodying economic benefits in order to settle an obligation and the amount is reasonably determinable.

The Group has contingent liabilities amounting to USD 5,720 thousand mainly in respect of performance guarantees (2005: USD 5,720 thousand) issued by the Group's bankers and letters of credit amounting to Nil (2005: USD 87,750 thousand) issued by PCFC's bankers. Loan and lease guarantees issued on behalf of joint ventures and associates amount to USD 221,600 thousand (2005: nil). Other contingent liabilities amount to USD 282,000 thousand (2005: nil).

Included within amounts receivable relating to previous corporate disposals is an amount outstanding of USD 4,700 thousand net of relevant provisions arising following the sale of Bovis Group plc in 1999 by P&O. Pursuant to the sale terms P&O is obliged to provide loan funding and partial indemnification for one of Bovis' projects, the construction of which is now completed and is the subject of litigation.

A contingent liability exists in a joint venture of the Group relating to a value added tax assessment resulting from a tax audit for the year 2003. The joint venture company believes that there is no liability. Accordingly, it has objected to the assessment and is currently awaiting rulings from the tax authority. The Group's share of the contingent liability relating to the 2003 assessment is USD 4.3 million. If the assessment for 2003 is upheld, there may be liabilities relating to other years but these cannot be reliably estimated until tax rulings following the objection have been published.

28 Contingencies (Continued)

Operating lease commitments—Group as lessee

Future minimum rentals payable under non-cancellable operating leases as at 31 December are as follows:

	2006 USD'000	2005 USD'000
Within one year	**280,369**	7,408
After one year but not more than five years	**927,652**	16,377
More than five years	**2,636,568**	97,879
	3,844,589	121,664

Operating lease commitments—Group as lessor

Future minimum rentals receivable under non-cancellable operating leases as at 31 December are as follows:

	2006 USD'000	2005 USD'000
Within one year	**10,979**	1,000
After one year but not more than five years	**3,245**	7,795
More than five years	**1,469**	7,838
	15,693	16,633

Finance lease commitments

Finance lease liabilities are payable as follows:

	2006			2005		
	Minimum lease payments USD'000	Interest USD'000	Principal USD'000	Minimum lease payments USD'000	Interest USD'000	Principal USD'000
Less than one year	**14,894**	**4,697**	**10,197**	—	—	—
Between one and five years	**45,990**	**13,895**	**32,095**	—	—	—
More than five years	**67,908**	**18,200**	**49,708**	—	—	—
	128,792	**36,792**	**92,000**	—	—	—

29 Risk Management

The Group's principal financial instruments, other than derivatives, comprise bank loans and cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The Group also enters into derivative transaction including, principally, interest rate swaps. The purpose is to manage the interest rate risk arising from the Group's sources of finance.

It is, and has been throughout the years under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are cash flow interest rate risk, liquidity risk, foreign currency risk and credit risk. The senior management reviews and agrees policies for managing each of these risks and they are summarised below. The Group's accounting policies in relation to derivatives are set out in note 2.3.

29 Risk Management (Continued)

Cash flow interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with a floating interest rate and bank deposits.

The Group's policy is to manage its interest cost by entering into interest rate swap agreements, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. These swaps are designated to hedge underlying debt obligations.

At 31 December 2006, after taking into account the effect of interest rate swaps, approximately 99% of the Group's borrowings are at a fixed rate of interest.

Foreign currency risk

As a result of significant investment operations in Hong Kong, China, India, Australia, Korea and the Dominican Republic, the Group's balance sheet can be affected significantly by movements in exchange rates of the Hong Kong Dollar, Indian Rupee, Chinese Yuan, Australian Dollar, Korean Won and Dominican Republic Pesos with the US Dollar exchange rates. The Group did not seek to hedge these currency exposures.

Translational currency risk

The proportion of the Group's net operating assets denominated in foreign currencies is 82 per cent with the result that the Group's US Dollar consolidated balance sheet, and in particular owner's equity, can be significantly affected by currency movements when it is retranslated at each period end rate. The Group mitigates the effect of such movements by borrowing in the same currencies as those in which the assets are denominated and using cross currency swaps. In addition the majority of the Group's operating profit in 2006 was generated by businesses with functional currencies other than US Dollar. The results of these businesses are translated into US Dollar at average exchange rates for the purposes of consolidation. The impact of currency movements on operating profit is mitigated partially by interest costs being incurred in foreign currencies.

Exchange differences arising on foreign currency investments are taken directly to equity. Most foreign currency loans are accounted for as hedges and the exchange difference arising from retranslating these loans at each balance sheet date is taken to equity to the extent that this hedge is deemed to be effective. Where cross currency swaps are used to hedge overseas equity investments, the movement in the fair value of the instrument is also taken to equity.

Transactional currency risk

A portion of the Group's businesses generate part of their revenue and incur some costs outside their main functional currency. Due to the diverse number of locations in which the Group operates there is some natural hedging that occurs within the Group. When it is considered that currency volatility could have a material impact on the results of an operation, hedging, generally up to 12 months using forward contracts, is undertaken to reduce the short term effect of currency movements.

When the Group's businesses enter into capital expenditure or lease commitments in currencies other than their main functional currency, these commitments are hedged in most instances using forward contracts and currency swaps in order to fix the cost when converted to the functional currency. The main exposure of the Group's foreign currency commitments of this nature is in respect of ferry operating lease commitments. Forward contracts match the expected cash flows of capital and lease commitments.

The Group classifies its forward exchange contracts hedging forecasted transactions as cash flow hedges and in accordance with IAS 39 states them at fair value. The fair values of hedges of forecasted transactions at 31 December 2006 are shown in the fair value table below.

29 Risk Management (Continued)

As well as the direct effect on cash flows, exchange rates also affect the Group's businesses because of their overall economic influence. In particular, exchange rates affect international trade flows which impact on the activities of the Group.

Commodity price risk

The Group has no significant commodity price risk.

Credit risk

The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures and required to submit financial guarantees based on their creditworthiness. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents and certain derivative instruments, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

The Group limits its credit risk with regard to bank deposits by only dealing with reputable banks.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank facilities and by ensuring adequate internally generated funds and funds from the Parent Group are available when required. The Group's terms of business require amounts to be paid within 60 days of the date of provision of the service. Trade payables are normally settled within 45 days of the date of purchase.

30 Assets held for sale and discontinued operations

(a) P&O Ports North America

P&O Ports North America ('POPNA') was classified as a discontinued operation held for sale at the time of acquisition of P&O. Pursuant thereto, on 10 December 2006, the Group entered into an agreement to sell 100% of POPNA. POPNA is part of the Ports business segment within the Americas operations. During the period from 9 March 2006 to 31 December 2006 POPNA contributed USD 34,500 thousand to the Group's net operating cash flow, generated USD 17,300 thousand cash outflow from investing activities, and utilised USD 2,700 thousand in respect of financing activities.

The results of P&O North America for 2006 are presented below:

	9 March 2006 to 31 December 2006 USD'000
Revenue	**270,300**
Expenses	**(251,955)**
	18,345
Share of results of joint ventures and associates	**3,638**
Operating profit	**21,983**
Financial income	**3,300**
Financial expenses	**(10,900)**
Profit before tax from discontinued operation	**14,383**
Taxation	**(6,313)**
Profit for the period from discontinued operation	**8,070**

The major classes of assets and liabilities of P&O Ports North America as at 31 December 2006 were as follows:

	2006 USD'000
Assets	
Non-current assets	
Intangibles	**392,699**
Property, plant and equipment	**77,800**
Investments in joint ventures and associates	**295,586**
	766,085
Current assets	
Trade and other receivables	**52,500**
Tax recoverable	**(5,700)**
Cash and cash equivalents	**77,500**
	124,300
Assets classified as held for sale	**890,385**

30 Assets held for sale and discontinued operations (Continued)

	2006 USD'000
Liabilities	
Current liabilities	
Trade and other payables	**49,900**
Provisions	**16,800**
	66,700
Non-current liabilities	
Deferred tax liabilities	**197,976**
Employee benefits	**13,100**
Provisions	**72,600**
	283,676
Liabilities classified as held for sale	**350,376**

(b) P&O Estates

P&O Estates is part of the Property business segment within the UK and Continental Europe operations. As at 31 December 2006 P&O Estates was classified as a disposal group held for sale as Group is in the process of selling this business unit to a related party forming part of the Parent Group. During the period from 9 March 2006 to 31 December 2006 P&O Estates contributed USD 71,400 thousand to the Group's net operating cash flow, generated USD 300 thousand cash outflow from investing activities, and utilised USD 900 thousand in respect of financing activities.

The results of P&O Estates for 2006 are presented below:

	9 March 2006 to 31 Dec 2006 USD'000
Revenue	**42,800**
Expenses	**(35,838)**
	6,962
Share of results of joint ventures and associates	**7,500**
Operating profit	**14,462**
Financial income	**700**
Financial expenses	**(500)**
Profit before tax from discontinued operation	**14,662**
Taxation	**(3,499)**
Profit for the period from discontinued operation	**11,163**

30 Assets held for sale and discontinued operations (Continued)

The major classes of assets and liabilities of P&O Estates as at 31 December 2006 were as follows:

	2006 USD'000
Assets	
Non-current assets	
Property, plant and equipment	**37,669**
Intangible assets	**79,067**
Investments in joint ventures and associates	**56,000**
Other investments	**2,300**
	175,036
Current assets	
Trade and other receivables	**27,300**
Properties held for development and sale	**70,600**
Inventories	**11,500**
Cash and cash equivalents	**16,000**
	125,400
Assets classified as held for sale	**300,436**
Liabilities	
Current liabilities	
Trade and other payables	**27,600**
Provisions	**1,625**
	29,225
Non-current liabilities	
Other payables	**9,000**
Provisions	**1,400**
	10,400
Liabilities classified as held for sale	**39,625**

(c) Shekou and Colombo

Shekou and Colombo (together "the units") are part of the Ports business segment within the Asia operations. During 2006 the Group entered into memorandum of understanding agreements with third parties to sell those business units and accordingly, these business units have been classified as disposal groups held for sale.

The Group's share of the net assets of Shekou and Colombo as at 31 December 2006 was as follows:

	2006 USD'000
Assets	
Non-current assets	
Investments in joint ventures and associates	**72,800**
Assets classified as held for sale	**72,800**

31 Financial Instruments

Fair value

Set out below is a comparison by category of carrying amounts and fair values of all of the Group's financial instruments, including classified under discontinued operations, that are carried in the financial statements.

	Carrying value		Fair value	
	2006 USD'000	2005 USD'000	2006 USD'000	2005 USD'000
Primary financial instruments held or issued to finance the Group's operations:				
Financial assets				
Trade and other receivables	**819,399**	100,045	**819,399**	100,045
Trade and other payables	**818,321**	164,580	**818,321**	164,580
Cash and cash equivalents	**2,241,039**	250,238	**2,241,039**	250,238
Loans to associates	**313,336**	211,767	**313,336**	211,767
Available-for-sale financial assets	**1,400**	—	**1,400**	—
Debt securities held to maturity	**12,100**	—	**12,100**	—
Assets classified as held for sale	**1,263,621**	—	**1,263,621**	—
Financial liabilities				
Loans	**(5,718,038)**	(1,659,267)	**(5,719,238)**	(1,659,267)
Bank overdrafts	**(4,301)**	—	**(4,301)**	—
Loans from associates	**(139,100)**	—	**(139,100)**	—
Liabilities classified as held for sale	**(390,001)**	—	**(390,001)**	—
Derivative financial instruments held to manage the interest rate and currency profile:				
Interest rate swaps:				
Assets	**33,630**	10,781	**33,630**	10,781
Liabilities	**(16,700)**	—	**(16,700)**	—
Currency swaps:				
Assets	**800**	—	**800**	—
Liabilities	**—**	—	**—**	—
Derivative financial instruments held or issued to hedge the currency exposure on expected future transactions:				
Forward foreign currency contracts:				
Assets	**—**	—	**—**	—
Liabilities	**(6,800)**	—	**(6,800)**	—
Other derivatives:				
Assets	**—**	—	**—**	—
Liabilities	**(10,000)**	—	**(10,000)**	—
	(781,294)	(921,856)	**(782,494)**	(921,856)

The following valuation methods have been used for the years ended 31 December 2006 and 31 December 2005.

The fair value of trade and other receivables and trade and other payables approximates to book value due to the short term maturity of these instruments.

31 Financial Instruments (Continued)

The fair value of non-convertible bonds and dollar notes included in loans above is based on the quoted market price of comparable debt. Other loans include term loans and finance leases. These are largely at variable interest rates and, therefore, the book value normally equates to the fair value.

The fair values of debt securities held to maturity and available-for-sale financial assets are based on the quoted market value of similar assets.

The fair value of other investments is based on the year end quoted price for listed investments and the estimated recoverable amount for unlisted investments.

The fair value of cash and bank overdrafts approximates to the book value due to the short term maturity of the instruments.

The fair value of derivative financial instruments is discounted to the net present value using prevailing market rates and foreign currency rates at the balance sheet date.

32 Significant Accounting Estimates and Assumptions

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of Goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2006 was USD 3,103,870 thousand (2005: USD 461,011 thousand). More details are given in note 12.

Pension and Other Post-Employment Benefits

The cost of defined benefit pension plans and other post employment benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long term nature of these plans, such estimates are subject to significant uncertainty. The employee benefit liability at 31 December 2006 is USD 344,089 thousand (2005: 69,444 thousand). Further details are given in Note 23.

Useful life of property, plant and equipment

The useful life of property, plant and equipment is determined by the Group's management based on their estimate of the period over which an asset is expected to be available for use by the Group. This estimate is reviewed and adjusted if appropriate at each financial year end.

Purchase price allocation

The Group allocates the cost of business combinations by recognising the acquiree's identifiable assets, liabilities, and contingent liabilities that satisfy the recognition criteria, at their fair values on the date of acquisition. The Group uses third party experts to establish the estimated fair value of the acquiree's property, plant and equipment, and intangibles. The fair values of other assets, liabilities and contingent liabilities are estimated by the management based on the discounted cash flow projections of future expected cash inflows arising as a result of realising such assets and cash outflows expected on settlement of liabilities and contingent liabilities.

32 Significant Accounting Estimates and Assumptions (Continued)

In respect of assets held for sale and liabilities held for sale on the date of acquisition the Group uses third party experts and internal discounted cash flow projections model to establish the estimated fair value.

Impairment of accounts receivable

An estimate of the collectible amount of trade accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

At the balance sheet date, gross trade accounts receivable were USD 544,574 thousand (2005: USD 78,331 thousand), and the provision for doubtful debts was USD 24,314 thousand (2005: USD 2,823 thousand). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the consolidated statement of income.

33 Comparative Information

Certain of the corresponding figures in the income statement, balance sheet and notes to financial statements for 2005 have been reclassified in order to conform to the presentation for the current year and to improve the quality of information presented.

Income statement

Project development expenses amounting to USD 8,408 thousand were shown separately on the face of income statement in the previous years' financial statements. These have now been clubbed under general and administration expenses.

Balance sheet

Long term receivables amounting to USD 4,089 thousand, due from an associate amounting to USD 7,003 thousand and other assets amounting to USD 2,368 thousand were shown separately on the face of balance sheet in the previous years' financial statements. These have now been clubbed under accounts receivable and prepayments.

The management has used the caption "pension and post-employment benefits" to include employees' end of service benefits during 2006. Accordingly, previous year comparatives of employees' end of service benefits were clubbed under pension and post-employment benefits in the balance sheets.

Notes to the financial statements

Management has changed the presentation of the property, plant and equipment note to the financial statements to reduce the number of categories by aggregating land, buildings and infrastructure into one category; cranes and marine equipment into one category and plant, equipment, furniture and other into one category. Capital work in progress has also been allocated to respective categories of property, plant and equipment. The presentation for 2005 has been reclassified in line with that for 2006.

AUDITORS' REPORT TO THE OWNER OF DUBAI PORTS AUTHORITY AND ITS SUBSIDIARIES

We have audited the accompanying consolidated balance sheets of Dubai Ports Authority (the "Authority") and its subsidiaries (together "the Group") as of 31 December 2005 and 31 December 2004, and the related consolidated statements of income, cash flows and changes in equity for the years then ended. These consolidated financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of 31 December 2005 and 31 December 2004 and the consolidated results of its operations and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

/s/ Ernst & Young
Ernst & Young

Signed by:
Edward B Quinlan
Partner
Registration No. 93

28 June 2006

Dubai

Dubai Ports Authority and its Subsidiaries

Consolidated Statements of Income

Year ended 31 December 2005

	Notes	2005 USD'000	2004 USD'000
Revenue from operations		**674,920**	463,881
Operating expenses		**(288,299)**	(185,150)
GROSS PROFIT		**386,621**	278,731
General and administration expenses	3	**(86,009)**	(26,090)
Project development expenses	4	**(8,408)**	(1,474)
		292,204	251,167
Other income	5	**4,841**	3,692
Finance costs		**(58,397)**	—
Share of Profit/(loss) of associates	12	**8,022**	(976)
PROFIT BEFORE TAX		**246,670**	253,883
Income tax	7	**(4,162)**	(390)
PROFIT FOR THE YEAR	6	**242,508**	253,493
Attributable to:			
Equity holder of the parent		**239,704**	253,493
Minority interests		**2,804**	—
		242,508	253,493

The attached notes 1 to 26 form part of these financial statements.

Dubai Ports Authority and its Subsidiaries

Consolidated Balance Sheets

At 31 December 2005

	Notes	2005 USD'000	2004 USD'000
ASSETS			
Non-current assets			
Property, plant and equipment	8	**975,721**	583,873
Intangible assets	10	**186,156**	—
Goodwill	11	**461,011**	—
Investments	12	**1,123,885**	31
Deferred tax assets	7	**1,003**	—
Long term receivables		**4,089**	1,857
Loan	13	**—**	203,142
Due from an associate		**7,003**	—
		2,758,868	788,903
Current assets			
Inventories	14	**13,037**	9,493
Accounts receivable and prepayments	15	**603,043**	394,184
Bank balances and cash	16	**250,238**	240,283
Other assets		**2,363**	—
		868,681	643,960
TOTAL ASSETS		**3,627,549**	1,432,863
EQUITY AND LIABILITIES			
Equity attributable to equity holder of the parent			
Owner's account		**915,721**	741,367
Cumulative changes in fair value		**10,781**	—
Translation reserve		**(15,015)**	—
		911,487	741,367
Minority interests		**226,466**	—
Total equity		**1,137,953**	741,367
Non-current liabilities			
Employees' end of service benefits	17	**69,444**	67,026
Interest bearing loans and borrowings	18	**2,858**	205,084
Deferred tax liabilities	7	**183,244**	—
Others		**9,235**	—
		264,781	272,110
Current liabilities			
Accounts payable and accruals	19	**568,406**	419,386
Interest bearing loans and borrowings	18	**1,656,409**	—
		2,224,815	419,386
Total liabilities		**2,489,596**	691,496
TOTAL EQUITY AND LIABILITIES		**3,627,549**	1,432,863

The financial statements were authorised for issue on 28 June 2006.

/s/ Jamal Majid Bin Thanian	/s/ Maryam Sharaf
Group Chief Executive Officer	Group Chief Financial Officer

The attached notes 1 to 26 form part of these financial statements.

Dubai Ports Authority and its Subsidiaries

Consolidated Statements of Cash Flows

Year ended 31 December 2005

	Notes	2005 USD'000	2004 USD'000
OPERATING ACTIVITIES			
Profit before tax		**246,670**	253,883
Adjustments for:			
Gain on disposal of available-for-sale investments		**—**	(1,303)
Depreciation and amortisation		**55,451**	41,707
Provision for employees' end of service benefits	17	**6,194**	5,629
Finance costs		**58,397**	—
Loss (profit) on disposal of property, plant and equipment		**351**	(491)
Interest income		**(3,407)**	(1,107)
		363,656	298,318
Working capital changes:			
Inventories		**(1,616)**	(556)
Receivables		**(175,170)**	(1,994)
Payables		**124,738**	42,628
Cash from operations		**311,608**	338,396
Taxes paid		**(4,072)**	(390)
Interest paid		**(58,397)**	—
Employees' end of service benefits paid	17	**(3,776)**	(4,552)
Net cash from operating activities		**245,363**	333,454
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	8	**(320,604)**	(276,634)
Proceeds from disposal of property, plant and equipment		**13,309**	624
Investments, net		**(27,120)**	51,293
Interest received		**3,407**	1,107
Loan given during the year		**(1,473)**	(203,142)
Cost of business combinations, net of cash acquired	9	**(1,283,213)**	—
Net cash used in investing activities		**(1,615,694)**	(426,752)
FINANCING ACTIVITIES			
Amounts paid to owner		**(65,350)**	(65,351)
Term loan	18	**1,454,183**	205,084
Dividends paid to minority interests, net		**(6,417)**	—
Net cash from financing activities		**1,382,416**	139,733
INCREASE IN BANK BALANCES AND CASH		**12,085**	46,435
Net foreign exchange translation difference		**(2,130)**	—
Bank balances and cash at the beginning of the year		**240,283**	193,848
BANK BALANCES AND CASH AT THE END OF THE YEAR		**250,238**	240,283

The attached notes 1 to 26 form part of these financial statements.

Dubai Ports Authority and its Subsidiaries

Consolidated Statement of Changes in Equity

Year ended 31 December 2004

	Attributable to equity holder of the parent					
	Owner's account USD'000	Cumulative changes in fair value USD'000	Translation reserve USD'000	Total USD'000	Minority interests USD'000	Total USD'000
Balance at 1 January 2004	553,225	901	—	554,126	—	554,126
Gains on sale of available-for-sale investments transferred to income statement upon derecognition	—	(901)	—	(901)	—	(901)
Total income and expense for the year recognised directly in equity	—	(901)	—	(901)	—	(901)
Profit for the year	253,493	—	—	253,493	—	253,493
Total income and expense for the year	253,493	(901)	—	252,592	—	252,592
Amounts distributed to owner	(65,351)	—	—	(65,351)	—	(65,351)
Balance at 31 December 2004	741,367	—	—	741,367	—	741,367

The attached notes 1 to 26 form part of these financial statements.

Dubai Ports Authority and its Subsidiaries
Consolidated Statement of Changes in Equity
Year ended 31 December 2005

	Attributable to equity holder of the parent					
	Owner's account USD'000	Cumulative changes in fair value USD'000	Translation reserve USD'000	Total USD'000	Minority interests USD'000	Total USD'000
Balance at 1 January 2005	741,367	—	—	741,367	—	741,367
Translation difference arising during the year	—	—	(3,806)	(3,806)	—	(3,806)
Translation difference arising on fair value adjustments to assets, liabilities and goodwill on acquisitions	—	—	(11,209)	(11,209)	—	(11,209)
Net movement in cumulative changes in fair value	—	10,781	—	10,781	—	10,781
Total income and expense for the year recognised directly in equity	—	10,781	(15,015)	(4,234)	—	(4,234)
Profit for the year	239,704	—	—	239,704	2,804	242,508
Total income and expense for the year	239,704	10,781	(15,015)	235,470	2,804	238,274
Minority interests recognised on business combination	—	—	—	—	230,079	230,079
Amounts contributed by minority interests (note below)	—	—	—	—	3,897	3,897
Dividends paid to minority interests	—	—	—	—	(10,314)	(10,314)
Amounts distributed to owner	(65,350)	—	—	(65,350)	—	(65,350)
Balance at 31 December 2005	**915,721**	**10,781**	**(15,015)**	**911,487**	**226,466**	**1,137,953**

Note—Amounts contributed by minority interests represent their share of additional share capital contributed to certain subsidiaries during the year.

The attached notes 1 to 26 form part of these financial statements.

1 Activities

Dubai Ports Authority (the "Authority") was originally formed in Dubai as Port Rashid Authority under Decree number 1 of 1990 issued by HH The Ruler of Dubai on 7 January 1990 to acquire and operate Port Rashid in the Emirate of Dubai.

Pursuant to Decree number 4 of 1991 issued by HH The Ruler of Dubai on 11 May 1991, the assets, liabilities and results of the operations of Jebel Ali Port Corporation along with the rights in relation to construction, operation, maintenance, repairs and renewals of Jebel Ali Port were transferred to Port Rashid Authority and Jebel Ali Port Corporation was dissolved.

On 12 May 1991, by Decree number 5 of 1991 issued by HH The Ruler of Dubai, the name of Port Rashid Authority was changed to Dubai Ports Authority.

Pursuant to Law No. (1) of 2001 on Ports, Customs and Free Zone Corporation ("PCFC") issued by HH The Ruler of Dubai on 1 April 2001, Dubai Ports Authority became a wholly owned subsidiary of PCFC (the "Ultimate Parent Company") as of that date. PCFC is wholly owned by The Government of Dubai.

With effect from 1 January 2002, the operations of Hamriya Port and Dubai Creek Operations, along with all their assets, were transferred to the Authority at nil value.

The Authority owns and operates three ports namely Jebel Ali Port, Port Rashid and Hamriya Port and Creek Operations in the Emirate of Dubai, United Arab Emirates and had 4,375 employees at 31 December 2005 (2004: 3,784 employees). The registered address of the Authority is P.O.Box 17000, Dubai, United Arab Emirates.

The Group has made the following acquisitions during the current year:

1. On 22 February 2005 the Authority, through its 100% owned subsidiary (Dubai Ports International FZE), acquired from CSX Corporation Limited, a 100% ownership interest in SL Service, Inc. (a limited liability company registered in Delaware, United States of America) and in Orange Blossom Investment Company Limited (a limited liability company registered in British Virgin Islands). These Companies are engaged in the business of management and operation of seaports worldwide (note 9);
2. On 30 Nov 2005 the Authority, through its 100% owned subsidiary (Dubai Ports International FZE) acquired a 100% ownership interest in Yarimca Porselen Sanayi Ve Ticaret A.S., a limited liability Company registered in Turkey. The Company holds the right to develop and operate a seaport in Yarimca, Turkey (note 9); and
3. During June 2005, the Authority through its 100% owned subsidiary, acquired a 14.55% ownership interest in Pusan Newport Company Limited, a limited liability company registered in Korea. The company holds the right to develop and operate a seaport in Pusan, Korea (note 9).

2 Significant Accounting Policies

The significant accounting policies adopted in the preparation of the consolidated financial statements are set out below:

Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and applicable requirements of UAE Law.

The functional currency of the Authority is UAE Dirhams. However, the consolidated financial statements have been presented in thousands of United States Dollars, which management believes is the most appropriate reporting currency in view of the global presence of the Group.

2 Significant Accounting Policies (Continued)

Accounting convention

The accompanying consolidated financial statements are prepared under the historical cost convention as modified for the measurement at fair value of derivatives.

The accounting policies adopted are consistent with those of the previous financial year except that the Group has adopted the new standard IFRS 3 Business Combinations which is mandatory for financial years beginning on or after 1 January 2005.

The Group's accounting policies in respect of the adoption of IFRS 3 Business Combinations are mentioned below.

Basis of consolidation

The consolidated financial statements comprise the financial statements of Dubai Ports Authority and its subsidiaries. The accounting policies used by the subsidiaries are consistent with the policies adopted by the Group. All inter company balances and transactions are eliminated on consolidation. Minority interests represents that portion, of profit or loss and net assets in certain subsidiaries, which is not held by the Group and, as such, is presented separately in the consolidated statement of income and within equity in the consolidated balance sheet, separately from owner's equity.

Revenue recognition

Revenue represents the invoiced value of services rendered by the Group during the year.

Services rendered by the Group include container terminal handling, container freight services, general cargo handling, marine operations, commercial trucking, cold storage, bulk cargo handling, document processing, management and operation of seaports and airports, leasing of port equipment and other services in connection with the use of and privileges granted at the Group's facilities.

Interest income is recognised as the interest accrues.

Income tax

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the consolidated balance sheet date.

Deferred tax

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be

2 Significant Accounting Policies (Continued)

available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income tax relating to items recognised directly in equity is recognised in equity and not in the consolidated statement of income.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Operating expenses

Operating expenses include those costs incurred for the operation, maintenance and security of the Group's facilities and other costs directly attributable to the various services provided by the Group.

Borrowing costs

Borrowing costs are recognised as an expense when incurred.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value.

Depreciation is calculated on a straight line basis over the estimated useful lives of property, plant and equipment as follows:

Buildings and infrastructure	5 to 30 years
Cranes	5 to 20 years
Marine equipment	10 to 15 years
Plant, equipment, furniture and others	3 to 20 years
Motor vehicles	over 4 years

Capital work in progress is not depreciated.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where

2 Significant Accounting Policies (Continued)

the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property, plant and equipment. All other expenditure is recognised in the consolidated statement of income as the expense is incurred.

Goodwill

Goodwill acquired in a business combination is initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or group of units. Each unit or group of units to which the goodwill is so allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development cost, are not capitalised and expenditure is charged against profits in the year in which the expenditure is incurred. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite useful lives is recognised in the consolidated statement of income in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

2 Significant Accounting Policies (Continued)

Investments

Investment in associates

The Group's investment in associates is accounted for under the equity method of accounting. An associate is an entity in which the Group has between 20% to 50% of the voting power or over which it exerts significant influence. Investment in associates is carried in the consolidated balance sheet at cost, plus post-acquisition changes in the Group's share of net assets of the associate, less any impairment in value. Goodwill relating to an associate which is acquired directly is included in the carrying amount of the investment and is not amortised. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate. The consolidated income statement reflects the Group's share of the results of its associates. When there has been a change recognised directly in the equity of the associate, the Group recognise its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity.

The reporting dates of the associates and the Group are identical and the associates' accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

Available-for-sale investments

Available for sale investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment. After initial recognition, investments are remeasured at fair value. Unrealised gains and losses are reported as a separate component of equity until the investment is derecognised or the investment is determined to be impaired. On derecognition or impairment, the cumulative gain or loss previously reported in equity is included in the consolidated statement of income for the year.

Long term receivables

The Group is entitled to a profit share in certain seaports managed and operated by the Group. The long term receivables represent that portion of such profit share which is to be received at the expiry of the current management / license agreements with these seaports.

Impairment of assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value, less costs to sell, and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognised in the consolidated statement of income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is

2 Significant Accounting Policies (Continued)

recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Inventories

Inventories mainly consist of spare parts and consumables. Inventories are stated at cost less provision for obsolete and slow moving items. Cost represents those expenses incurred in bringing each product to its present location and condition, as determined on a weighted average basis.

Accounts receivable

Accounts receivable are stated at original invoice amount less a provision for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

Bank balances and cash

Bank balances and cash comprise cash at hand, bank balances and short-term deposits with an original maturity of three months or less.

Accounts payable and accruals

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Retentions payable are presented as current liabilities although they may not be payable within twelve months of the balance sheet date.

Provisions

Provisions are recognised when the Group has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and able to be reliably measured.

Employees' end of service benefits

The Group provides end of service benefits to its expatriate employees in the United Arab Emirates. The entitlement to these benefits is based upon the employees' basic salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

With respect to its UAE national employees, the Group makes a provision for contributions to be made to the UAE Pension Authority calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") in Hong Kong, under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the consolidated statement income as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The Group also operates a defined contribution retirement benefits scheme (the "ORSO Scheme") in Hong Kong for those employees who are eligible to participate in this scheme. The ORSO Scheme operates in a similar way to the MPF Scheme, except that when an employee leaves the ORSO Scheme

2 Significant Accounting Policies (Continued)

before his/her interest in the Group's employer contributions vesting fully, the ongoing contributions payable by the Group are reduced by the relevant amount of the forfeited employer contributions.

The Group operates one defined benefit pension plan in Australia through the Stevedoring Employees' Retirement Fund (SERF), which requires contributions to be made to a separately administered fund. This fund is a multi-employer superannuation plan, and as such, there is no reliable basis for allocating benefits, assets and costs between employers. The Group has therefore adopted multi employer provisions when reporting under IFRS. Those provisions allow the employers to report as if the fund was a defined contribution fund.

SERF is a superannuation fund which, in addition to providing defined contribution benefits to some categories of members, provides other members with defined benefits. There is no basis that could be used to definitively apportion the benefits, assets and costs associated with the fund, between the various full participating employers.

A total surplus of Australian Dollars 126.4 million was determined in SERF as at 30 June 2004, using a net of tax discount rate of 5.04% p.a. and an assumed future salary escalation rate of 3.5% p.a. Other assumptions relating to decrements are as set out in the report on the most recent actuarial valuation of SERF.

From time to time, surpluses arise in SERF, which allow a reduction in the rate of contributions the employers pay. Typically, any surplus is shared between members and employees, on a basis agreed by the trustee, from time to time. The trust deed and rules of SERF limit the amount of contributions payable by an employer in respect of defined benefits. Hence, if there were a deficit, it is expected that the employers would not be required to pay any more contributions at 12.6%.

A contractual agreement exists between the Group and SERF as to how part of surplus in the employers' fund can be used and, accordingly, the Group has recognised the asset attributable to them.

All actuarial gains (losses) are recognised in the income statement.

Interest bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method.

Gains and losses are recognised in net profit or loss when the liabilities are derecognized as well as through the amortisation process.

Foreign currency translation

The consolidated financial statements are presented in United States Dollars, which is the Authority's presentation currency. All the assets and liabilities are translated at the closing rate at the date of balance sheet; income and expenses are translated at the average exchange rate for the year. The UAE Dirham, which is the Authority's functional currency, is effectively pegged to the United States Dollar and the exchange rate used for translation is 1 United States Dollar = 3.6725 UAE Dirhams. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to profit or loss with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in profit or loss. Tax charges and credits attributable to exchange differences on those borrowings are also dealt with in equity.

2 Significant Accounting Policies (Continued)

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

All the assets and liabilities of the foreign subsidiaries are translated into the presentation currency of the Group at the rate of exchange ruling at the balance sheet date and, their income statements are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of that foreign operation are treated as assets and liabilities of the foreign operations. Those assets and liabilities are translated into the presentation currency of the Group at the rate of exchange ruling at the balance sheet date. The exchange differences arising on the translation are taken directly to a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

Derivatives

Derivatives are stated at fair value.

For the purposes of hedge accounting, hedges are classified into two categories: (a) fair value hedges which hedge the exposure to changes in the fair value of a recognised asset or liability; and (b) cash flow hedges which hedge exposure to variability in cash flows of a recognised asset or liability or a forecasted transaction.

In relation to effective fair value hedges, any gain or loss from remeasuring the hedging instrument to fair value as well as related changes in fair value of the item being hedged are recognised immediately in the consolidated statement of income.

In relation to effective cash flow hedges, the gain or loss on the hedging instrument is recognised initially in equity and either transferred to the consolidated statement of income in the period in which the hedged transaction impacts the consolidated statement of income, or included in the initial measurement of the cost of the related asset or liability.

For hedges which do not qualify for hedge accounting, any gains or losses arising from changes in the fair value of the hedging instrument are taken directly to the consolidated statement of income for the period.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that point in time:

(a) for fair value hedges of financial instruments with fixed maturities, any adjustment arising from hedge accounting is amortised over the remaining term to maturity.

(b) for cash flow hedges, any cumulative gain or loss on the hedging instrument recognised in equity remains in equity until the hedged transaction occurs. If the hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the consolidated statement of income.

Fair values

For derivatives quoted in an active market, fair value is determined by reference to quoted market prices. Bid prices are used for assets and offer prices are used for liabilities.

The fair value of unquoted derivatives is determined either by discounted cash flows, (internal) pricing models or by reference to broker's quotes.

2 Significant Accounting Policies (Continued)

Leases

The determination of whether an arrangement is, or contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Group as a lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

Group as a lessor

Leases where the Group retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

2a. Adoption of IFRSs During the Year

The Group has adopted the following revised standards during the year. The adoption of these revised standards does not have any effect on equity as at 1 January 2004 or 1 January 2005.

- IAS 1 Presentation of Financial Statements;
- IAS 2 Inventories;
- IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- IAS 10 Events after the Balance Sheet Date;
- IAS 16 Property, Plant and Equipment;
- IAS 17 Leases;
- IAS 19 Employee Benefits;
- IAS 21 The Effects of Changes in Foreign Exchange Rates;
- IAS 24 Related Party Disclosures;
- IAS 27 Consolidated and Separate Financial Statements;
- IAS 28 Investments in Associates;
- IAS 31 Interests in Joint Ventures;
- IAS 32 Financial Instruments: Disclosure and Presentation;
- IAS 36 Impairment of Assets;
- IAS 38 Intangible Assets; and
- IAS 39 Financial Instruments: Recognition and Measurement

2a. Adoption of IFRSs During the Year (Continued)

Standards and Interpretations issued but not yet effective

The Group has not applied IFRS 7 Financial Instruments Disclosures which has been issued but is not yet effective: This IFRS is required to be applied for annual periods beginning on or after 1 January 2006, but is not expected to be have any material impact on the Group's financial statements in the period of initial application.

Other IFRS and IFRIC interpretations have been issued but are not yet effective and are not relevant to the activities of the Group.

2b. Siginificant Accounting Estimates

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of Goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2005 was USD 461,011 thousand (2004: NIL). More details are given in note 11.

Impairment of accounts receivable

An estimate of the collectible amount of trade accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

At the balance sheet date, gross trade accounts receivable were USD 78,331 thousand, and the provision for doubtful debts was USD 2,823 thousand. Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the consolidated statement of income.

Impairment of inventories

Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

At the balance sheet date, gross inventories were USD 16,029 thousand, with provisions for old and obsolete inventories of USD 2,992 thousand. Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the consolidated statement of income.

3 General and Administration Expenses

General and administration expenses include staff costs, depreciation, repair and maintenance costs and other sundry expenses.

4 Project Development Expenses

Project development expenses include expenses incurred on unsuccessful projects and certain one time consultancy expenses incurred by the Group.

5 Other Income

	2005 USD'000	2004 USD'000
Gain from disposal of available-for-sale investments	**—**	1,303
Interest income	**3,407**	1,107
Gain on sale of property, plant and equipment	**—**	491
Duty free rental income	**545**	545
Miscellaneous income	**889**	246
	4,841	3,692

6 Profit for the Year

	2005 USD'000	2004 USD'000
The profit for the year is stated after charging the following costs:		
Staff costs	**148,586**	95,044
Operating leases	**8,253**	1,281
Depreciation and amortisation	**55,451**	41,707

7 Income Tax

The major components of income tax expense for the years ended 31 December 2005 and 2004 are:

Consolidated income statement

	2005 USD'000	2004 USD'000
Current income tax		
Current income tax charge	**2,438**	390
Deferred income tax		
Relating to origination and reversal of temporary differences	**1,724**	—
Income tax expense reported in the consolidated statement of income	**4,162**	390

7 Income Tax (Continued)

The Group is not subject to income tax on its domestic operations. A reconciliation between tax expense and the product of accounting profit multiplied by tax rate of foreign subsidiaries of the Group for the years ended 31 December 2005 and 2004 is as follows:

	2005 USD'000	2004 USD'000
Accounting profit before income tax	**246,670**	253,883

	2005 USD'000	2004 USD'000
At the Group's domestic income tax rate of 0% (2004: 0%)	**—**	—
Higher income tax on foreign earnings	**2,423**	390
U.S. tax on unremitted foreign earnings	**3,432**	—
Foreign operations deferred tax benefit on property, plant and equipment temporary differences	**(327)**	—
Adjustments in respect of current income tax of previous years	**14**	—
Hong Kong deferred tax benefit on tax losses carry forward	**(1,380)**	—
	4,162	390

Deferred income tax

Deferred income tax at 31 December relates to the following:

	Consolidated Balance sheet		Consolidated Income Statement	
	2005 USD'000	2004 USD'000	2005 USD'000	2004 USD'000
Deferred tax liability				
Accelerated depreciation for tax purposes	**(5,425)**	—	**(404)**	—
Employees' end of service benefits	**(801)**	—	**4**	—
Unrepatriated foreign earnings of subsidiaries	**(13,903)**	—	**3,432**	—
Fair value adjustment on acquisitions	**(165,192)**	—	**—**	—
Tax losses carry forward	**1,380**	—	**(1,380)**	—
Others	**697**	—	**77**	—
	(183,244)	—		
Deferred income tax assets				
Decelerated depreciation for tax purposes	**1,003**	—	**(5)**	—
	1,003	—		
Deferred income tax income			**1,724**	—

The Group has tax losses of USD 11,021 thousand (2004: Nil) in certain foreign operations that are available for offset against future taxable profits of the companies in which the losses arose. Deferred tax benefit of USD 1,380 thousand has been recognised during the year in respect of such tax losses.

At 31 December 2005, the Group has recorded USD 3,431 thousand (2004: Nil) of U.S. deferred income tax related to USD 16,070 thousand (2004: Nil) of undistributed earnings of foreign subsidiaries owned through SL Service Inc, a U.S. intermediary holding company of the Group. The Group has not recognised deferred tax liability for taxes that would be payable on unremitted earnings of certain of the Group's other subsidiaries and associates as the Group has determined that the undistributed profits in those entities will not be distributed in the foreseeable future.

The temporary differences associated with investments in subsidiaries and associates, for which deferred tax liability has not been recognised aggregate to USD 13,039 thousand (2004: Nil).

8 Property, Plant and Equipment

2005:

	Land USD'000	Buildings and infrastructure USD'000	Cranes USD'000	Marine equipment USD'000	Plant, equipment, furniture and others USD'000	Motor vehicles USD'000	Capital work-in progress USD'000	Total
Cost								
At 1 January 2005	—	156,815	223,742	43,458	239,483	364	275,165	939,027
Additions	—	362	—	69	29,495	57	290,621	320,604
Transfers	—	218,205	98,550	34	112,970	—	(429,759)	—
Acquired in business combinations	44,874	—	32,065	—	58,102	—	1,164	136,205
Translation adjustment	—	—	(283)	—	(1,800)	—	(149)	(2,232)
Disposals	—	(2,906)	(12,359)	(2,605)	(4,112)	—	—	(21,982)
At 31 December 2005	**44,874**	**372,476**	**341,715**	**40,956**	**434,138**	**421**	**137,042**	**1,371,622**
Depreciation								
At 1 January 2005	—	79,689	111,993	19,638	143,797	37	—	355,154
Depreciation charge for the year	—	10,939	11,789	2,609	24,218	71	—	49,626
Translation adjustment	—	—	(60)	—	(497)	—	—	(557)
Relating to disposals	—	(1,597)	(3,219)	(2,454)	(1,052)	—	—	(8,322)
At 31 December 2005	**—**	**89,031**	**120,503**	**19,793**	**166,466**	**108**	**—**	**395,901**
Net carrying amount								
At 31 December 2005	**44,874**	**283,445**	**221,212**	**21,163**	**267,672**	**313**	**137,042**	**975,721**
At 31 December 2004	—	77,126	111,749	23,820	95,686	327	275,165	583,873

Certain buildings, infrastructure and other port facilities are constructed on land owned by the Government of Dubai.

Prior to 1 January 1992, expenditure incurred on the development of infrastructure including land and buildings and major infrastructure repairs was either expensed or charged to the Government of Dubai.

Following the acquisition of SL Service Inc. and Orange Blossom Investment Company Limited from CSX Corporation Limited (note 1), the management conducted its annual review of the estimated useful lives of property, plant and equipment and determined that it was appropriate to make certain changes in view of the historical experience of the acquired subsidiaries. Consequently, with effect from 1 January 2005, the estimated useful lives that previously were 20 years for buildings, 30 years for infrastructure, 15 years for cranes, and between 15 and 8 years for plant equipment, furniture and others have been changed to 30 years for buildings, 20 years for infrastructure, 25 years for cranes, and between 20 and 10 years for plant equipment, furniture and others. The change had the effect of reducing depreciation expense and increasing the net profit for the year 2005 and subsequent years by USD 22.3 million per year.

8 Property, Plant and Equipment (Continued)

2004:

	Buildings and infrastructure USD'000	Cranes USD'000	Marine equipment USD'000	Plant, equipment, furniture and others USD'000	Motor vehicles USD'000	Capital work-in progress USD'000	Total
Cost							
At 1 January 2004	146,393	195,233	35,961	188,295	—	99,338	665,220
Additions	685	—	—	2,103	364	273,482	276,634
Transfers	9,737	28,509	8,355	51,054	—	(97,655)	—
Disposals	—	—	(858)	(1,969)	—	—	(2,827)
At 31 December 2004	**156,815**	**223,742**	**43,458**	**239,483**	**364**	**275,165**	**939,027**
Depreciation							
At 1 January 2004	69,152	98,440	18,307	130,242	—	—	316,141
Depreciation charge for the year	10,537	13,553	2,177	15,403	37	—	41,707
Relating to disposals	—	—	(846)	(1,848)	—	—	(2,694)
At 31 December 2004	**79,689**	**111,993**	**19,638**	**143,797**	**37**	**—**	**355,154**
Net carrying amount							
At 31 December 2004	**77,126**	**111,749**	**23,820**	**95,686**	**327**	**275,165**	**583,873**
At 31 December 2003	77,241	96,793	17,654	58,053	—	99,338	349,079

Buildings, infrastructure and other port facilities are constructed on land owned by the Government of Dubai.

Prior to 1 January 1992, expenditure incurred on the development of infrastructure including land and buildings and major infrastructure repairs was either expensed or charged to the Government of Dubai.

9 Business Combinations

The Group has made the following acquisitions during the current year:

(1) On 22 February 2005 the Authority, through its 100% owned subsidiary (Dubai Ports International FZE), acquired from CSX Corporation Limited, a 100% ownership interest in SL Service Inc. (a limited liability company registered in Delaware, United States of America) and in Orange Blossom Investment Company Limited (a limited liability company registered in British Virgin Islands). During June 2005, the Authority through its 100% owned subsidiary acquired an additional 14.55% ownership interest in Pusan Newport Company Limited (PNC). The Group previously held 25% ownership interest in PNC as part of its acquisition of SL Service Inc. and Orange Blossom Investment Company Limited. The Group had planned this acquisition of additional ownership interest in PNC at the time of acquiring initial 25% ownership interest and accordingly, the above acquisitions are treated as one transaction by the Group. These Companies are engaged in the business of management and operation of seaports worldwide (note 1).

9 Business Combinations (Continued)

The fair values of the identifiable assets and liabilities acquired by the Group are as follows:

	USD'000 Recognised on acquisition	USD'000 Carrying value
Property, plant and equipment	91,331	85,840
Deferred tax asset	1,080	1,080
Cash and cash equivalents	57,163	57,163
Trade receivables	24,515	24,515
Inventories	1,928	1,928
Intangible assets	265,396	61,167
Investment in associates	993,382	593,327
Others	4,408	4,408
	1,439,203	829,428
Trade payables	(3,737)	(3,737)
Accrued liabilities and other payables	(28,411)	(28,411)
Long term loan	(219,948)	(219,948)
Deferred tax liability	(155,968)	(17,884)
	(408,064)	(269,980)
Fair value of net assets	1,031,139	
Less: Attributable to minority shareholders	230,079	
Fair value of net assets acquired by the Group	801,060	
Goodwill arising on acquisition	434,496	
Total acquisition cost	1,235,556	

Cash flow on acquisition:

	USD'000
Cost of acquisition	1,235,556
Net cash acquired	(57,163)
Net cash outflow	1,178,393

9 Business Combinations (Continued)

(2) On 30 November 2005 the Authority, through its 100% owned subsidiary (Dubai Ports International FZE), acquired a 100% ownership interest in Yarimca Porselen Sanayi Ve Ticaret A.S., a limited liability Company registered in Turkey. The Company holds the rights to develop and operate a seaport in Yarimca, Turkey (note 1).

The fair values of the identifiable assets and liabilities acquired by the Group are as follows:

	USD'000 Recognised on acquisition	USD'000 Carrying value
Property, plant and equipment	44,874	6,823
Cash and cash equivalents	22,232	22,232
Intangible assets	59,938	—
Other	8	8
	127,052	29,063
Tax payable	—	—
Deferred tax liability	(29,401)	—
	(29,401)	
Fair value of net assets acquired by the Group	97,651	
Goodwill arising on acquisition	29,401	
Total acquisition cost	127,052	

Cash flow on acquisition:

	USD'000
Cost of acquisition	127,052
Net cash acquired	(22,232)
Net cash outflow	104,820

The above acquisitions have made the following contributions to the net profit of the Group from the date of acquisition.

- SL Service Inc. and Orange Blossom Investment Company Limited (including additional equity stake of 14.55% in PNC) have incurred a net loss of USD 43,121 thousand.
- Yarimca Porselen Sanayi Ve Ticaret A.S. has incurred a net loss of USD 173 thousand.

If the above combinations had taken place at the beginning of the year, the profit for the Group would have been USD 251,945 thousand and revenue from continuing operations would have been USD 689,109 thousand.

10 Intangible Assets

	Concession agreements USD'000	Goodwill USD'000	Total USD'000
Balance at 1 January 2005	—	—	—
Acquisition of business (note 9)	**202,205**	**463,897**	**666,102**
Amortisation	**(5,825)**	—	**(5,825)**
Translation adjustment	**(10,224)**	**(2,886)**	**(13,110)**
At 31 December 2005	**186,156**	**461,011**	**647,167**

Concession agreements include intangible assets acquired through business combinations. Those intangibles were determined to have finite useful lives based on the term of the respective concession

10 Intangible Assets (Continued)

agreement and the income approach model was used for the purpose of determining their fair value. The terms of these concessions range from 9 to 50 years based on the respective concession agreements.

Concession agreements are amortised using the straight-line method over the concession period. If an indication of impairment arises, the recoverable amount is estimated and an impairment loss is recognised if the recoverable amount is lower than the carrying amount.

As from 1 January 2005, the date of adoption of IFRS 3, goodwill is subject to annual impairment testing (note 11).

11 Impairment Testing of Goodwill

Goodwill acquired through business combinations has been allocated to various cash-generating units, which are reportable business units, for the purpose of impairment testing. An aggregation of such cash generating units is shown below

2005:

Cash generating units aggregated as follows:	Carrying amount of goodwill USD'000	Weighted average discount rate applied to cash flows projections	Weighted average perpetual growth rate
Asia Pacific and Indian Subcontinent	**345,018**	**8.77%**	**2.59%**
Americas	**10,141**	**10.00%**	**3.00%**
Australia	**29,533**	**8.00%**	**0.00%**
Europe and North and West Africa	**76,319**	**8.24%**	**2.03%**
Total	**461,011**		

The recoverable amount of above cash-generating units has been determined based on the value in use calculated using cash flow projections based on the financial budgets approved by senior management covering a three-year period and a further outlook for five years, which is considered appropriate in view of the outlook for the industry and the long-term nature of the concession agreements held.

In the view of the senior management, the perpetual growth rate is the minimum growth rate expected to be achieved beyond the eight-year period.

Key assumptions used in the value in use calculations for various cash generating units for 31 December 2005.

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill.

Budgeted gross margins—The basis used to determine the value assigned to the budgeted gross margin is the average gross margins achieved in the year immediately before the budgeted year, adjusted for expected efficiency improvements, price fluctuations and manpower costs.

Discounting rates—These represents the cost of borrowing for the Group adjusted for the respective country risk factors.

Cost inflation—The basis used to determine the value assigned to the cost inflation is the forecast general price index during the budget year for the respective countries where the Group is operating.

The values assigned to key assumptions are consistent with the past experience of the management.

12 Investments

a) Investment in associates

The significant associates of the Group are shown in note 21. Summarised financial information for the Group's share of the aggregate total of revenues, profit, assets and liabilities of the associates is set out below:

	2005 USD'000	2004 USD'000
Current assets	**100,267**	299
Non-current assets	**1,269,845**	3,975
Current liabilities	**(56,987)**	(448)
Non-current liabilities	**(402,908)**	(3,795)
Net assets	**910,217**	31
Group investment in associates		
Group share of net assets (as above)	**910,217**	31
Loans made by group companies to associates	**211,767**	—
Translation adjustment	**1,901**	—
	1,123,885	31
Share of associates' revenues and results:		
Revenues	**99,149**	490
Result	**8,022**	(976)

b) Available-for-sale investments

	2005 USD'000	2004 USD'000
At 1 January	**—**	50,922
Purchased during the year	**—**	—
Increase in fair value during the year	**—**	402
Sold during the year	**—**	(51,324)
At 31 December	**—**	—
Total Investments	**1,123,885**	31

Available-for-sale investments represented United States Dollar denominated investments in quoted shares of a mutual fund.

13 Loan

	2005 USD'000	2004 USD'000
Loan to CSXWT Terminal 8 Limited	**—**	203,142

During the previous year, the Group gave a loan amounting to USD 203 million to CSXWT Terminal 8 Limited, a corporation organised under the laws of British Virgin Islands, to fund the acquisition of shares in Asia Container Terminals Holdings Limited (ACT) by CSXWT Terminal 8 Limited.

The loan is unsecured and carries interest at a fixed rate of 10%. In addition, under the terms of the loan agreement, certain restrictions are placed on the borrower in respect of dividend payments and carrying out certain other activities.

13 Loan (Continued)

Under the terms of the loan agreement, the loan is fully repayable on 31 December 2009. The borrower may repay the loan prior to 31 December 2009, subject to the approval of the Group's management.

During the year, the Group acquired a majority shareholding in the above corporation and accordingly, the loan balance is now eliminated on consolidation.

14 Inventories

	2005 USD'000	2004 USD'000
Spare parts and consumables, net of provisions	**12,727**	8,914
Others	**310**	579
	13,037	9,493

The amount of write-down of inventories recognised as an expense is USD 391 thousand (2004: USD 329 thousand). This expense is included in general and administration expenses in the consolidated statement of income.

15 Accounts Receivable and Prepayments

	2005 USD'000	2004 USD'000
Trade accounts receivable	**75,508**	47,277
Advances paid to suppliers	**6,557**	14,751
Other receivables and prepayments	**18,085**	26,267
Positive fair value of derivatives (note 22)	**10,781**	—
Due from related parties (note 21)	**492,112**	305,889
	603,043	394,184

16 Cash and Short-Term Deposits

	2005 USD'000	2004 USD'000
Cash at banks and in hand	**159,095**	56,512
Short-term deposits	**91,143**	183,771
	250,238	240,283

Short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit market rates. The fair value of cash and cash equivalents is USD 250,238 thousand (2004: USD 240,283 thousand).

At 31 December 2005, the Group had available USD Nil (2004: USD 1245.5 million) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

Bank balances of USD 122.20 million (2004: USD 183.8 million) are held in the name of PCFC, in a fiduciary capacity, on behalf of the Group.

17 Employees' End of Service Benefits

Movements in the provision recognised in the consolidated balance sheet are as follows:

	2005 USD'000	2004 USD'000
Provision at 1 January	**67,026**	65,949
Provision during the year	**6,194**	5,629
Amounts paid during the year or transferred to related parties (net)	**(3,776)**	(4,552)
Provision as at 31 December	**69,444**	67,026

Employees' end of service benefits at 31 December 2005 include provision for pension costs of UAE National employees of the Authority amounting to USD 13 million in respect of periods of service prior to 31 December 2002. These amounts will be paid to the UAE Pension Authority upon completion of service of the relevant UAE National employees.

18 Interest-Bearing Loans and Borrowings

	Effective Interest rate %	Maturity	2005 USD'000	2004 USD'000
Loans:				
Current				
Loan 1	2.25% p.a.	Year 2020	204	—
Loan 2	7.50% p.a.	Year 2006	2,765	—
Loan 3	7.50% p.a.	Year 2006	2,765	—
Loan 4	4.15% to 5.037% p.a.	Year 2008	1,650,675	—
			1,656,409	—
Non-current				
Loan 1	2.25% p.a.	Year 2020	2,858	—
Loan 4	4.15% to 5.037% p.a.	Year 2008	—	205,084
			2,858	205,084

Loan 1

This term loan represents amounts borrowed by the Group from its bankers to finance the acquisition of certain property, plant and equipment. The term loan is secured by a mortgage over such assets. The term loan is denominated in Hong Kong Dollars and bears interest at floating interest rates.

Loan 2 and 3

Term loans 2 and 3 represent amounts drawn under an Indian Rupee credit facility obtained by a subsidiary of the Group from its bankers. These loans are secured by a charge over the movable assets of the subsidiary and pledge of the Group's shares in the subsidiary.

Loan 4

This term loan represents amounts drawn under a US Dollar 1.65 billion credit facility obtained during the previous year by the Group from its bankers. The facility was obtained to fund the acquisition of Asia Container Terminals Holdings Limited and the purchase of shares of SL Service, Inc. (a subsidiary of CSX Corporation Limited).

18 Interest-Bearing Loans and Borrowings (Continued)

The term loan is unsecured and carries interest at floating interest rates. The Group has obtained an interest rate swap to hedge a significant portion of the cash flow risks arising on interest payments on this loan (note 22).

Also, under the terms of the loan agreement, the loan is fully repayable after 36 months from the date of the loan agreement. The date of the repayment may be extended by 12 months on approval by the Group's bankers.

Subsequent to the year end, on 23 March 2006, the Group has repaid the above term loan. Consequently, it has been included in current liabilities as at 31 December 2005. The above term loan was refinanced by a new term loan obtained by the Authority (see below).

On 29 November 2005, the Authority along with certain related parties has obtained a credit facility of US Dollar 6.5 billion from its bankers to fund the acquisition by Thunder FZE, a related party registered in United Arab Emirates of Peninsular and Oriental Steam Navigation Company, a limited liability company registered in United Kingdom and to refinance the previous term loan (loan 4) obtained by the Authority. No funds were drawn from the above facility as of 31 December 2005.

Subsequent to the year end, the bankers increased the term loan facility to US Dollar 6.8 billion.

19 Accounts Payable and Accruals

	2005 USD'000	**2004 USD'000**
Trade payables	**23,346**	20,815
Tax payables	**2,138**	—
Other payables and accruals	**122,764**	75,668
Due to related parties (note 21)	**420,158**	322,903
	568,406	419,386

20 Segment Information

The Group has only one major business segment; being ports operations. However, for reporting purposes it segments these operations by geographical location as its risks and rates of return are affected predominantly by the various locations in which the Group operates.

20 Segment Information (Continued)

The following table presents revenue and profit and certain assets and liability information regarding the Group's geographical segments for the years ended 31 December 2005 and 2004.

	Year 2005					
	Asia USD'000	**Americas USD'000**	**Australia USD'000**	**Europe and Africa USD'000**	**UAE/ Middle East USD'000**	**Total USD'000**
1. Revenue	30,074	446	24,295	63,714	547,991	666,520
Unallocated revenue						8,400
Total revenue						**674,920**
2. (Loss)/profit for the year before net finance cost and unallocated expenses	(6,764)	(4,556)	1,145	1,627	323,246	314,698
Unallocated profit						13,486
Total profit before net finance cost and unallocated expenses						**328,184**
3. Net finance (cost)/income	(18,875)	(770)	136	390	2,120	(16,999)
Unallocated net finance cost						(37,991)
Total net finance cost						**(54,990)**
4. **Unallocated expense**						**(30,686)**
5. Net (loss)/profit for the year	(25,639)	(5,326)	1,281	2,017	325,366	297,699
Unallocated net loss						(55,191)
Total profit						**242,508**
6. Segment assets	1,644,893	92,829	66,663	209,244	1,485,936	3,499,565
Unallocated assets						127,984
Total assets	**1,644,893**	**92,829**	**66,663**	**209,244**	**1,485,936**	**3,627,549**
7. Segment liabilities	143,316	30,885	17,548	29,002	2,234,313	2,455,064
Unallocated liabilities						34,532
Total liabilities						**2,489,596**
8. Capex	20,958	—	25,664	8,991	252,765	308,378
Unallocated capex						12,226
Total capex						**320,604**
9. Depreciation	6,647	334	958	3,221	36,967	48,127
Unallocated depreciation						1,499
Total depreciation						**49,626**
10. Amortisation	555	—	4,107	1,163	—	5,825

20 Segment Information (Continued)

		Year 2004		
		Europe and Africa USD'000	UAE/ Middle East USD'000	Total USD'000
1.	Revenue	4,577	454,609	459,186
	Unallocated revenue			4,695
	Total revenue			**463,881**
2.	(Loss)/profit for the year before net finance cost and unallocated expense	(2,868)	259,682	256,814
	Unallocated profit			2,922
	Total profit before net finance cost and unallocated expenses			**259,736**
3.	**Net finance cost**		1,107	**1,107**
4.	**Unallocated expenses**			**(7,350)**
5.	Net (loss)/profit for the year	(2,868)	260,789	257,921
	Unallocated net loss			(4,428)
	Total profit			**253,493**
6.	Segment assets	5,013	1,179,665	1,184,678
	Unallocated assets			248,185
	Total assets	5,013	1,179,665	**1,432,863**
7.	Segment liabilities	1,015	687,165	688,180
	Unallocated liabilities			3,316
	Total liabilities			**691,496**
8.	Capex	3,146	250,603	253,749
	Unallocated capex			22,885
	Total capex			**276,634**
9.	Depreciation	223	41,399	41,622
	Unallocated depreciation			85
	Total depreciation			**41,707**
10.	Amortisation	—	—	—

21 Related Party Transactions

For the purpose of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or significant influence i.e. part of the same Parent Group.

Related parties represent associated companies, major shareholders, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management.

The Parent Group operates a Shared Services Unit (SSU) which processes and maintains the accounting records of the Authority and other companies within the Parent Group and provides certain other administrative services to the Authority and such other companies. SSU recharges the proportionate costs of services provided to the Authority and the other companies. SSU also processes the payroll for the Authority and such companies and recharges the respective payroll costs to them.

All liabilities in respect of amounts payable to third parties by certain companies in the Parent Group are taken over by the Authority, which disburses funds on behalf of those companies. In addition, surplus funds of the Parent Group are transferred to the Authority for the purpose of central cash management of

21 Related Party Transactions (Continued)

the Parent Group. Amounts disbursed on behalf of certain companies in the Parent Group and surplus funds of the Parent Group transferred to the Authority do not bear any interest.

PCFC's bankers have issued letters of credit amounting to USD 87.75 million on behalf of the Group.

Transactions with related parties included in the financial statements are as follows:

	2005 Other related parties USD'000	2004 Other related parties USD'000
Shared services costs charged by a related party	**17,052**	13,577
Expenses charged by a related party	**839**	48
Management fee charged to associates	**2,887**	200

Balances with related parties included in the balance sheet are as follows:

	2005		2004	
	Amounts due from related parties USD'000	Amounts due to related parties USD'000	Amounts due from related parties USD'000	Amounts due to related parties USD'000
Associates	**7,234**	**—**	—	—
Other related parties	**484,878**	**420,158**	305,889	322,903
	492,112	**420,158**	305,889	322,903

The extent of the Authority's ownership in its various subsidiaries and associates and their principal activities are as follows:

Name	Ownership Interest 2005	Ownership Interest 2004	Country of incorporation	Principal Activities
Subsidiaries:				
DP World FZE	100%	100%	United Arab Emirates	Management and operation of Seaports and airports and leasing of port equipment
CSX World Crane Services (Shanghai) Limited	100%	—	People's Republic of China	Technical Support, Services and Consulting to Crane Manufacturers
DPI Crane Services UK Limited	100%	—	United Kingdom	Investment Holding Company
DPI Terminals (Bermuda) Limited	100%	—	Bermuda	Holding company
DPI Terminals (Europe) Limited	100%	—	United Kingdom	Holding company
DP World Germersheim Beteiligungs, GmbH	100%	—	Germany	Holding Company
DP World Germersheim, GmbH and Co. KG	100%	—	Germany	Terminal and Barge Management (Operator)
CSX World Terminals Hong Kong Limited	66.66%	—	Hong Kong	Terminal Operator (Construction, Maintenance, Warehousing)

21 Related Party Transactions (Continued)

Name	Ownership Interest 2005	2004	Country of incorporation	Principal Activities
Subsidiaries:				
DPI Terminals Latin Holdings Limited	100%	—	Bermuda	Holding Company
CSX World Terminals South African (Proprietary) Limited	100%	—	Republic of South Africa	Holding Company
DP World Zurich I LLC	100%	—	Delaware, USA	Holding Company
DP World Asia Limited	100%	—	Hong Kong	Investment Holding Company
DP World Zurich II LLC	100%	—	Delaware, USA	Holding Company
DP World China (Qingdao) Limited	100%	—	Cayman Islands	Holding Company
DP World China (Yantai) Limited	100%	—	Cayman Islands	Holding Company
DP World Logistics Hong Kong Limited	100%	—	Hong Kong	Investment Holding Company
DPI Terminals (Latin America) Management Ltd.	100%	—	British Virgin Islands	Management Company
DP World 8 Limited	66.66%	—	British Virgin Islands	Investment Holding Company
DP World Adelaide PTY Ltd.	85.47%	—	Australia	Terminal Operations
DPI Terminals Asia (BVI) Ltd.	100%	—	British Virgin Islands	Holding Company
DPI Terminals Asia Holdings Ltd.	100%	—	British Virgin Islands	Holding Company
DP World Australia Pty. Ltd	100%	—	Australia	Holding Company
DPI Terminals (BVI) Limited	100%	—	British Virgin Islands	Holding Company
DPI Terminals Dominicana Limited	70%	—	British Virgin Islands	Holding Company
DP World Germesheim B.V.	100%	—	The Netherlands	Terminal and Barge Operator
DPI Terminals Holding C.V.	100%	—	The Netherlands	Holding Company
DPI Terminals International B.V.	100%	—	The Netherlands	Holding Company
DPI Terminals Management B.V.	100%	—	The Netherlands	Management Company
DPI Terminals Management Consultation (Shanghai) Co. Ltd	100%	—	People's Republic of China	Management Company
Dubai International Djibouti FZE	100%	—	UAE	Terminal Operator
Greenstone Overseas, Inc.	100%	—	British Virgin Islands	Holding Company
India Gateway Terminal Pvt. Ltd	76.00%	—	Cochin, India	Terminal Operator
Kingsfund Limited	100%	—	Hong Kong	Investment Holding Company
Linerbulk Shipping Pty Limited	100%	—	Australia	Investment Holding Company

21 Related Party Transactions (Continued)

Name	Ownership Interest 2005	Ownership Interest 2004	Country of incorporation	Principal Activities
Subsidiaries:				
Network Financing, B.V.	100%	—	The Netherlands	Holding and Finance Company
Pacific Container Limited	66.66%	—	British Virgin Islands	Holding Company
Pacific Owner Limited	66.66%	—	British Virgin Islands	Investment Holding Company
DP World Switzerland LLC	100%	—	Delaware, USA	Holding Company
Yarimca Porselen Sanayi Ve Ticaret A.S	100%	—	Turkey	Terminal Operator
Constanta South Container Terminal SRL	100%	100%	Romania	Terminal Operator
Asia Container Terminals Holdings Limited	58.764%	—	Cayman Islands	Holding Company
DP World Infrastructure Ltd	100%	—	Hong Kong	Holding Company
DP World Financial Management Inc.	100%	—	Delaware, USA	Holding Company
DP World China Investments Ltd	100%	—	British Virgin Islands	Holding Company
DP World Luxembourg S.A.R.L.	100%	—	Luxembourg	Holding Company
DP World Crane Services LLC	100%	—	Delaware, USA	Crane Maintenance and Repair
DP World Crane Services International LLC	100%	—	Delaware, USA	Holding Company
DP World China Holdings Ltd	100%	—	Hong Kong	Holding Company
Rail Rhine BV	100%	—	The Netherlands	Holding Company (Dormant)
DP World LLC	100%	—	Delaware, USA	Holding Company
CSX World Crane Services International Mauritius Ltd	100%	—	Mauritius	Holding Company
DP World Qingdao Company Ltd.	100%	—	People's Republic of China	Terminal Operator
Dubai Ports International UK Ltd	100%	—	United Kingdom	Terminal Management Service Provider
Orange Blossom Investment Co. Ltd.	100%	—	British Virgin Islands	Holding Company
SL Service, Inc.	100%	—	Delaware, USA	Containerized Transportation Company

21 Related Party Transactions (Continued)

Name	Ownership Interest 2005	Ownership Interest 2004	Country of incorporation	Principal Activities
Associates:				
Asia Container Terminals Limited	58.7647%	—	Hong Kong	Terminal Operator
ATL Logistics Centre Hong Kong Limited	33.9966%	—	Hong Kong	Warehouse Owner/Operator
ATL Logistics Centre Yantian (Shenzhen) Ltd.	48.8283%	—	People's Republic of China	Warehousing and Logistics Management Information Consultancy
ATL Logistics Centre Yantian Limited	48.8283%	—	Hong Kong	Warehousing and Logistics
Caucedo Investment Inc.	35.00%	—	British Virgin Islands	Terminal Operator
Caucedo Logistics Center, Inc.	35.00%	—	British Virgin Islands	Logistics Company
Caucedo Services Inc.	35.00%	—	British Virgin Islands	Marketing Company
CSX Orient (Tianjin) Container Terminals Co. Limited	24.50%	—	People's Republic of China	Terminal Operator
Vishaka Container Terminals Private Limited	26%	26%	India	Terminal Operator
Pusan New Port Co.Ltd.	39.55%	—	Korea	Terminal Operator
CSX World Terminals Boulton Puerto Cabello, C.A.	50.00%	—	Venezuela	Terminal Operator
DP World New World (Tianjin) Limited	50.00%	—	Cayman Islands	Investment Holding Company
DP World New World Limited	50.00%	—	British Virgin Islands	Holding Company
DPI Terminals Yantai Company Limited	50.00%	—	People's Republic of China	Terminal Operator
Dudula-CSX World Terminals (Proprietary) Limited	50.00%	—	Republic of South Africa	Terminal Operator
Venezuela Terminals and Logistics VTA CA	50%	—	Venezuela	Holding Company
Zona Franca Multimodal Caucedo S.A.	35%	—	Dominican Republic	Terminal Management Service Provider
Shanghai JIFA Logistics Co. Ltd.	21.99%	—	People's Republic of China	Warehousing and Logistics
Asia Container Terminals French Leasing Limited	58.7647%	—	Hong Kong	Holding Company
CT9 Project Management Limited	19.5882%	—	Hong Kong	Project Management Holding Company
Shanghai Pudong JiFa Logistics Company Limited	19.79%	—	People's Republic of China	Warehouse and Logistics

21 Related Party Transactions (Continued)

Compensation of key management personnel

The remuneration of directors and other key members of the management during the year was as follows:

	2005 USD'000	2004 USD'000
Short-term benefits	**4,811**	2,789
Employees' end of service benefits	**454**	120
	5,265	2,909

22 Derivatives

The table below shows the positive and negative fair values of derivative financial instruments, which are equivalent to the market values, together with the notional amounts analysed by the term to maturity. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the year end and are neither indicative of the market risk nor credit risk.

31 December 2005:

				Notional amounts by term to maturity			
	Positive fair value USD'000	Negative fair value USD'000	Notional amount Total USD'000	Within 3 months USD'000	Over 3 months to 6 months USD'000	Over 6 months to 12 months USD'000	Over 1 to 5 years USD'000
Derivatives held as cash flow hedges:							
Interest rate swap	**10,781**	**—**	**1,360,555**	**—**	**—**	**—**	**1,360,555**

Derivative product types

Swaps are contractual agreements between two parties to exchange interest or foreign currency differentials based on a specific notional amount. For interest rate swaps, counterparties generally exchange fixed and floating rate interest payments based on a notional value in a single currency.

Derivative related credit risk

Credit risk in respect of derivative financial instruments arises from the potential for a counterparty to default on its contractual obligations and is limited to the positive fair value of instruments that are favourable to the Group. All the derivative contracts of the Group are entered into with reputable financial institutions.

Derivatives held or issued for hedging purposes

The Group uses interest rate swaps to hedge against the cash flow risks arising on interest payments on long term loans. In all such cases, the hedging relationship and objective, including details of the hedged item and hedging instrument, are formally documented and the transactions are accounted for as cash flow hedges.

23 Capital Commitments

	2005 USD'000	2004 USD'000
Estimated capital expenditure contracted for at the balance sheet date but not provided for	**38,641**	292,222

24 Contingencies

The Group has contingent liabilities for letters of guarantee amounting to USD 5.72 million issued by the Group's bankers and letters of credit amounting to USD 87.75 million issued by PCFC's bankers (note 21).

Operating lease commitments—Group as lessee

Future minimum rentals payable under non-cancellable operating leases as at 31 December are as follows:

	2005 USD'000	2004 USD'000
Within one year	**7,408**	1,278
After one year but not more than five years	**16,377**	3,382
More than five years	**97,879**	—
	121,664	4,660

Operating lease commitments—Group as lessor

Future minimum rentals receivable under non-cancellable operating leases as at 31 December are as follows:

	2005 USD'000	2004 USD'000
Within one year	**1,000**	—
After one year but not more than five years	**7,795**	6,349
More than five years	**7,838**	2,862
	16,633	9,211

25 Risk Management

The Group's principal financial instruments, other than derivatives, comprise bank loans and cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The Group also enters into derivative transactions, including principally interest rate swaps. The purpose is to manage the interest rate risk arising from the Group's sources of finance.

It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are cash flow interest rate risk, liquidity risk, foreign currency risk and credit risk. The senior management reviews and agrees policies for managing each of these risks and they are summarised below. The Group's accounting policies in relation to derivatives are set out in note 2.

25 Risk Management (Continued)

Cash flow interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with a floating interest rate and bank deposits.

The Group's policy is to manage its interest cost by entering into interest rate swap agreements, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. These swaps are designated to hedge underlying debt obligations.

At 31 December 2005, after taking into account the effect of interest rate swaps, approximately 99% of the Group's borrowings are at a fixed rate of interest.

Foreign currency risk

As a result of significant investment operations in Hong Kong, China, India, Australia, Korea and the Dominican Republic, the Group's balance sheet can be affected significantly by movements in exchange rates of the Hong Kong Dollar, Indian Rupee, Chinese Yuan, Australian Dollar, Korean Won and Dominican Republic Pesos with the United States Dollar exchange rates. The Group did not seek to hedge these currency exposures.

Commodity price risk

The Group has no significant commodity price risk.

Credit risk

The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures and required to submit financial guarantees based on their creditworthiness. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents and certain derivative instruments, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank facilities and ensuring adequate internally generated funds and funds from the Parent Group are available when required. The Group's terms of business require amounts to be paid within 60 days of the date of provision of the service. Trade payables are normally settled within 45 days of the date of purchase.

26 Fair Value of Financial Instruments

Financial instruments comprise financial assets and financial liabilities.

Financial assets consist of bank balances and cash, trade receivables, long term receivables, loan and due from related parties. Financial liabilities consist of trade payables, due to related parties, retentions payable, other payables and accrued expenses and interest bearing loans or borrowings.

The fair values of financial assets and liabilities are not materially different from their carrying values.

The Peninsular and Oriental Steam Navigation Company

Audited Extract from the Directors' Remuneration Report

Details of directors' remuneration

The following sections of the remuneration report have been audited.

Directors' emoluments

	Salary and fees 2005	Bonus 2005	Benefits in kind 2005	Cash in lieu of benefits 2005	Total 2005	Total 2004
	£000	£000	£000	£000	£000	£000
Executive directors						
Robert Woods	500	338	21	—	859	767
Michael Gradon	325	219	20	—	564	480
Nick Luff	375	253	7	109	744	693
Russ Peters	265	186	18	—	469	320
Peter Smith	245	165	41	—	451	422
Lord Sterling#	135	91	31	—	257	660
Non-executive directors						
Sir John Parker†	310	—	—	—	310	—
Sir David Brown	40	—	—	—	40	33
Sir John Collins	48	—	—	—	48	39
David Williams	43	—	—	—	43	—
The Rt Hon the Baroness Symons of Vernham Dean†	3	—	—	—	3	—
Mike Turner†	3	—	—	—	3	—
Richard Cousins†	2	—	—	—	2	—
Michael Everard	40	—	—	—	40	33
Rodney Galpin#	19	—	—	—	19	44
	2,353	1,252	138	109	3,852	3,491

† from date of appointment

\# up to date of cessation of directorship

Aggregate emoluments in respect of qualifying services amounted to £3,852,000 (2004 £3,491,000) and the aggregate amount paid to pension schemes in respect of qualifying services amounted to £433,000 (2004 £374,000).

Nick Luff received a cash equivalent payment in place of certain benefits in kind and pension benefits.

Lord Sterling purchased a property (with related fixtures and fittings) on 18 October 2005 from the Group for £1,035,000 being the open market value as determined by independent valuers. The Group's profit on disposal was £418,000.

Sir Bruce MacPhail who retired as a director of the Company on 31 December 2003 worked on a part-time basis for the Company until 31 December 2005 managing the disposal of the development property portfolio for which he received a salary of £137,500, benefits in kind of £72,816 and a bonus of £206,250.

Richard Hein who retired as a director of the Company on 17 May 2002 was Chairman of P&O Australia Limited throughout 2005 for which he received a salary of £67,846, benefits in kind of £12,614 and a bonus of £20,956.

Directors' interests in shares

The following is a table of the executive directors' deferred stock, long term incentive awards and option grants (in units of £1 nominal of deferred stock) under the Matching Plan, Performance Share Plan, 2005 Matching Share Plan, P&O Option Plan, P&O SAYE Scheme and the 2004 Plan. The terms of these plans are set out under the heading "Long term incentives" on page 28. Further details of the stock option grants are set out on page F-107.

	Matching Plan Stock Awards	Matching Plan Invested Stock	Maximum Matching Plan Matching Awards	Maximum Performance Share Plan Awards	Maximum 2005 Matching Share Plan Awards	Stock Options
Lord Sterling						
At 1 January 2005	16,114	154,638	273,036	—	—	1,110,025
Dividend stock*	—	—	—	—	—	—
Vested, exercised and sold#(1,2)	—	(91,360)	(152,266)	—	—	—
Own stock invested	—	—	—	—	—	—
At 13 May 2005	16,114	63,278	120,770	—	—	1,110,025
Robert Woods						
At 1 January 2005	18,533	124,573	225,225	—	—	1,192,747
Dividend stock*	1,252	—	—	1,450	453	—
Vested, exercised and sold#(1,2)	—	(89,690)	(149,483)	—	—	—
Own stock invested	—	88,447	—	—	—	—
Granted(3,4,5)	29,907	—	111,939	212,765	66,488	—
At 31 December 2005	49,692	123,330	187,681	214,215	66,941	1,192,747
Michael Gradon						
At 1 January 2005	10,635	84,365	150,711	—	—	818,198
Dividend stock*	776	—	—	870	206	—
Vested, exercised and sold#(1,2)	—	(45,526)	(75,876)	—	—	—
Own stock invested	—	48,478	—	—	—	—
Granted(3,4,5)	19,417	—	70,397	127,659	30,322	—
At 31 December 2005	30,828	87,317	145,232	128,529	30,528	818,198
Nick Luff						
At 1 January 2005	10,475	179,987	309,928	—	—	689,660
Dividend stock*	905	—	—	1,088	339	—
Vested, exercised and sold(1,2)	—	(67,500)	(112,500)	—	—	—
Own stock invested	—	68,222	—	—	—	—
Granted(3,4,5)	24,571	—	89,239	159,574	49,866	—
At 31 December 2005	35,951	180,709	286,667	160,662	50,205	689,660
Russ Peters						
At 1 January 2005	2,013	16,195	28,905	—	—	386,858
Dividend stock*	183	—	—	768	—	—
Own stock invested	—	—	—	—	—	—
Granted(3,4,5)	5,156	—	5,156	112,765	—	—
At 31 December 2005	7,352	16,195	34,061	113,533	—	386,858
Peter Smith						
At 1 January 2005	8,863	91,230	160,469	—	—	671,630
Dividend stock*	647	—	—	710	222	—
Vested, exercised and sold#(1,2)	—	(59,210)	(98,683)	—	—	—
Own stock invested	—	44,773	—	—	—	—
Granted(3,4,5)	16,181	—	58,768	104,255	32,577	—
At 31 December 2005	25,691	76,793	120,554	104,965	32,799	671,630

The figures for vested, exercised and sold include the exercise of Matching Plan awards and the release of Matching Plan Invested Stock and are stated to show the amount of stock retained (being the increase in the deferred stock column) and the amount sold (being the decrease in the total interests column) after exercise.

* Dividend stock includes stock purchased in lieu of dividends for the stock held in the Employee Benefit Trust and stock purchased with dividends for stock in PEPs and ISAs.

(1) The Matching Plan Stock Awards, which had been granted on 21 March 2003, vested on 9 March 2005. The market value of the deferred stock constituting these awards on the day of grant was 184p and on the day of vesting was 303p.

(2) The date of exercise of the Matching Plan Stock Award was 9 March 2005. The market value of the deferred stock constituting these awards on the day of exercise was 303p.

(3) The 2005 Matching Plan Awards were granted on 9 March 2005 and the market value of the deferred stock constituting these awards on the day of the grant was 303p. The performance conditions and performance period for these awards are described on page 29.

(4) The 2005 Performance Share Plan awards were granted on 13 May 2005 and the market value of the deferred stock constituting these awards on the day of the grant was 282p. The performance conditions and performance period for these awards are described on page 29.

(5) The 2005 Matching Share Plan awards were granted on 13 May 2005 and the market value of the deferred stock constituting these awards on the day of the grant was 282p. The performance conditions and performance period for these awards are described on page 29.

"Invested stock" includes invested stock under both the Matching Plan and the 2005 Matching share Plan.

The aggregate net value of assets received or receivable by directors during the year under long term incentive plans was £3,826,138 (2004 £1,544,555).

No director had interests, whether beneficial or non-beneficial, in the Company's preferred stock or debenture stocks or in the share capital, loan stocks or debenture stocks of the Company's subsidiaries at the beginning or end of the year or at the date of this report. No director had a material interest in any contract of significance with the Company or any subsidiary, joint venture or associate during the year.

As potential beneficiaries of the P&O Employee Benefit Trust (the "Trust"), the executive directors are technically deemed to be interested in deferred stock of the Company held by the Trust. At 31 December 2005, the Trust held £12,207,682 nominal of deferred stock.

Stock Awards

The Trustee waives its right to receive dividends on stock held in the Trust and the amount of stock to which Stock Awards relate increased during the year, due to additional P&O deferred stock purchased by the Trustee which had a value equivalent to the value of the dividend forgone. Stock Awards are eligible for Matching Awards in accordance with the rules of the Matching Plan as described above. The terms of the Matching Plan (including the performance conditions) are summarised on page 29. Stock Awards are subject to a retention period of two years from the date of grant. Stock Awards granted in 2004 and 2005 would normally have become exercisable from the announcement of the 2005 and 2006 preliminary results respectively. However, upon the change of control of P&O on 8 March 2006, Stock Awards under the Matching Plan, performance awards under the Performance Share Plan and Matching Awards under the Matching Plan and 2005 Matching Share Plan became exercisable in accordance with the rules of the plans. Under the Matching Plan, Stock Awards vested in full. Under all plans, Matching and Performance Awards vested in full (subject to pro-rating to the date of departure for those who had left the Company before the end of the relevant performance period).

Stock options

Further details of the stock options granted to directors under the P&O Option Plan and the P&O SAYE Scheme are set out below:

	Outstanding at 1 January and 31 December 2005	Exercisable From	Exercisable To
Lord Sterling*	229,533	23/10/03	23/10/10
	282,615	17/9/04	17/9/11
	355,673	24/9/05	24/9/12
	242,204	29/9/06	29/9/13
	1,110,025		
Robert Woods	226,014	23/10/03	23/10/10
	277,962	17/9/04	17/9/11
	409,755	24/9/05	24/9/12
	279,016	29/9/06	29/9/13
	1,192,747		
Michael Gradon	162,908	23/10/03	23/10/10
	207,592	17/9/04	17/9/11
	261,228	24/9/05	24/9/12
	186,470	29/9/06	29/9/13
	818,198		
Nick Luff	447,915	18/6/06	18/6/13
	241,745	29/9/06	29/9/13
	689,660		
Russ Peters	206,768	24/9/05	24/9/12
	7,382#	1/6/06	1/11/06
	172,708	29/9/06	29/9/13
	386,858		
Peter Smith	124,432	23/10/03	23/10/10
	170,250	17/9/04	17/9/11
	214,175	24/9/05	24/9/12
	7,382#	1/6/06	1/11/06
	155,391	29/9/06	29/9/13
	671,630		

* Lord Sterling retired from the Board on 13 May 2005 and the stock options listed above are at that date.

\# P&O SAYE Plan options.

The performance conditions for each of the above stock options are described on page 30. The performance conditions for all options are based on EPS growth, except for the options exercisable from 29 September 2006.

The Company had a Directors' Shareholding Guideline whereby executive directors were expected to build up over a three year period, and maintain thereafter, a holding of deferred stock in the Company (including Stock Awards and Invested Stock) with a value broadly equivalent to at least 100 per cent of salary. This guideline was applied flexibly, where appropriate, for example to recognise the possibility of directors wishing to reduce their holding as they neared retirement or to take account of other special circumstances.

The aggregate gains made by directors on the exercise of deferred stock under option were £nil (2004 £137,743).

The mid-market price of the deferred stock at 30 December 2005 was 466.0p (2004 297.5p). The highest mid-market price during the year was 494.0p and the lowest mid-market price was 265.0p.

	Current age	Increase in accrued pension (net of inflation/ revaluation) during the year (A)	Transfer value of the increase in accrued pension (net of inflation/ revaluation) director's less contribution 31 December 2005 (B)	Accrued pension at 31 December 2005 (C)	Increase in accrued pension during the year (D)	Transfer value of accrued pension during 31 December 2005 (E)	Transfer value of accrued pension at 31 December 2004 (F)	Increase/ (decrease) in transfer value over the year, less director's contribution (G)
		£000 p.a.	£000	£000 p.a.	£000 p.a.	£000	£000	£000
Lord Sterling	71	—	—	586	37	12,096	11,201	896
Robert Woods	59	21	435	345	45	7,842	6,828	981
Michael Gradon	46	18	144	130	21	1,183	920	241
Russ Peters	57	10	156	156	13	2,790	2,281	492
Peter Smith	54	3	32	69	4	947	795	145

Notes:

(i) All executive directors during the year, except Nick Luff, were members of the P&O Pension Scheme (the "P&O UK Scheme").

(ii) The accrued pensions indicated in column (C) are the pensions payable on reaching age 60, except for Lord Sterling whose pension is now in payment and Robert Woods whose pension could be payable immediately.

(iii) Where applicable the rate of inflation used in columns (A) and (B) is 2.7 per cent.

(iv) The pensions and transfer values indicated in columns (A) to (G) above, exclude the effect of any Additional Voluntary Contributions paid by the directors.

Lord Sterling has ceased to accrue further pension rights and his pension is in payment from 31 May 2005. The pension in columns (C) and (D) above, reflect the P&O UK Scheme's late retirement provisions. The transfer values indicated in columns (E), (F) and (G) demonstrate the change in cost to the P&O UK Scheme of providing the late retirement benefits, given prevailing market conditions. In accordance with Inland Revenue Regulations he is not entitled to transfer his benefits out of the P&O UK Scheme. For column (E) the pension has been valued when it came into payment, based on market conditions as at 31 December 2005.

Robert Woods' accrued pension in column (C) is the total pension earned, which could be paid immediately in the event of retirement. For the purpose of the UK Listing Authority's Listing Rules the figure in column (A) is consistent with him being entitled to an immediate pension last year.

Michael Gradon's pension rights in the event of early retirement would be affected by various historical provisions, which have not been available to new directors for some years. The actual pension payable would depend on his age and service and whether his retirement was voluntary or compulsory. The various provisions would start to apply from age 47 and begin to fall away gradually after age 55. The maximum effect of these provisions would be on retirement from service at age 55, where the value of the standard provisions reflected above could be enhanced by up to 40 per cent.

Peter Smith's pension rights are restricted by the current earnings cap, which was introduced by the government in 1989. The Company has therefore established a Funded Unapproved Retirement Benefits Scheme ("FURBS") which operates on a defined contribution basis. The Company's contribution to the FURBS is paid quarterly in arrears and it amounted to £45,567 in 2005 (2004 £43,741).

Nick Luff receives no pension benefit from the Company. The Company provides life insurance for which an insurance policy is in place, the cost of which is included within the directors' emoluments table on page F-104.

General provisions of the P&O UK Scheme

The Normal Retirement Age for Senior Executives is 60. The maximum pension is normally two thirds of pensionable salary. Only basic salary is pensionable. Early retirement pensions are normally reduced to take account of the longer period over which they will be paid. However in certain circumstances the Scheme rules will allow unreduced pensions to be paid, providing they are funded by the employer at the time of retirement.

The P&O UK Scheme's rules guarantee pension increases during retirement fully in line with RPI increases up to 3 per cent, subject to the minimum introduced in the Pensions Act 1995. Increases above 3 per cent are not guaranteed but the trustee has the power to grant them, if circumstances permit, without referring to the Company. Increases greater than 80 per cent of the increase in RPI may only be given with the agreement of the Company. The current policy of the Company and the trustee is to fund the P&O UK Scheme for increases up to 80 per cent of the increase in RPI, subject to the above guarantees, allowance for which is made in transfer value calculations.

In the event of death before retirement, the P&O UK Scheme provides a capital sum equal to four times basic salary (or four times the earnings cap for those joining after 1989) plus spouse pensions or, at the trustee's discretion, a dependents pension of up to 66 per cent of the member's pension. Children's allowances are also payable at the rate of 25 per cent of the spouse/dependents pension.

The Peninsular and Oriental Steam Navigation Company

Statement of Directors' Responsibilities in Respect of the Annual Report and the Financial Statements

The directors are responsible for preparing the Annual Report and the Group and parent company financial statements, in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and parent company financial statements for each financial year. Under that law the directors are required to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and have elected to prepare the parent company financial statements in accordance with UK Accounting Standards.

The Group financial statements are required by law and IFRSs as adopted by the EU to present fairly the financial position and performance of the Group; the Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

The parent company financial statements are required by law to give a true and fair view of the state of affairs of the parent company.

In preparing each of the Group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the parent company financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent 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 parent 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 Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Directors' Report and Directors' Remuneration Report that comply with that law and those regulations.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Peninsular and Oriental Steam Navigation Company

Report of the Independent Auditors

Independent auditors' report to the members of The Peninsular and Oriental Steam Navigation Company

We have audited the Group and Parent company financial statements (the "financial statements") of The Peninsular and Oriental Steam Navigation Company for the year ended 31 December 2005 which comprise the Consolidated income statement, the Consolidated and Parent company balance sheets, the Consolidated statement of cash flows, the Consolidated statement of recognised income and expense and the related notes. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

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' responsibilities for preparing the Annual Report and the Group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU, and for preparing the parent company financial statements and the Directors' Remuneration Report in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page F-110.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited 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 whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and whether, in addition, the Group financial statements have been properly prepared in accordance with Article 4 of the IAS Regulation. 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 other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

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 and the part of the Directors' Remuneration Report to be audited. 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 Group's and 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 and the part of the Directors' Remuneration Report to be audited 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 and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the Group's affairs as at 31 December 2005 and of its profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation;
- the Parent company financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the Parent company's affairs as at 31 December 2005; and
- the Parent company financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc
Chartered Accountants
Registered Auditor

8 Salisbury Square
London
EC4Y 8BB
1 June 2006

The Peninsular and Oriental Steam Navigation Company

Consolidated Income Statement

for the Year Ended 31 December 2005

	Note	Before separately disclosable items 2005	Separately disclosable items (note 4) 2005	Total 2005	Before separately disclosable items 2004	Separately disclosable items (note 4) 2004	Total 2004
		£m	£m	£m	£m	£m	£m
Group revenue	2(a)	**2,340.1**	**—**	**2,340.1**	2,265.9	—	2,265.9
Cost of sales	3	**(2,014.4)**	**—**	**(2,014.4)**	(1,908.4)	(122.9)	(2,031.3)
Gross profit		**325.7**	**—**	**325.7**	357.5	(122.9)	234.6
Other operating income	3	**12.8**	**4.1**	**16.9**	19.5	13.5	33.0
Administrative costs	3	**(192.5)**	**(18.7)**	**(211.2)**	(216.9)	(217.3)	(434.2)
		146.0	**(14.6)**	**131.4**	160.1	(326.7)	(166.6)
Share of results of joint ventures and associates		**40.9**	**(0.9)**	**40.0**	30.5	—	30.5
Group operating profit/(loss)		**186.9**	**(15.5)**	**171.4**	190.6	(326.7)	(136.1)
Profit on sale and termination of businesses		**—**	**—**	**—**	—	32.4	32.4
Profit/(loss) before financing costs	2(b)	**186.9**	**(15.5)**	**171.4**	190.6	(294.3)	(103.7)
Financial income	5	**7.9**	**—**	**7.9**	11.4	—	11.4
Financial expenses	5	**(66.6)**	**(12.1)**	**(78.7)**	(94.9)	—	(94.9)
Net financing costs	5	**(58.7)**	**(12.1)**	**(70.8)**	(83.5)	—	(83.5)
Profit/(loss) before taxation		**128.2**	**(27.6)**	**100.6**	107.1	(294.3)	(187.2)
Taxation	6(a)	**(23.6)**	**(0.4)**	**(24.0)**	(18.9)	(1.9)	(20.8)
Profit/(loss) on continuing operations after taxation		**104.6**	**(28.0)**	**76.6**	88.2	(296.2)	(208.0)
Profit from discontinued operations and profit on sale of discontinued operations, net of tax	2(b)	**33.6**	**179.9**	**213.5**	53.0	3.5	56.5
Profit/(loss) for the financial year		**138.2**	**151.9**	**290.1**	141.2	(292.7)	(151.5)
Attributable to:							
Equity stockholders of the parent				**279.8**			(161.6)
Minority interests in subsidiaries				**10.3**			10.1
				290.1			(151.5)
Earnings per £1 nominal of deferred stock:							
Basic EPS	9			**37.4p**			(22.6)p
Diluted EPS	9			**37.0p**			(22.6)p
Basic EPS from continuing operations				**8.5p**			(30.3)p
Diluted EPS from continuing operations				**8.4p**			(30.3)p
Basic EPS from discontinued operations				**28.9p**			7.7p
Diluted EPS from discontinued operations				**28.6p**			7.7p

For underlying measures of EPS see note 9.

The Peninsular and Oriental Steam Navigation Company
Consolidated Statement of Recognised Income and Expense
for the Year Ended 31 December 2005

	Note	2005	2004
		£m	£m
Foreign exchange translation differences		**94.4**	(54.7)
Net gain/(loss) on hedge of net investments in foreign subsidiaries		**(18.6)**	—
Recycled exchange on disposals		**0.1**	—
Effective portion of net changes in fair value of cash flow hedges		**(1.0)**	—
Cash flow hedges transferred to income statement		**17.5**	—
Fair value movements on available-for-sale financial assets		**0.6**	—
Net actuarial losses		**(167.3)**	(48.6)
Income and expense recognised directly in equity		**(74.3)**	(103.3)
Profit/(loss) for the financial year		**290.1**	(151.5)
Total recognised income and expense for the financial year	25	**215.8**	(254.8)
Effect of change in accounting policy			
Effect of adoption of IAS 32 and 39 on 1 January 2005 (with 2004 not restated) on:			
Retained earnings		**(4.2)**	—
Cash flow hedge reserve		**(23.0)**	—
	36	**(27.2)**	—
Total recognised income and expense is attributable to:			
Equity stockholders of the parent	25	**205.7**	(263.4)
Minority interests in subsidiaries	25	**10.1**	8.6
		215.8	(254.8)

Of the income and expense recognised directly in equity for the financial year, £26.7m net gain has arisen in joint ventures and associates (2004 £44.7m net loss), of which £40.3m gain (2004 £38.7m loss) is in respect of foreign exchange translation differences, £4.9m loss (2004 £nil) is in respect of the effective portion of net changes in the fair value of cash flow hedges and £8.7m loss (2004 £6.0m loss) relates to net actuarial gains and losses, net of a £0.1m credit (2004 £nil) in respect of deferred tax.

Tax of £3.3m (2004 £9.6m credit) has been charged directly to equity in the consolidated statement of recognised income and expense. This consists of an income tax charge of £1.4m (2004 £3.5m credit) arising on foreign exchange translation differences and a deferred tax charge of £1.9m (2004 £6.1m credit) made up of a charge of £2.0m (2004 £6.1m credit) arising on actuarial gains and losses less a credit of £0.1m (2004 £nil) arising on the effective portion of net changes in the fair value of cash flow hedges. In addition, the effect of adoption of IAS 32 and 39 on 1 January 2005 gave rise to a £0.6m credit in respect of deferred tax.

Net actuarial gains and losses includes a £122.6m charge being the Group's share of the Merchant Navy Officers' Pension Fund deficit at 30 September 2005, when the Group commenced accounting for the fund as a defined benefit pension scheme, as set out in note 28 on page F-166 and also includes a charge of £17.5m being the Group's share of the exit payments made by P&O Nedlloyd into the P&O UK Pension scheme on forming its own UK scheme, as set out in note 28 on page F-167.

The Peninsular and Oriental Steam Navigation Company

Consolidated Balance Sheet

at 31 December 2005

	Note	2005	2004
		£m	£m
Non-current assets			
Intangible assets	10	**85.5**	92.7
Prepaid leases	11	**153.5**	145.0
Property, plant and equipment	12	**1,160.8**	1,233.7
Investments in joint ventures and associates	13	**386.6**	501.4
Other investments	19	**14.4**	11.2
Deferred tax assets	14	**6.5**	16.7
Trade and other receivables	18	**9.2**	7.2
		1,816.5	2,007.9
Current assets			
Properties held for development and sale	16	**149.8**	508.5
Inventories	17	**36.6**	43.2
Other investments	19	**34.6**	5.2
Trade and other receivables	18	**475.4**	410.2
Tax recoverable	15	**—**	0.8
Cash and cash equivalents	20	**99.5**	50.2
Non-current assets held for sale	8	**1.1**	—
		797.0	1,018.1
Current liabilities			
Bank overdrafts	20	**(17.3)**	(20.8)
Interest bearing loans and borrowings	21	**(30.6)**	(79.7)
Trade and other payables	22	**(424.4)**	(383.2)
Income tax liabilities	15	**(89.1)**	(105.7)
Employee benefits	28	**(23.0)**	(24.2)
Provisions	23	**(51.2)**	(94.1)
		(635.6)	(707.7)
Net current assets		**161.4**	310.4
Non-current liabilities			
Interest bearing loans and borrowings	21	**(656.2)**	(1,131.3)
Trade and other payables	22	**(35.1)**	(56.2)
Deferred tax liabilities	14	**(64.8)**	(83.3)
Employee benefits	28	**(282.8)**	(268.9)
Provisions	23	**(67.8)**	(40.9)
		(1,106.7)	(1,580.6)
Net assets		**871.2**	737.7
Equity			
Issued capital	24	**822.2**	813.5
Share premium	25	**792.2**	782.9
Reserves	25	**172.6**	111.6
Retained earnings	25	**(969.8)**	(1,017.1)
Total equity attributable to equity holders of the parent		**817.2**	690.9
Minority interests in subsidiaries	25	**54.0**	46.8
Total equity		**871.2**	737.7

The accounts were approved by a duly authorised committee of the Board of directors and signed on its behalf on 1 June 2006 by:

Robert Woods
Michael Gradon

The Peninsular and Oriental Steam Navigation Company
Consolidated Statement of Cash Flows
for the Year Ended 31 December 2005

	Note	2005	2004
		£m	£m
Profit/(loss) for the year		**290.1**	(151.5)
Share of results of joint ventures and associates		**(62.5)**	(78.3)
(Profit)/loss on sale of property, plant and equipment		**(3.9)**	11.2
Profit on sale and termination of businesses		**(178.3)**	(43.1)
Amounts written off investments		**—**	1.1
Net financing costs		**75.0**	88.9
Interest received		**3.9**	10.0
Share-based payments		**5.4**	4.5
Taxation expense		**28.1**	22.3
Depreciation, amortisation and impairment charges		**109.9**	322.3
Decrease in properties held for development and sale		**352.0**	267.2
Decrease inventories		**3.3**	8.2
Increase in trade and other receivables		**(87.1)**	(14.3)
Increase in trade and other payables		**31.2**	36.3
(Decrease)/increase in provisions		**(39.5)**	50.2
Decrease in liabilities for pensions and employee benefits		**(111.5)**	(35.9)
Taxation paid		**(57.0)**	(37.3)
Dividends received from joint ventures and associates		**49.7**	22.1
Net cash inflow from operating activities		**408.8**	483.9
Purchase of property, plant and equipment		**(186.6)**	(154.1)
Purchase of investments		**(0.4)**	(2.2)
Sale of property, plant and equipment		**48.6**	102.9
Sale of investments		**0.1**	0.1
Interest received		**—**	16.4
Purchase of subsidiaries and businesses	31(a)	**—**	1.6
Advances to and purchase of joint ventures and associates		**(40.7)**	(63.3)
Sale of subsidiaries and termination of businesses	31(b)	**128.0**	186.5
Repayments by and sale of joint ventures and associates		**398.1**	155.9
Net cash inflow from investing activities		**347.1**	243.8
Issue of stock		**18.2**	12.6
Purchase of own stock		**(5.8)**	(14.2)
Loan drawdowns		**1,289.2**	838.6
Loan repayments		**(1,848.5)**	(1,329.6)
Finance lease capital payments		**(10.2)**	(30.7)
Interest paid		**(73.4)**	(114.6)
Finance lease interest paid		**(2.1)**	(2.4)
Dividends paid to minority interests		**(2.9)**	(4.6)
Dividends paid		**(70.0)**	(91.6)
Net cash outflow from financing activities		**(705.5)**	(736.5)
Net increase/(decrease) in cash and cash equivalents		**50.4**	(8.8)
Cash and cash equivalents at 1 January	20	**29.4**	36.5
Effect of exchange rate fluctuations on cash held		**2.4**	1.7
Cash and cash equivalents at 31 December	20	**82.2**	29.4

1 Significant accounting policies

The Peninsular and Oriental Steam Navigation Company is a company domiciled in the United Kingdom. The consolidated financial statements of the Company for the year ended 31 December 2005 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interests in associates and jointly controlled entities.

The consolidated financial statements were authorised for issuance by the directors on 1 June 2006.

Transition to International Financial Reporting Standards ("IFRS")

The consolidated financial statements have been prepared in accordance with IFRS as adopted by the EU and its interpretations adopted by the International Accounting Standards Board ("IASB"). These are the Group's first consolidated financial statements under IFRS and IFRS 1 'First-time Adoption of International Financial Reporting Standards' has been applied.

An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Group is provided in note 36.

The Company has elected to prepare its financial statements in accordance with UK GAAP. These are presented on pages F-189 to F-211.

Basis of preparation

These financial statements are presented in sterling, the Group's functional currency, rounded to the nearest 0.1 million. They are prepared on the historical cost basis except for derivative financial instruments and available-for-sale assets, which are stated at fair value, and non-current assets held for sale which are stated at the lower of previous carrying amount and fair value less costs to sell.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 35.

The following accounting policies, unless otherwise stated, have been applied consistently to all periods presented in these consolidated financial statements in dealing with items which are considered material in relation to these consolidated financial statements and in preparing an opening IFRS balance sheet at 1 January 2004 for the purposes of transition to IFRS.

They have been applied consistently by Group entities.

Transitional arrangements

The rules for first time adoption of IFRS are set out in IFRS 1. In general a company is required to determine its IFRS accounting policies and apply these retrospectively to determine the opening IFRS compliant balance sheet. The standard permits a number of exceptions to this general principle to assist companies as they transition to IFRS.

1 Significant accounting policies (Continued)

When preparing the Group's IFRS balance sheet at 1 January 2004, the date of transition, the following optional exemptions, provided by IFRS 1, from full retrospective application of IFRS accounting policies have been adopted:

- IFRS 3 'Business Combinations'—the provisions of IFRS 3 have been applied prospectively from 1 January 2004, and the classification and accounting treatment of business combinations that occurred prior to this date have not been reconsidered in the preparation of the Group's opening IFRS balance sheet at 1 January 2004;
- IAS 32 'Financial Instruments: Disclosure and Presentation' and IAS 39 'Financial Instruments: Recognition and Measurement'—the provisions of IAS 32 and IAS 39 have not been applied to the financial statements for the year ended 31 December 2004, which form the comparative period to the Group's first IFRS compliant financial statements and which, for these purposes, have been prepared on the basis of previous UK GAAP accounting policies. The Group has applied the exemption available under IFRS 1 that allows comparatives not to be restated for IAS 32 and IAS 39. The effect of adopting IAS 32 and IAS 39 is explained in note 36;
- Until 31 December 2004 the Group adopted hedge accounting for interest rate transactions and foreign exchange transactions in accordance with UK GAAP. With effect from 1 January 2005, subject to specific criteria, derivative financial instruments, financial assets and financial liabilities may be designated as forming hedge relationships as a result of which fair value changes are offset in the income statement or recognised directly in the statement of recognised income and expense depending on the nature of the hedge relationship;
- Where items of property, plant and equipment have previously been revalued, the revalued amount at 1 January 2004 has been deemed to be the cost at that date;
- Cumulative translation differences arising on consolidation of subsidiaries—IAS 21 'The Effects of Changes in Foreign Exchange Rates' requires such differences to be held in a separate reserve, rather than included in the profit and loss reserve under UK GAAP. This reserve has been deemed to be nil on 1 January 2004; and
- IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations' has been applied prospectively from 1 January 2005 (see page F-126).

Basis of consolidation

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains from transactions with joint ventures and associates are eliminated to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Subsidiaries

The Group financial statements include the results of the Company and its subsidiary undertakings together with the Group's share of the results of its joint ventures and associates. A subsidiary is an entity controlled by the Company. Control is regarded as the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable or convertible are taken into account. The financial statements of subsidiaries are consolidated from the date that control commences until the date that control ceases.

Associates

An associate is an undertaking in which the Group has significant influence, but not control, over the financial and operating policies. The Group's share of the total recognised gains and losses of associates is included on an equity accounted basis in the consolidated income statement or statement of recognised

1 Significant accounting policies (Continued)

income and expense (as appropriate) and its interest in their net assets is included within investments in the consolidated balance sheet from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds the carrying amount of the associate, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations in respect of the associate.

Joint ventures

A joint venture is an undertaking in which the Group has joint control, established by a contractual arrangement with one or more other parties. The Group equity accounts for its joint ventures and therefore its share of the profits less losses of joint ventures are included in the consolidated income statement or statement of recognised income and expense (as appropriate) and its interest in their net assets is included in investments in the consolidated balance sheet.

Foreign currency

Foreign currency transactions

Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into sterling at the rate of exchange ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary asset and liabilities that are measured in terms of historical cost in a foreign currency are translated using the rate of exchange ruling at the date of the transaction.

Financial statements of foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to sterling at the rates of exchange ruling at the balance sheet date. The revenues and expenses of foreign operations are translated into sterling at rates approximating to the rates of exchange ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised directly in a separate component of equity.

Net investment in foreign operations

Exchange differences arising from the translation of the net investment in foreign operations, and of related hedges, are taken to the translation reserve in accordance with the hedging policy described below.

Financial instruments

IAS 32 and IAS 39 address the accounting for, and reporting of, financial instruments. IAS 39 sets out detailed accounting requirements in relation to financial assets and liabilities. As outlined above under transitional arrangements, this has been applied by the Group for the first time for the year ended 31 December 2005. Under the exemption available in IFRS 1 the comparatives have not been restated for IAS 32 and IAS 39 and continue to reflect previously applied UK GAAP. The respective accounting policies are described below.

The Group uses derivative financial instruments, including interest rate swaps, foreign exchange contracts and options to hedge its exposure to foreign exchange and interest rate risks arising from operating, financing and investing activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for speculative purposes.

Derivative financial instruments are recognised initially at cost. Subsequent to initial recognition, derivative financial instruments are stated at fair value. Where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see accounting policy for hedging), otherwise the gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

1 Significant accounting policies (Continued)

The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties. The fair value of forward exchange contracts is their quoted market price at the balance sheet date.

Hedging

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecasted transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in equity. When the forecasted transaction subsequently results in the recognition of a non-financial asset or non-financial liability, or the forecast transaction for a non-financial asset or non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, the associated cumulative gain or loss is removed from equity and included in the initial cost or other carrying amount of the non-financial asset or non-financial liability. If a hedge of a forecasted transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains and losses that were recognised directly in equity are reclassified into profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss (i.e. when interest income or expense is recognised). For cash flow hedges other than those covered by the preceding two policy statements, the associated cumulative gain or loss is removed from equity and recognised in the income statement in the same period or periods during which the hedged forecast transaction affects profit or loss. Any gain or loss arising on an ineffective part of a hedge transaction is recognised in the income statement immediately.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised immediately in the income statement.

Hedge of net investment in foreign operations

Where a foreign currency liability hedges a net investment in a foreign operation, the portion of foreign exchange differences arising on translation of the liability that is determined to be an effective hedge is recognised directly in equity. The ineffective portion is recognised immediately in profit or loss. Where exchange differences have been deferred in equity, they are recycled to the income statement upon disposal of the respective foreign operation.

As noted above, the comparatives have not been restated for IAS 32 and IAS 39. Accordingly the Group has continued to apply its previous UK GAAP accounting policy, in its comparative figures. Under this accounting policy amounts payable or receivable in respect of interest rate swaps are recognised within the interest expense over the period of the contracts. Non interest bearing amounts due after one year are discounted at a rate approximating to current interest rates. Gains and losses on instruments used for hedging are not recognised until the exposure that is being hedged is itself recognised.

Financial guarantees

The Group has not adopted amendments to IAS 39 and IFRS 4 in relation to financial guarantee contracts which will apply for periods commencing on or after 1 January 2006.

Where the Group enters into financial guarantee contracts to guarantee the indebtedness of joint ventures or associates, the Group considers these to be insurance arrangements, and accounts for them as such. In this respect, the Group treats the guarantee contract as a contingent liability until such time as it becomes probable that the Group will be required to make a payment under the guarantee.

1 Significant accounting policies (Continued)

The Group does not expect the amendments to have any impact on the financial statements for the period commencing 1 January 2006.

Investments

Investments in debt and equity securities

Where the Group has the positive intent and ability to hold debt instruments to maturity, they are stated at amortised cost less impairment losses.

Other investments in debt and equity securities held by the Group are classified as being available-for-sale and are stated at fair value, with any resultant gain or loss being recognised directly in equity, except for impairment losses and, in the case of monetary items such as debt securities, foreign exchange gains and losses. When these investments are derecognised, the cumulative gain or loss previously recognised in equity is recognised in profit or loss. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss.

The fair value of financial instruments classified as available-for-sale is their quoted bid-price at the balance sheet date. Available-for-sale investments are recognised/derecognised by the Group on the date it commits to purchase/sell the investments. Securities held-to-maturity are recognised/derecognised on the day they are transferred to/by the Group.

The Group does not hold investments in debt or equity securities for trading purposes.

The comparative information for other investments are presented in accordance with UK GAAP and are stated at historical cost net of provisions for impairment.

Intangible assets

Goodwill arising on consolidation

Purchased goodwill represents amounts arising on acquisition of subsidiaries, associates and joint ventures. Goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired.

In respect of acquisitions prior to 1 January 2004, goodwill is included on the basis of its deemed cost which represents the carrying amount (net of accumulated amortisation) as recorded previously under UK GAAP.

Goodwill is stated at cost or deemed cost less any accumulated impairment losses. Goodwill is allocated to cash generating units and is not amortised but is tested annually for impairments (see accounting policy for impairment). In respect of associates and joint ventures the carrying amount of goodwill is included as part of the carrying amount of the investment in the associate or joint venture.

Negative goodwill arising on acquisition is recognised directly in the income statement.

The Group's policy prior to 1998 was to eliminate goodwill arising upon acquisitions against reserves. Under IFRS 1 and IFRS 3, such goodwill remains eliminated against reserves.

Property, plant and equipment

Owned assets

Items of property, plant and equipment are stated at cost or deemed cost less accumulated depreciation (see below) and impairment losses (see accounting policy for impairment). The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads. Interest incurred in respect of costs relating to assets under construction is capitalised into the cost of the asset concerned.

1 Significant accounting policies (Continued)

Certain items of property, plant and equipment that had been revalued to fair value on or prior to 1 January 2004, the date of transition to IFRS, are measured on the basis of deemed costs, being the revalued amount at the date of that revaluation.

Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted for as separate items of property, plant and equipment.

Leased assets

Leases under which the Group assumes substantially all of the risks and rewards of ownership are classified as finance leases. An asset acquired by way of a finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation (see below) and impairment losses (see accounting policy for impairment). The capital element of future lease payments is treated as a liability. The interest element is charged to the income statement over the period of the finance lease in proportion to the balance of capital repayments.

All other leases are classified as operating leases with the lease rentals payable being charged to the income statement on a systematic basis over the term of the lease.

Subsequent expenditure

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul expenditure, is capitalised. Other subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditure is recognised in the income statement as an expense as incurred.

Depreciation

Depreciation is calculated to write down the cost of property, plant and equipment to their estimated residual value on a straight line basis over the expected useful life of the asset concerned. Generally for ships this is between 10 and 35 years, for freehold property 50 years and for other fixed assets (reported within plant and machinery, fixtures and fittings) various periods of up to 40 years, the most significant of which are cold storage facilities (up to 40 years), port equipment, such as cranes and straddle carriers (up to 25 years), Ports IT systems (up to 10 years) and other port equipment, such as forklifts, tractors and trailers (5 to 10 years). Leased assets are depreciated over the remainder of the lease period. No depreciation is provided on freehold land.

Assets constructed by the Group are depreciated from the date on which they come into use.

Prepaid leases

Advance payments at the inception of operating leases are recognised as prepayments in respect of that lease and recognised in profit or loss over the lease term on a systematic basis.

Properties held for development and sale

Properties held for development and sale are included in current assets at the lower of cost and net realisable value, with any resultant gain or loss recognised in the income statement. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Interest and other outgoings less income receivable are charged to the income statement during development, except in respect of properties where the development period is extensive, when such amounts are included in cost.

1 Significant accounting policies (Continued)

Inventories

Inventories and work in progress are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The cost of inventories within Ferries is based on the First-in-First-out principle, whilst within Ports inventories are accounted for on a weighted average basis.

Trade and other receivables

Trade and other receivables are stated at their cost less impairment losses (see accounting policy for impairment).

Cash and cash equivalents

Cash and cash equivalents comprises cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Trade and other payables

Trade and other payables are stated at cost.

Impairment

The carrying amounts of the Group's assets, other than properties held for development and sale (see accounting policy for properties held for development and sale), inventories (see accounting policy for inventories) and deferred tax assets (see accounting policy for taxation), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For goodwill the recoverable amount is estimated at each balance sheet date as well as when there are indications that the carrying value may not be recoverable. An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash generating units, and then to reduce the carrying amount of the other assets in the unit on a pro rata basis. A cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash flows from other assets or groups of assets.

On transition to IFRS all goodwill was tested for impairment as at 1 January 2004, the date of transition, even though no indication of impairment existed.

Calculation of recoverable amount

The recoverable amount of assets other than receivables, is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Reversals of impairment

An impairment loss in respect of goodwill is not reversed.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

1 Significant accounting policies (Continued)

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of deprecation or amortisation, if no impairment loss had been recognised.

Interest bearing loans and borrowings

Interest bearing loans and borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest bearing loans and borrowings are stated at amortised costs with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

Share capital

Preference and concessionary stock

Preference and concessionary stock are classified as equity as they are non-redeemable and the directors retain discretion over dividend payments. Dividends are recognised as distributions within equity and are recognised as a liability in the period in which they are declared.

Repurchase of share capital

When share capital recognised as equity is purchased by the Company, the amount of the consideration paid, including directly attributable costs, is recognised as a change in equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity.

Employee benefits

Pensions

The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine the present value, and the fair value of any plan assets is deducted. The calculation is performed by a qualified actuary using the projected unit credit method. The discount rate is the yield at the balance sheet date on AA credit rated bonds or local equivalent that have maturity dates approximating to the terms of the Group's obligations.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the income statement on a straight line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the income statement.

Actuarial gains and losses that arise in calculating the Group's obligation in respect of a plan are recognised in the period in which they arise directly in the statement of recognised income and expenses.

The operating and financing costs of defined benefit pension plans are recognised separately in the income statement; current service costs are spread systematically over the expected average remaining service lives of employees and financing costs are recognised in the periods within which they arise.

Contributions, including lump sum payments, in respect of defined contribution pension schemes and multi employer defined benefit schemes where it is not possible to identify the Group's share of the scheme, are charged to the income statement as they fall due.

Share-based payments

The Group operated five employee share plans: the Executive Stock Option Plan ("P&O Option Plan"), the P&O 2004 UK Sharesave Plan ("2004 Plan"), the Deferred Bonus and Co-investment Matching Plan ("Matching Plan"), the P&O Performance Share Plan ("Performance Share Plan") and the P&O 2005 Matching Share Plan ("2005 Matching Share Plan"). The fair values of grants under the P&O Option Plan

1 Significant accounting policies (Continued)

and 2004 Plan were calculated using binomial valuation models. The fair values of awards under the Matching Plan, Performance Share Plan and 2005 Matching Share Plan are calculated by discounting the share price at the date of award in respect of the relevant performance conditions. The fair value is measured at grant date and, in accordance with IFRS 2 'Share-based Payment', the resulting cost is charged to the income statement over the period during which the employees become unconditionally entitled to the options or shares. The amount recognised as an expense is adjusted to reflect changes in expected and actual levels of options vesting.

Long term service benefits

The Group's net obligation in respect of long term service benefits, other than pension plans, is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using the projected unit credit method and is discounted to its present value and the fair value of any related assets is deducted. The discount rate is the yield at the balance sheet date on AA credit rated bonds (or local equivalent) that have maturity dates approximating to the terms of the Group's obligations.

Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation, and where the amount of the associated costs can be reliably estimated. If the effect is material, provisions are calculated by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money, and where appropriate the risks specific to the liability.

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced publicly. Future operating costs are not provided for.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

Revenue

Revenue comprises amounts derived from the provision of goods and services to third parties (excluding VAT and similar sales taxes) and includes rent receivable from properties. Revenue from the provision of goods includes sales of properties held for development and sale, recognised when contracts become unconditional. Revenue from the provision of services is recognised on the delivery of those services, which for Ports is once the relevant throughput has taken place, for Ferries is on provision of carriage and for Container Shipping is on completion of the shipping or transport operation. For Cold Logistics storage revenue is recognised over the period during which storage is provided and for its handling and transport operations on completion of the service.

Net financing costs

Net financing costs comprise interest payable on borrowings calculated using the effective interest rate method, the interest expense element of finance lease payments, interest receivable on funds invested, foreign exchange gains and losses reflected in the income statement, dividend income, the unwinding of discounts on provisions and gains and losses on interest hedging instruments that are recognised in the income statement.

The interest expense component of finance lease payments is recognised in the income statement using the effective interest rate method.

1 Significant accounting policies (Continued)

Taxation

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that the Group can control the timing of reversal of the differences and that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Discontinued operations

A discontinued operation is a clearly distinguishable component of the Group's business that is abandoned or terminated pursuant to a single plan, and which represents a separate major line of business or geographical area of operations.

Non-current assets held for sale

Immediately before classification as held for sale, the measurement of the assets (and all assets and liabilities in a disposal group) is brought up-to-date in accordance with applicable IFRS. Then, on initial classification as held for sale, non-current assets and disposal groups are recognised at the lower of carrying amount and fair value less costs to sell.

Impairment losses on initial classification as held for sale are included in profit or loss, even when there is a revaluation. The same applies to gains and losses on subsequent remeasurement.

Separately disclosable items

Separately disclosable items are outside the normal course of business and include write-down or disposal of property, plant and equipment; restructuring costs and reversals of any provisions for restructuring costs; disposals of investments and profit/loss on disposal of discontinued operations.

2 Segment reporting

The segment information is presented in the consolidated financial statements in respect of the Group's business and geographical segments. The primary format, business segments, reflects the Group's management and internal reporting structure.

2 Segment reporting (Continued)

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Business segments

The Group is comprised of the following main business segments:

- **Ports** The operation and development of terminals and related logistical operations worldwide.
- **Ferries** The operation of freight and passenger ferries within Europe and related road haulage.
- **Property** A development property portfolio in the US, the UK and Continental Europe.

The Container Shipping and Cold Logistics business segments were sold during June 2005 and December 2005, respectively (see note 8).

2 Segment reporting (Continued)

Geographical segments

The Ports segment is managed on a global basis, but operates in four principal geographical areas: Europe, Americas, Australasia and Asia. The Property segment operates in Europe and Americas. Ferries operates in Europe only.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

(a) Segmental analysis of revenue

By division:	Group 2005	Joint ventures 2005	Total 2005	Group 2004	Joint ventures 2004	Total 2004
	£m	£m	£m	£m	£m	£m
Continuing operations						
Ports	**913.9**	**235.3**	**1,149.2**	844.4	174.9	1,019.3
Ferries	**895.4**	**—**	**895.4**	984.0	—	984.0
Property	**530.8**	**3.9**	**534.7**	437.5	6.1	443.6
Revenue from continuing operations	**2,340.1**	**239.2**	**2,579.3**	2,265.9	181.0	2,446.9
Discontinued operations						
Cold Logistics	**222.8**	**—**	**222.8**	205.6	—	205.6
Container Shipping	**—**	**—**	**—**	—	478.9	478.9
Revenue for the financial year	**2,562.9**	**239.2**	**2,802.1**	2,471.5	659.9	3,131.4

By geographical area of origin:	Group 2005	Joint ventures 2005	Total 2005	Group 2004	Joint ventures 2004	Total 2004
	£m	£m	£m	£m	£m	£m
Continuing operations						
Europe	**1,492.0**	**65.1**	**1,557.1**	1,329.6	60.3	1,389.9
Americas	**362.2**	**106.8**	**469.0**	489.6	73.6	563.2
Australasia	**308.5**	**38.1**	**346.6**	293.7	18.0	311.7
Asia	**177.4**	**29.2**	**206.6**	153.0	29.1	182.1
Revenue from continuing operations	**2,340.1**	**239.2**	**2,579.3**	2,265.9	181.0	2,446.9
Discontinued operations						
Europe	**—**	**—**	**—**	—	142.3	142.3
Americas	**134.0**	**—**	**134.0**	126.8	84.8	211.6
Australasia	**88.8**	**—**	**88.8**	78.8	31.8	110.6
Asia	**—**	**—**	**—**	—	220.0	220.0
Revenue for the financial year	**2,562.9**	**239.2**	**2,802.1**	2,471.5	659.9	3,131.4

2 Segment reporting (Continued)

(b) Segmental analysis of operating profit/(loss) and discontinued operations

By division:	Group 2005	Joint ventures and associates 2005	Total 2005	Group 2004	Joint ventures and associates 2004	Total 2004
	£m	£m	£m	£m	£m	£m
Continuing operations						
Before separately disclosable items						
Ports	**120.7**	**56.0**	**176.7**	113.8	42.3	156.1
Ferries	**14.7**	**—**	**14.7**	(5.9)	—	(5.9)
Property	**10.6**	**2.1**	**12.7**	52.2	1.8	54.0
	146.0	**58.1**	**204.1**	160.1	44.1	204.2
Separately disclosable items						
Ports	**(0.4)**	**—**	**(0.4)**	7.9	—	7.9
Ferries	**1.6**	**—**	**1.6**	(280.6)	—	(280.6)
Property	**0.2**	**(0.9)**	**(0.7)**	(54.0)	—	(54.0)
Unallocated	**(16.0)**	**—**	**(16.0)**	—	—	—
	(14.6)	**(0.9)**	**(15.5)**	(326.7)	—	(326.7)
Total						
Ports	**120.3**	**56.0**	**176.3**	121.7	42.3	164.0
Ferries	**16.3**	**—**	**16.3**	(286.5)	—	(286.5)
Property	**10.8**	**1.2**	**12.0**	(1.8)	1.8	—
Unallocated	**(16.0)**	**—**	**(16.0)**	—	—	—
	131.4	**57.2**	**188.6**	(166.6)	44.1	(122.5)
Less:						
Joint ventures and associates net financing costs	**—**	**(5.0)**	**(5.0)**	—	(4.9)	(4.9)
Joint ventures and associates taxation	**—**	**(11.1)**	**(11.1)**	—	(8.4)	(8.4)
Joint ventures and associates minority interest	**—**	**(1.1)**	**(1.1)**	—	(0.3)	(0.3)
Operating profit/(loss)	**131.4**	**40.0**	**171.4**	(166.6)	30.5	(136.1)

2 Segment reporting (Continued)

By division:	Group 2005	Joint ventures and associates 2005	Total 2005	Group 2004	Joint ventures and associates 2004	Total 2004
	£m	£m	£m	£m	£m	£m
Discontinued operations						
Before separately disclosable items						
Container Shipping	**(2.1)**	**29.0**	**26.9**	(3.9)	63.7	59.8
Cold Logistics	**21.0**	**—**	**21.0**	18.4	—	18.4
	18.9	**29.0**	**47.9**	14.5	63.7	78.2
Separately disclosable items						
Container Shipping	**—**	**—**	**—**	(0.4)	0.3	(0.1)
Cold Logistics	**2.1**	**—**	**2.1**	(9.2)	—	(9.2)
	2.1	**—**	**2.1**	(9.6)	0.3	(9.3)
Total						
Container Shipping	**(2.1)**	**29.0**	**26.9**	(4.3)	64.0	59.7
Cold Logistics	**23.1**	**—**	**23.1**	9.2	—	9.2
	21.0	**29.0**	**50.0**	4.9	64.0	68.9
Less:						
Net financing costs	**(4.2)**	**(4.8)**	**(9.0)**	(5.4)	(12.3)	(17.7)
Taxation	**(3.6)**	**(1.7)**	**(5.3)**	(1.5)	(3.4)	(4.9)
Minority interest	**—**	**—**	**—**	—	(0.5)	(0.5)
Net profit from discontinued operations	**13.2**	**22.5**	**35.7**	(2.0)	47.8	45.8
Profit on sale of Container Shipping interests			**188.0**			9.6
Loss on sale of Cold Logistics			**(15.0)**			—
Profit on sale of other discontinued businesses			**4.8**			1.1
Profit from discontinued operations and profit on sale of discontinued operations, net of tax			**213.5**			56.5

2 Segment reporting (Continued)

(c) Geographical analysis of operating profit/(loss) before joint venture and associate net financing costs, taxation and minority interests

By geographical area of origin:	Group 2005	Joint ventures 2005	Associates 2005	Total 2005	Group 2004	Joint ventures 2004	Associates 2004	Total 2004
	£m	£m	£m	£m	£m	£m	£m	£m
Continuing operations								
Europe	**20.5**	**5.1**	**(0.8)**	**24.8**	(327.1)	2.7	2.5	(321.9)
Americas	**23.0**	**8.0**	**—**	**31.0**	69.3	0.3	—	69.6
Australasia	**33.8**	**3.3**	**1.1**	**38.2**	43.4	3.7	0.1	47.2
Asia	**54.1**	**7.2**	**33.3**	**94.6**	47.8	7.7	27.1	82.6
	131.4	**23.6**	**33.6**	**188.6**	(166.6)	14.4	29.7	(122.5)
Discontinued operations								
Europe	**(2.1)**	**—**	**29.0**	**26.9**	(2.0)	3.7	14.5	16.2
Americas	**12.1**	**—**	**—**	**12.1**	10.9	2.1	9.0	22.0
Australasia	**11.0**	**—**	**—**	**11.0**	(1.5)	0.8	3.3	2.6
Asia	**—**	**—**	**—**	**—**	(2.5)	5.4	25.2	28.1
	152.4	**23.6**	**62.6**	**238.6**	(161.7)	26.4	81.7	(53.6)

(d) Segmental analysis of total assets

By division:	Segment assets 2005	Investment in joint ventures and associates 2005	Taxation assets 2005	Total assets 2005	Segment assets 2004	Investment in joint ventures and associates 2004	Taxation assets 2004	Total assets 2004
	£m	£m	£m	£m	£m	£m	£m	£m
Continuing operations								
Ports	**1,364.3**	**289.9**	**6.5**	**1,660.7**	1,109.9	235.6	8.0	1,353.5
Ferries	**552.9**	**2.1**	**—**	**555.0**	566.3	0.9	2.3	569.5
Property	**303.2**	**94.6**	**—**	**397.8**	598.5	89.5	4.9	692.9
	2,220.4	**386.6**	**6.5**	**2,613.5**	2,274.7	326.0	15.2	2,615.9
Discontinued operations								
Container Shipping	**—**	**—**	**—**	**—**	3.5	175.2	1.7	180.4
Cold Logistics	**—**	**—**	**—**	**—**	228.9	0.2	0.6	229.7
Total assets	**2,220.4**	**386.6**	**6.5**	**2,613.5**	2,507.1	501.4	17.5	3,026.0

2 Segment reporting (Continued)

By geographical area of origin:	Segment assets 2005	Investment in joint ventures and associates 2005	Taxation assets 2005	Total assets 2005	Segment assets 2004	Investment in joint ventures and associates 2004	Taxation assets 2004	Total assets 2004
	£m	£m	£m	£m	£m	£m	£m	£m
Continuing operations								
Europe	**958.3**	**99.1**	**1.9**	**1,059.3**	1,191.1	90.7	4.8	1,286.6
Americas	**412.8**	**65.4**	**1.5**	**479.7**	214.6	53.3	9.8	277.7
Australasia	**290.9**	**17.6**	**1.8**	**310.3**	422.4	7.9	(0.3)	430.0
Asia	**558.4**	**204.5**	**1.3**	**764.2**	446.6	174.1	0.9	621.6
	2,220.4	**386.6**	**6.5**	**2,613.5**	2,274.7	326.0	15.2	2,615.9
Discontinued operations								
Europe	**—**	**—**	**—**	**—**	0.8	43.3	0.4	44.5
Americas	**—**	**—**	**—**	**—**	152.8	30.6	0.7	184.1
Australasia	**—**	**—**	**—**	**—**	77.0	11.2	0.3	88.5
Asia	**—**	**—**	**—**	**—**	1.8	90.3	0.9	93.0
Total assets	**2,220.4**	**386.6**	**6.5**	**2,613.5**	2,507.1	501.4	17.5	3,026.0

(e) Segmental analysis of total liabilities

By division:	Segment liabilities 2005	Taxation liabilities 2005	Total liabilities 2005	Segment liabilities 2004	Taxation liabilities 2004	Total liabilities 2004
	£m	£m	£m	£m	£m	£m
Continuing operations						
Ports	**768.4**	**100.5**	**868.9**	683.1	90.0	773.1
Ferries	**577.0**	**15.7**	**592.7**	736.9	12.1	749.0
Property	**243.0**	**37.7**	**280.7**	478.7	66.0	544.7
	1,588.4	**153.9**	**1,742.3**	1,898.7	168.1	2,066.8
Discontinued operations						
Container Shipping	**—**	**—**	**—**	75.6	11.1	86.7
Cold Logistics	**—**	**—**	**—**	125.0	9.8	134.8
Total liabilities	**1,588.4**	**153.9**	**1,742.3**	2,099.3	189.0	2,288.3

(f) Segmental analysis of additions to intangible assets, prepaid leases and property, plant and equipment

By division:	2005	2004
	£m	£m
Continuing operations		
Ports	**164.0**	130.7
Ferries	**15.3**	19.1
Property	**1.9**	9.5
	181.2	159.3
Discontinued operations		
Cold Logistics	**7.7**	6.3
Total additions	**188.9**	165.6

2 Segment reporting (Continued)

By geographical area of origin:	2005	2004
	£m5	£m
Continuing operations		
Europe	**54.1**	79.5
Americas	**47.0**	14.3
Australasia	**27.8**	18.7
Asia	**52.3**	46.8
	181.2	159.3
Discontinued operations		
Americas	**4.5**	4.7
Australasia	**3.2**	1.6
Total additions	**188.9**	165.6

(g) Segmental analysis of depreciation and other significant non-cash expenses

By division:	Depreciation and amortisation 2005	Impairments 2005	Total 2005	Depreciation and amortisation 2004	Impairments 2004	Total 2004
	£m	£m	£m	£m	£m	£m
Continuing operations						
Ports	**92.3**	**—**	**92.3**	78.7	6.6	85.3
Ferries	**30.2**	**—**	**30.2**	45.8	188.4	234.2
Property	**1.6**	**—**	**1.6**	5.6	—	5.6
	124.1	**—**	**124.1**	130.1	195.0	325.1
Discontinued operations						
Container Shipping	**20.2**	**—**	**20.2**	40.5	—	40.5
Cold Logistics	**9.1**	**—**	**9.1**	10.3	10.1	20.4
	153.4	**—**	**153.4**	180.9	205.1	386.0

Included in the above is a depreciation and amortisation charge of £43.5m (2004 £63.7m) in relation to the Group's share of its joint venture and associates.

(h) Segmental analysis of net operating assets

By division:	Net operating assets 2005	Group share of joint ventures and associates: Loans 2005	Group share of joint ventures and associates: Other net non-operating assets/ (liabilities) 2005	Total 2005	Net operating assets 2004	Group share of joint ventures and associates: Loans 2004	Group share of joint ventures and associates: Other net non-operating assets/ (liabilities) 2004	Total 2004
	£m	£m	£m	£m	£m	£m	£m	£m
Continuing operations								
Ports	**1,457.6**	**(90.6)**	**(24.4)**	**1,342.6**	1,223.8	(59.7)	(7.9)	1,156.2
Ferries	**321.8**	**—**	**—**	**321.8**	279.6	—	—	279.6
Property	**217.7**	**(13.5)**	**19.1**	**223.3**	539.4	(26.2)	19.7	532.9
	1,997.1	**(104.1)**	**(5.3)**	**1,887.7**	2,042.8	(85.9)	11.8	1,968.7
Discontinued operations								
Container Shipping	**—**	**—**	**—**	**—**	259.5	(25.4)	(62.9)	171.2
Cold Logistics	**—**	**—**	**—**	**—**	198.1	—	—	198.1
	1,997.1	**(104.1)**	**(5.3)**	**1,887.7**	2,500.4	(111.3)	(51.1)	2,338.0

2 Segment reporting (Continued)

By geographical area of origin:	Net operating assets 2005	Net operating assets 2004
	£m	£m
Continuing operations		
Europe	**702.0**	895.6
Americas	**361.2**	334.2
Australasia	**252.4**	241.7
Asia	**681.5**	571.3
	1,997.1	2,042.8
Discontinued operations		
Europe	**—**	73.3
Americas	**—**	174.9
Australasia	**—**	85.1
Asia	**—**	124.3
	1,997.1	2,500.4

Net operating assets are reconciled to net assets as follows:

	2005	2004
	£m	£m
Net operating assets	**1,997.1**	2,500.4
Group share of joint venture and associate loans	**(104.1)**	(111.3)
Group share of joint venture and associate other net non-operating liabilities	**(5.3)**	(51.1)
	1,887.7	2,338.0
Net derivative financial instruments	**(21.3)**	—
Net borrowings	**(604.6)**	(1,181.6)
Amounts relating to previous corporate disposals	**48.4**	35.7
Other investments	**11.7**	10.2
Net employee benefit liabilities	**(303.3)**	(293.1)
Net corporation and deferred taxation	**(147.4)**	(171.5)
Net assets	**871.2**	737.7

(i) Ports operating profit and net operating assets

	Operating profit				Net operating assets	
	Before separately disclosable items 2005	Separately disclosable items 2005	Total 2005	Total 2004	2005	2004
	£m	£m	£m	£m	£m	£m
Asia	**95.6**	**(1.6)**	**94.0**	81.4	**679.7**	563.1
Americas	**24.5**	**2.3**	**26.8**	19.3	**252.9**	193.4
Australasia	**31.4**	**—**	**31.4**	39.4	**226.2**	212.3
Europe	**17.8**	**(1.1)**	**16.7**	16.9	**273.7**	225.8
	169.3	**(0.4)**	**168.9**	157.0	**1,432.5**	1,194.6
Maritime Services	**7.4**	**—**	**7.4**	7.0	**25.1**	29.2
	176.7	**(0.4)**	**176.3**	164.0	**1,457.6**	1,223.8

2 Segment reporting (Continued)

Ports net operating assets include assets under construction of £27.7m (2004 £39.2m).

3 Net operating costs

	Before separately disclosable items 2005	Separately disclosable items 2005	Total 2005	Before separately disclosable items 2004	Separately disclosable items 2004	Total 2004
	£m	£m	£m	£m	£m	£m
Continuing operations						
Cost of sales	**(2,014.4)**	**—**	**(2,014.4)**	(1,908.4)	(122.9)	(2,031.3)
Other operating income	**12.8**	**4.1**	**16.9**	19.5	13.5	33.0
Administrative costs	**(192.5)**	**(18.7)**	**(211.2)**	(216.9)	(217.3)	(434.2)
	(2,194.1)	**(14.6)**	**(2,208.7)**	(2,105.8)	(326.7)	(2,432.5)
Discontinued operations						
Cost of sales	**(191.9)**	**—**	**(191.9)**	(178.9)	0.8	(178.1)
Administrative costs	**(12.0)**	**—**	**(12.0)**	(12.2)	(10.4)	(22.6)
	(2,398.0)	**(14.6)**	**(2,412.6)**	(2,296.9)	(336.3)	(2,633.2)

Net operating costs include:	2005	2004
	£m	£m
Depreciation and amortisation of prepaid leases and property, plant and equipment	**(109.9)**	(117.2)
Impairment charge	**—**	(205.1)
Audit fee	**(2.3)**	(2.3)
Rental of land and buildings	**(107.8)**	(100.2)
Hire of ships	**(49.3)**	(60.3)
Hire of plant and machinery	**(34.4)**	(35.5)

Other operating income includes insurance claim proceeds of £5.9m in respect of business interruption and fixed assets damaged due to hurricane Katrina.

The administrative costs within continuing operations includes an impairment charge of £nil (2004 £205.6m).

Fees paid to the Company's principal auditor (KPMG)	UK 2005	Overseas 2005	Total 2005	Percentage of total fees 2005	UK 2004	Overseas 2004	Total 2004	Percentage of total fees 2004
	£m	£m	£m	%	£m	£m	£m	%
Audit services								
Statutory audit	**1.8**	**0.4**	**2.2**	**37.9**	1.2	1.0	2.2	42.3
Audit-related regulatory reporting	**0.5**	**0.1**	**0.6**	**10.4**	0.2	—	0.2	3.9
Total audit services	**2.3**	**0.5**	**2.8**	**48.3**	1.4	1.0	2.4	46.2
Further assurance services	**0.2**	**1.5**	**1.7**	**29.3**	1.1	0.1	1.2	23.0
Tax services								
Compliance services	**—**	**0.3**	**0.3**	**5.2**	—	0.4	0.4	7.7
Advisory services	**0.2**	**0.6**	**0.8**	**13.8**	0.4	0.5	0.9	17.3
	0.2	**0.9**	**1.1**	**19.0**	0.4	0.9	1.3	25.0
Other services	**0.1**	**0.1**	**0.2**	**3.4**	0.2	0.1	0.3	5.8
Total of non-audit services	**0.5**	**2.5**	**3.0**	**51.7**	1.7	1.1	2.8	53.8
Total of audit and non-audit services	**2.8**	**3.0**	**5.8**	**100.0**	3.1	2.1	5.2	100.0

3 Net operating costs (Continued)

Fees for further assurance services in 2005 principally relate to due diligence work in respect of the disposal of the Cold Logistics business.

In addition to the above £0.1m (2004 £0.1m) was paid to secondary auditors in respect of audit fees bringing the statutory audit fee for the Group to £2.3m (2004 £2.3m). The Group's share of fees paid to KPMG by joint ventures and associates was £nil (2004 £1.1m), of which £nil (2004 £0.6m) was in respect of audit work and £nil (2004 £0.5m) was in respect of non-audit work.

4 Separately disclosable items

Separately disclosable items consist of:

	Operating profit 2005	Net financing costs 2005	Taxation 2005	Profit on sale of discontinued operations net of tax 2005	Total 2005	Total 2004
	£m	£m	£m	£m	£m	£m
Profit/(loss) on sale of property, plant and equipment	0.9	—	—	2.1	**3.0**	(11.8)
Profit on sale of Container Shipping interests	—	—	—	188.0	**188.0**	9.6
Loss on sale of Cold Logistics	—	—	—	(15.0)	**(15.0)**	—
Profit on sale of other discontinued businesses	—	—	—	4.8	**4.8**	1.1
Loss on ineffective hedges	—	(12.1)	—	—	**(12.1)**	—
Corporate relocation and reorganisation	(15.4)	—	0.4	—	**(15.0)**	—
Takeover costs	(3.3)	—	—	—	**(3.3)**	—
Other income	2.3	—	(0.8)	—	**1.5**	11.6
Profit on sale of businesses	—	—	—	—	**—**	30.9
Property and other impairments	—	—	—	—	**—**	(60.7)
Ferries reorganisation and impairment	—	—	—	—	**—**	(273.4)
	(15.5)	(12.1)	(0.4)	179.9	**151.9**	(292.7)

The loss on ineffective hedges arose due to the reduction in net borrowings following the sale of the Group's interest in Royal P&O Nedlloyd.

The other income in 2005 relates to a gain arising from the recovery of insured losses on fixed assets damaged by hurricane Katrina in the US Ports. In 2004 the balance relates to other income received in the year by the Australian operation of the Ports division.

5 Net financing costs

	2005 £m	2004 £m
Financial income		
Interest income and similar items	**4.1**	6.8
Exchange gains	**3.8**	—
Gain on refinancing	**—**	4.6
	7.9	11.4
Financial expenses		
Interest payable and similar items	**(60.1)**	(92.6)
Debt redemption and other costs	**(0.2)**	(2.1)
Ineffective portion of cash flow hedges recycled through the income statement	**(12.1)**	—
Exchange losses	**(2.1)**	—
Interest capitalised	**2.8**	5.3
Unwinding of discounts on provisions	**(5.4)**	(2.7)
Other net financing costs in respect of pension plans	**(1.6)**	(1.5)
Breakage of swap contracts	**—**	(1.3)
	(78.7)	(94.9)
Net financing costs	**(70.8)**	(83.5)

Interest capitalised in the year comprises £1.0m (2004 £1.4m) in respect of property, plant and equipment and £1.8m (2004 £3.9m) in respect of properties held for development and sale. At the year end the aggregate interest capitalised was £2.4m (2004 £2.0m) on property, plant and equipment and £2.1m (2004 £8.1m) on properties held for development and sale.

The net financing costs is before an interest charge of £4.2m (2004 £5.4m) in respect of discontinued operations.

6 Taxation

(a) Analysis of taxation on profit/(loss) on ordinary activities

	2005 £m	2005 £m	2004 £m	2004 £m
UK corporation tax				
Current tax on income for the period		**(29.1)**		(18.6)
Adjustment in respect of prior periods		**4.4**		5.3
		(24.7)		(13.3)
Double taxation relief		**28.2**		17.1
		3.5		3.8
Overseas tax				
Current tax on income for the period	**(45.1)**		(66.7)	
Adjustment in respect of prior periods	**14.3**		37.3	
		(30.8)		(29.4)
Total current tax		**(27.3)**		(25.6)
Deferred tax				
Origination/reversal of temporary differences	**1.3**		9.8	
Adjustment in respect of prior years	**2.0**		(5.0)	
		3.3		4.8
Tax on profit/(loss) on ordinary activities		**(24.0)**		(20.8)

The tax on profit/(loss) on ordinary activities is after a taxation charge of £0.4m (2004 £1.9m) in respect of separately disclosable items.

(b) Factors affecting the taxation charge for the current period

The total taxation charge is lower (2004 higher) than the profit/(loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK, 30 per cent (2004 30 per cent). The differences are explained below:

	2005 %	2005 £m	2004 %	2004 £m
Profit/(loss) on ordinary activities before taxation		**100.6**		(187.2)
Profit/(loss) on ordinary activities before taxation multiplied by standard rate of corporation tax in the UK of 30 per cent (2004 30 per cent)	**30.0**	**(30.2)**	30.0	56.2
Effects of:				
Profits and losses on sale of fixed assets and businesses not subject to taxation	**9.2**	**(9.3)**	5.4	10.1
Expenses not deductible and other permanent adjustments	**3.1**	**(3.1)**	(0.8)	(1.5)
Unutilised tax losses arising in the year	**11.6**	**(11.7)**	(4.2)	(7.9)
Impairments	**—**	**—**	(43.4)	(81.2)
Write off of investments	**—**	**—**	(3.4)	(6.4)
Tonnage tax in UK Group	**(2.2)**	**2.2**	(5.3)	(9.9)
Effect of tax rates in foreign jurisdictions	**4.8**	**(4.8)**	(7.5)	(14.0)
Effect of joint ventures and associates	**(12.2)**	**12.3**	(2.0)	(3.8)
Adjustments in respect of prior periods	**(20.5)**	**20.6**	20.1	37.6
Taxation charge for the year	**23.8**	**(24.0)**	(11.1)	(20.8)

6 Taxation (Continued)

The profit before tax of £100.6m (2004 £187.2m loss) includes the Group's share of profits of joint ventures and associates within continuing operations of £40.0m (2004 £30.5m) which is net of a tax charge of £11.1m (2004 £8.4m). In addition, the profit on discontinued items of £213.5m (2004 £56.5m) is net of a tax charge of £5.8m (2004 £4.9m).

The Group's principal shipping businesses operate under the UK tonnage tax regime under which the current year tax charge arising is calculated by reference to the net tonnage of the ships operated by the business rather than the tax adjusted profit or loss of the business.

The Group's overseas tax rates are typically a mixture of rates higher and lower than 30 per cent. They include the effect of overseas tax benefits available to some infrastructure projects.

The prior year credit of £20.6m (2004 £37.6m) arises from the finalisation and agreement of tax computations for years up to and including the year ended 31 December 2004 for companies in the UK and overseas.

7 Dividends on share capital

Dividends paid are as follows:	2005	2004
	£m	£m
Deferred stock	**(66.2)**	(87.8)
Preferred stock	**(0.1)**	(0.1)
5.5% concessionary stock	**(3.7)**	(3.7)
	(70.0)	(91.6)

After the balance sheet date a dividend of 6.0p per £1 nominal of deferred stock was proposed by the directors in respect of 2005 (2004 6.0p). This dividend has not been provided.

8 Discontinued operations and non-current assets held for sale

Discontinued operations

In June 2005 the Group sold its 25 per cent holding in Royal P&O Nedlloyd N.V. ("RPONL"), which represented the entire Container Shipping division (a separate business segment see note 2).

The holding was sold for £381.0m cash before costs, resulting in a pre and post tax gain of £188.0m.

RPONL was an associated company and the only cash flow in the six months ended 30 June 2005 was a dividend receipt of £6.9m.

The effect of the disposal was a decrease in net assets of the Group of £191.2m, before taking account of the cash consideration received of £381.0m.

In December 2005, the Group sold its Cold Logistics business (a separate business segment see note 2). The division was sold for £173.2m before costs and working capital adjustments, resulting in a pre tax loss of £14.5m and a tax charge of £0.5m. The proceeds comprised £140.2m in cash and £33.0m in the form of convertible debentures.

During the year ended 31 December 2005, the Group's Cold Logistics business earned revenue of £222.8m (2004 £205.6m), less net expenses of £199.7m (2004 £196.4m) and finance charges of £4.2m (2004 £5.4m), generating a pre-tax profit of £18.9m (2004 £3.8m) and related income tax charge of £3.6m (2004 £1.5m). It contributed £22.8m (2004 £26.8m) to the Group's net operating cash flow, generated £7.5m (2004 £0.6m) cash inflow from investing activities, and utilised £6.5m (2004 £4.5m) in respect of financing activities.

Non-current assets held for sale

As part of normal asset management, it has been decided that a warehouse in Portsmouth within the Ferries division will be sold. A sale is expected in 2006 and accordingly the warehouse has been presented

8 Discontinued operations and non-current assets held for sale (Continued)

as a non-current asset held for sale of £1.1m. There has been no impairment recognised relating to this asset.

9 Earnings per £1 nominal of deferred stock

The calculations of the basic earnings per £1 nominal of deferred stock of 37.4p (2004 (22.6)p) are based on the earnings for the financial year attributable to deferred stockholders of £276.0m (2004 £165.4m loss) and the weighted average number of £1 nominal of deferred stock of 745.1m (2004 731.9m).

	2005	2004
	£m	£m
Profit for the year attributable to equity stock holders of the parent	**279.8**	(161.6)
Less profit attributable to preferred and concessionary stock holders	**(3.8)**	(3.8)
Basic and diluted earnings attributable to deferred stock holders	**276.0**	(165.4)

The diluted earnings per £1 nominal of deferred stock 37.0p (2004 (22.6)p) has been calculated by reference to an adjusted average number of £1 nominal of deferred stock as follows:

	2005	2004
	£m	£m
Weighted average per basic calculation	**737.9**	731.9
Adjustment to reflect dilutive deferred stock under option	**7.2**	—
	745.1	731.9

The diluted loss per £1 nominal of deferred stock in 2004 was the same as the basic loss per £1 nominal of deferred stock as the issue of additional stock arising on exercise of options would reduce the loss per £1 nominal of deferred stock and therefore these are not dilutive under IAS 33.

Earnings per share from continuing and discontinued operations can be calculated based upon the information presented in the income statement.

9 Earnings per £1 nominal of deferred stock (Continued)

Reconciliation of underlying earnings:

	2005	2004
	£m	£m
Profit/(loss) for the financial year	**290.1**	(151.5)
Less:		
Dividends to preference stockholders	**(3.8)**	(3.8)
Profit attributable to minority interests	**(10.3)**	(10.1)
Profit/(loss) for the financial year attributable to deferred stockholders (Basic and diluted earnings/(loss))	**276.0**	(165.4)
Adjusted for separately disclosable items net of tax:		
Relocation, reorganisation and impairment	**15.0**	334.1
Loss on ineffective hedges	**12.1**	—
Profit on sale of discontinued operations	**(177.8)**	(10.7)
(Loss)/profit on sale of property, plant and equipment	**(3.0)**	11.8
Takeover costs	**3.3**	—
Other income	**(1.5)**	(11.6)
Profit on sale and termination of businesses	**—**	(30.9)
Underlying earnings	**124.1**	127.3
Less: Profit from discontinued operations	**(33.6)**	(53.0)
Underlying earnings from continuing operations	**90.5**	74.3
Underlying EPS	**16.8p**	17.4p
Underlying EPS from continuing operations	**12.3p**	10.2p

Underlying earnings are calculated by adjusting underlying profit after tax (page 116) for profit attributable to minority interests and preference stockholders.

As set out under "Transitional arrangements" in note 36, the Group has applied IAS 32 and IAS 39 from 1 January 2005. The Group has applied the exemption available in IFRS 1 that allows comparatives not to be restated for IAS 32 and IAS 39, accordingly the comparative amounts reported for the year ended 31 December 2004 are in accordance with UK GAAP.

The effect on the income statement of applying these two standards in the year ended 31 December 2005 is not material and, accordingly, there is no impact on earnings per £1 nominal of deferred stock as reported above.

10 Intangible assets

	Goodwill
	£m
Cost at 1 January 2004	217.0
Exchange movements	(4.8)
Disposals	(2.3)
Cost at 31 December 2004	209.9
Exchange movements	**7.4**
Disposals	**(15.4)**
Cost at 31 December 2005	**201.9**
Impairment losses at 1 January 2004	(0.9)
Exchange movements	—
Impairments	(116.3)
Impairment losses at 31 December 2004	(117.2)
Exchange movements	—
Impairments	—
Disposals	**0.8**
Impairment losses at 31 December 2005	**(116.4)**
At 31 December 2005	**85.5**
At 31 December 2004	92.7

Impairment tests for cash-generating units containing goodwill

The following units have significant carrying amounts of goodwill:

	2005	2004
	£m	£m
Ports	**85.5**	79.0
Cold Logistics	**—**	13.7
	85.5	92.7

Goodwill principally arises in respect of ports in North America, Belgium and Australia. The directors have determined each port to be an Income Generating Unit (IGU), as each represents the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Goodwill arising on acquisition at these ports is included within representative IGUs. The recoverable amount of each of the IGUs is based on value in use calculations.

The value in use for each IGU was calculated with reference to the net present value of the future cash inflows projected to be derived from its assets, using cash flows based on approved five year plans. These plans are consistent with expectations of growth in local economies. The plans include assumptions regarding cash flows based upon management's expectations of the performance of each port over the period. The discount rate applied to these projections was based on the estimated weighted average cost of capital for the port location, adjusted for the related underlying tax. The weighted average of the effective pre-tax discount rates used was 6.3 per cent.

The impairment in 2004 was principally the result of a review performed on an IGU by IGU basis following the Fundamental Business Review of the Ferries division. These reviews have been reperformed in 2005. This exercise did not indicate a requirement to adjust the impairments made in 2004.

There is no impairment charge for the Group during the year.

11 Prepaid leases

	£m
Cost at 1 January 2004	158.1
Exchange movements	(3.6)
Cost at 31 December 2004	154.5
Exchange movements	**15.3**
Cost at 31 December 2005	**169.8**
Amortisation at 1 January 2004	(6.4)
Exchange movements	0.5
Amortisation charge for the year	(3.6)
Amortisation at 31 December 2004	(9.5)
Exchange movements	**(1.4)**
Amortisation charge for the year	**(5.4)**
Amortisation at 31 December 2005	**(16.3)**
At 31 December 2005	**153.5**
At 31 December 2004	145.0

12 Property, plant and equipment

	Property		Ships		Plant and machinery, fixtures and fittings		
	Freehold	Leasehold	Owned	Leased	Owned	Leased	Total
	£m	£m	£m	£m	£m	£m	£m
Cost at 1 January 2004	174.5	358.6	540.0	140.5	1,030.0	24.5	2,268.1
Exchange movements	(6.7)	(8.7)	(0.4)	(0.8)	(36.8)	(0.7)	(54.1)
On acquisition of subsidiaries and businesses	—	—	—	—	0.6	—	0.6
Additions	11.5	48.2	7.7	1.9	86.5	9.8	165.6
Purchase of leased assets	—	—	32.1	(32.1)	8.5	(8.5)	—
Reclassification between categories	(2.5)	0.7	—	—	2.5	(0.7)	—
Disposals	(12.0)	(14.2)	(178.7)	(34.0)	(70.6)	(0.8)	(310.3)
On disposal of subsidiaries	(98.9)	(37.1)	(3.8)	—	(39.6)	—	(179.4)
Cost at 31 December 2004	65.9	347.5	396.9	75.5	981.1	23.6	1,890.5
Exchange movements	**3.6**	**23.9**	**2.6**	**0.7**	**51.0**	**1.0**	**82.8**
Additions	**8.1**	**53.5**	**4.5**	**1.0**	**121.0**	**0.8**	**188.9**
Purchase of leased assets	**—**	**—**	**26.8**	**(26.8)**	**0.3**	**(0.3)**	**—**
Reclassification between categories	**0.4**	**0.3**	**—**	**—**	**(0.4)**	**(0.3)**	**—**
Transfer to properties held for development and sale	**—**	**(0.4)**	**—**	**—**	**—**	**—**	**(0.4)**
Transfer to assets classified as held for sale	**(1.5)**	**—**	**—**	**—**	**—**	**—**	**(1.5)**
Disposals	**(6.5)**	**(15.5)**	**(32.8)**	**(4.3)**	**(60.4)**	**(2.6)**	**(122.1)**
On disposal of subsidiaries	**(34.0)**	**—**	**—**	**—**	**(206.3)**	**(4.8)**	**(245.1)**
Cost at 31 December 2005	**36.0**	**409.3**	**398.0**	**46.1**	**886.3**	**17.4**	**1,793.1**

12 Property, plant and equipment (Continued)

	Property		Ships		Plant and machinery, fixtures and fittings		
	Freehold	Leasehold	Owned	Leased	Owned	Leased	Total
	£m	£m	£m	£m	£m	£m	£m
Depreciation and amortisation at 1 January 2004	(6.0)	(68.6)	(175.9)	(29.5)	(419.0)	(13.5)	(712.5)
Exchange movements	0.4	2.6	0.1	0.4	9.0	0.1	12.6
Depreciation and amortisation charge for the year	(2.7)	(14.3)	(28.6)	(4.2)	(62.2)	(1.6)	(113.6)
Impairments	—	(12.2)	(40.8)	(7.4)	(28.4)	—	(88.8)
Purchase of leased assets	—	—	(4.6)	4.6	(7.9)	7.9	—
Reclassification between categories	—	(0.7)	—	—	—	0.7	—
Disposals	0.1	5.6	155.8	7.2	46.5	0.8	216.0
On disposal of subsidiaries	5.9	3.3	1.1	—	19.2	—	29.5
Depreciation and amortisation at 31 December 2004	(2.3)	(84.3)	(92.9)	(28.9)	(442.8)	(5.6)	(656.8)
Exchange movements	**(0.2)**	**(2.3)**	**(1.5)**	**(0.4)**	**(17.7)**	**(0.8)**	**(22.9)**
Depreciation and amortisation charge for the year	**(0.2)**	**(13.3)**	**(21.2)**	**(2.2)**	**(65.8)**	**(1.8)**	**(104.5)**
Purchase of leased assets	**—**	**—**	**(15.3)**	**15.3**	**—**	**—**	**—**
Transfer to assets classified as held for sale	**0.4**	**—**	**—**	**—**	**—**	**—**	**0.4**
Disposals	**—**	**2.9**	**23.2**	**4.3**	**46.8**	**2.4**	**79.6**
On disposal of subsidiaries	**—**	**—**	**—**	**—**	**70.5**	**1.4**	**71.9**
Depreciation and amortisation at 31 December 2005	**(2.3)**	**(97.0)**	**(107.7)**	**(11.9)**	**(409.0)**	**(4.4)**	**(632.3)**
At 31 December 2005	**33.7**	**312.3**	**290.3**	**34.2**	**477.3**	**13.0**	**1,160.8**
At 31 December 2004	63.6	263.2	304.0	46.6	538.3	18.0	1,233.7

(a) Plant and machinery, fixtures and fittings in the above table includes assets under construction totalling £27.7m (2004 £39.2m).

(b) In 2004 the Group recognised impairments totalling £88.8m of which £73.6m arose in Ferries following the Fundamental Business Review. The impairment reviews were updated in 2005 and no further impairments were required.

13 Investments in joint ventures and associates

	Investment in joint ventures	Investment in associates	Joint venture and associate loans	Total
	£m	£m	£m	£m
Cost at 1 January 2004	454.1	104.6	54.5	613.2
Exchange movements	(23.9)	(14.8)	(1.6)	(40.3)
Additions	11.6	13.3	25.6	50.5
Transfers between categories	(138.1)	138.1	—	—
Transfer from other investments	—	0.9	—	0.9
Transfer on acquisitions as subsidiaries	(0.6)	—	(31.9)	(32.5)
On acquisition of subsidiaries	0.6	—	(1.0)	(0.4)
Share of retained profits/(losses) for the year before impairment	0.1	57.0	—	57.1
Group share of actuarial gains/(losses)	4.0	(10.0)	—	(6.0)
Disposals/repayments	(140.6)	(1.1)	(4.0)	(145.7)
Transfer on sell down to associates	—	—	4.6	4.6
Cost at 31 December 2004	167.2	288.0	46.2	501.4
Effect of adoption of IAS 32 and IAS 39 on 1 January 2005	—	3.1	—	3.1
At 1 January 2005	**167.2**	**291.1**	**46.2**	**504.5**
Exchange movements	**11.6**	**28.7**	**4.1**	**44.4**
Additions	**1.1**	**13.7**	**20.3**	**35.1**
Transfers from other investments	**—**	**0.7**	**—**	**0.7**
Share of retained profits/(losses) for the year before impairment	**(1.7)**	**18.9**	**—**	**17.2**
Group share of actuarial gains/(losses)	**—**	**(8.7)**	**—**	**(8.7)**
Group share of fair value movements	**1.5**	**(6.4)**	**—**	**(4.9)**
Disposals/repayments	**(6.0)**	**(193.0)**	**(2.7)**	**(201.7)**
Cost at 31 December 2005	**173.7**	**145.0**	**67.9**	**386.6**
Provisions at 1 January 2004	—	—	(1.5)	(1.5)
Transfer on acquisitions as subsidiaries	—	—	1.5	1.5
Provisions at 31 December 2004 and 31 December 2005	**—**	**—**	**—**	**—**
At 31 December 2005	**173.7**	**145.0**	**67.9**	**386.6**
At 31 December 2004	167.2	288.0	46.2	501.4

(a) The Group's loans to joint ventures and associates totalled £49.4m (2004 £43.4m) and £18.5m (2004 £2.8m) respectively.

(b) The Group's investment in joint ventures at 31 December 2005 totalled £223.1m (2004 £210.6m). This is made up of non-current assets of £281.1m (2004 £225.7m), current assets of £131.4m (2004 £124.8m), current liabilities of £142.9m (2004 £54.2m) and non-current liabilities of £46.5m (2004 £85.7m). Non-current assets include goodwill arising on the Group's acquisition of joint ventures of £7.8m (2004 £7.9m).

(c) The Group's investment in associates at 31 December 2005 totalled £163.5m (2004 £290.8m). This is made up of non-current assets of £254.2m (2004 £465.8m), current assets of £49.1m (2004 £207.4m), current liabilities of £124.9m (2004 £373.7m) non-current liabilities of £14.9m (2004 £8.7m). The Group's share of revenue from associates was £565.2m (2004 £741.0m). Non-current assets include goodwill arising on the Group's acquisition of associates of £0.7m (2004 £nil).

(d) The Group's share of the pre-tax profit of joint ventures and associates was £19.8m (2004 £18.3m) and £56.6m (2004 £72.6m) respectively.

(e) On 29 June 2005 the Group sold its 25 per cent interest in Royal P&O Nedlloyd N.V. Total proceeds of £381.0m (€56.25 per share) before costs were received on 30 June 2005 and resulted in a gain of £188.0m.

13 Investments in joint ventures and associates (Continued)

(f) During the year the Group's trading with joint ventures and associates included £47.3m (2004 £57.2m) received from P&O Nedlloyd. The Group's operating profit also includes £5.4m (2004 £4.6m) in respect of management and guarantee fees from joint ventures and associates during the year, in addition to the Group's share of joint ventures' and associates' results.

(g) The principal joint ventures and associates are shown on page 115. Joint ventures and associates are stated at the Group's share of underlying net assets plus any goodwill on acquisition. The issued share capital of the principal joint ventures and associates at 31 December 2005 was as follows:

	Number in issue	Nominal value of each class of share capital and issued debt	Percentage held
Joint ventures			
PT Terminal Petikemas Surabaya	255,768,115	IR 1 ordinary shares	49
Port Newark Container Terminal LLC	—	Limited partnership	50
Portsynergy SAS	1,700,000	€10 ordinary shares	50
Associates			
Antwerp Gateway N.V.	6,200	€10 ordinary shares	42.5
Laem Chabang International Terminal Co Ltd	75,000,000	Bht 10 ordinary shares	34.5
Manutention General Mediterraneenne SA ("Marseille")	1,213,315	€0.5 ordinary shares	20.4
Manutention Terminal Nord Developpement SA ("Le Havre")	90,000	€15.24 ordinary shares	36.7
Qingdao Qianwan Container Terminal	—	Equity partnership	29
Shekou Container Terminals Ltd	—	Equity partnership	22
South Asia Gateway Terminals Pte Ltd	378,848,590	Rs10 ordinary shares	16.2
Tilbury Container Services Ltd	51	£1 'P' shares	100
	50	£1 'T' shares	—
	49	£1 'A' shares	—

14 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2005	2004	2005	2004	2005	2004
	£m	£m	£m	£m	£m	£m
Property, plant and equipment	**(0.1)**	(2.9)	**87.6**	86.7	**87.5**	83.8
Intangible assets	**(0.4)**	(0.5)	**0.5**	0.5	**0.1**	—
Investment in joint ventures	**—**	—	**7.3**	6.9	**7.3**	6.9
Other investments	**—**	—	**0.5**	0.9	**0.5**	0.9
Inventories	**(0.1)**	(0.1)	**—**	—	**(0.1)**	(0.1)
Employee benefits	**(14.4)**	(16.0)	**0.6**	2.1	**(13.8)**	(13.9)
Provisions	**(13.8)**	(8.2)	**—**	—	**(13.8)**	(8.2)
Tax value of loss carry-forwards recognised	**(6.9)**	(6.2)	**—**	—	**(6.9)**	(6.2)
Other	**(7.8)**	(5.7)	**5.3**	9.1	**(2.5)**	3.4
Tax (assets)/liabilities	**(43.5)**	(39.6)	**101.8**	106.2	**58.3**	66.6
Tax set off	**37.0**	22.9	**(37.0)**	(22.9)	**—**	—
Net tax (assets)/liabilities	**(6.5)**	(16.7)	**64.8**	83.3	**58.3**	66.6

At 31 December 2005, a deferred tax liability of £103.7m (2004 £92.3m) relating to investment in subsidiaries has not been recognised because the Company controls whether the liability will be incurred and it is satisfied that it will not be incurred in the foreseeable future. £32.3m of this liability (2004 £25.0m) may be covered by losses for which no asset is recognised (see below).

The UK tonnage tax regime includes provision whereby a proportion of capital allowances previously claimed by the Group may be subject to tax in the event of a significant number of ships owned at the time the Group entered tonnage tax being sold and not replaced. This contingent liability diminishes to nil over the period to 31 December 2008. At 31 December 2005, the Group's contingent liability in respect of this provision would be £5.4m (2004 £7.4m) on the assumption that all ships and related assets are sold at book value and not replaced.

14 Deferred tax assets and liabilities (Continued)

Unrecognised deferred tax assets

	2005	2004
	£m	£m
Deductible temporary differences	**33.3**	35.0
Tax losses	**64.6**	46.5
	97.9	81.5

Deferred tax is not recognised on losses where it is not probable that future taxable profits will be available against which the losses can be utilised or where agreement of the losses and/or the ability to offset the losses against future taxable profits is uncertain.

Movement in temporary differences during the year

	Balance 1 January 2004	Exchange movement	Recognised in income	Recognised in equity	Balance 31 December 2004
	£m	£m	£m	£m	£m
Property, plant and equipment	84.4	(2.8)	2.2	—	83.8
Intangible assets	(0.1)	—	0.1	—	—
Investment in joint ventures	5.2	—	1.7	—	6.9
Other investments	0.9	—	—	—	0.9
Inventories	—	—	(0.1)	—	(0.1)
Employee benefits	(9.6)	—	1.8	(6.1)	(13.9)
Provisions	3.2	(0.2)	(11.2)	—	(8.2)
Tax value of loss carry-forwards utilised	(4.2)	0.4	(2.4)	—	(6.2)
Other items	3.2	0.2	—	—	3.4
	83.0	(2.4)	(7.9)	(6.1)	66.6

	Balance 31 December 2004	Adoption of IAS 39	Balance 1 January 2005	Exchange movement	Recognised in income	Recognised in equity	Balance 31 December 2005
	£m	£m	£m	£m	£m	£m	£m
Property, plant and equipment	**83.8**	**—**	**83.8**	**3.7**	**—**	**—**	**87.5**
Intangible assets	**—**	**—**	**—**	**—**	**0.1**	**—**	**0.1**
Investment in joint ventures	**6.9**	**—**	**6.9**	**—**	**0.4**	**—**	**7.3**
Other investments	**0.9**	**—**	**0.9**	**—**	**(0.4)**	**—**	**0.5**
Inventories	**(0.1)**	**—**	**(0.1)**	**—**	**—**	**—**	**(0.1)**
Employee benefits	**(13.9)**	**—**	**(13.9)**	**(0.1)**	**(1.8)**	**2.0**	**(13.8)**
Provisions	**(8.2)**	**—**	**(8.2)**	**(0.3)**	**(5.3)**	**—**	**(13.8)**
Tax value of loss carry-forwards utilised	**(6.2)**	**—**	**(6.2)**	**(0.6)**	**(0.1)**	**—**	**(6.9)**
Other items	**3.4**	**(0.6)**	**2.8**	**0.1**	**(5.3)**	**(0.1)**	**(2.5)**
	66.6	**(0.6)**	**66.0**	**2.8**	**(12.4)**	**1.9**	**58.3**

15 Tax recoverable and income tax liabilities

Current income tax liabilities of £89.1m (2004 £105.7m) represents amounts of corporate tax payable in respect of current and prior periods.

The current tax recoverable of £nil (2004 £0.8m) represents amounts of corporate tax recoverable.

16 Properties held for development and sale

	USA	UK	Other	Total
	£m	£m	£m	£m
At 1 January 2004	288.8	164.2	297.2	750.2
Exchange movements	(12.7)	—	(4.3)	(17.0)
On acquisition of subsidiaries and businesses	—	43.7	—	43.7
Additions	13.4	82.5	0.3	96.2
Disposals	(160.7)	(73.3)	(70.7)	(304.7)
Write down	—	(4.6)	(55.3)	(59.9)
At 31 December 2004	128.8	212.5	167.2	508.5
Exchange movements	**10.9**	**—**	**(5.5)**	**5.4**
Transfer from property, plant and equipment	**—**	**0.4**	**—**	**0.4**
Additions	**6.5**	**69.1**	**—**	**75.6**
Disposals	**(79.2)**	**(215.2)**	**(142.0)**	**(436.4)**
Write down	**—**	**(0.6)**	**(3.1)**	**(3.7)**
At 31 December 2005	**67.0**	**66.2**	**16.6**	**149.8**

Costs in respect of the separate London Gateway Port and Business Park proposals total £38.1m (2004 £29.1m). These costs included above are shown within the net operating assets (note 2(h)) respectively of the Ports and Property divisions. The projects received "minded to grant" approvals from respective Secretaries of State in July 2005 specifying certain issues which needed to be resolved before planning consents would be granted. Progress has been made on these issues and final decisions on planning consents are expected in the first half of 2006.

17 Inventories

	2005	2004
	£m	£m
Raw materials and consumables	**16.4**	16.0
Work in progress	**6.5**	8.1
Goods for resale	**13.7**	19.1
	36.6	43.2

18 Trade and other receivables

	2005		2004	
	Current	Non current	Current	Non current
	£m	£m	£m	£m
Trade receivables	**224.8**	**1.5**	253.3	1.4
Amounts owed by associates	**—**	**—**	0.9	—
Other receivables	**170.2**	**—**	88.2	3.5
Prepayments and accrued income	**77.8**	**2.5**	67.8	2.3
Employee benefits assets (note 28)	**—**	**2.5**	—	—
Fair value of derivative financial instruments	**2.6**	**2.7**	—	—
	475.4	**9.2**	410.2	7.2
	484.6		417.4	

Other receivables include £55.2m (2004 £35.7m) relating to previous corporate disposals, net of provisions, of which £nil (2004 £3.4m) falls due in more than 1 year. Included within amounts receivable relating to

18 Trade and other receivables (Continued)

previous corporate disposals is an amount outstanding of £42.6m (2004 £32.2m) net of relevant provisions arising following the sale of Bovis Group plc in 1999. Further information on this is set out on page F-168.

The current expectation is that all current trade and other receivables will be received prior to 31 December 2006.

19 Other investments

Current

	2005	2004
	£m	£m
Available-for-sale financial assets	**34.6**	—
Unlisted investments	**—**	5.2
	34.6	5.2

The available-for-sale financial assets in the above table represent Versacold Income Fund 7% Extendible Convertible Unsecured Subordinated Debentures acquired by the Group on disposal of P&O Cold Logistics on 19 December 2005. Under the terms of this transaction, the Group has committed to retain ownership of these debentures for at least four months from that date.

Non-current

	2005	2004
	£m	£m
Debt securities held-to-maturity	**11.2**	—
Available-for-sale financial assets	**3.2**	—
Unlisted investments	**—**	11.2
	14.4	11.2

20 Cash and cash equivalents

	2005	2004
	£m	£m
Bank balances	**67.4**	40.6
Call deposits	**32.1**	9.6
Cash and cash equivalents in the balance sheet	**99.5**	50.2
Bank overdrafts	**(17.3)**	(20.8)
Cash and cash equivalents in the statement of cash flows	**82.2**	29.4

21 Interest bearing loans and borrowings

	2005	2004
	£m	£m
US dollar bonds and notes 2007 - 2027 (unsecured)	**13.5**	12.0
Term loans: secured	**34.9**	284.6
unsecured	**590.3**	850.8
Finance leases	**43.4**	58.9
Mortgage debenture stocks	**1.4**	1.4
Unsecured loan stock	**3.3**	3.3
	686.8	1,211.0

All the above loans are non-convertible.

Secured loans and other secured creditors are secured on ships, properties and other assets of the Group.

Group loans are denominated in the following currencies:

	Sterling	US dollars	Canadian dollars	Australian dollars	Euro	Indian rupees	Other	Total
	£m	£m	£m	£m	£m	£m	£m	£m
At 31 December 2005	**163.8**	**90.1**	**85.3**	**66.0**	**13.4**	**176.6**	**91.6**	**686.8**
At 31 December 2004	398.3	275.4	43.9	128.5	156.7	126.1	82.1	1,211.0

An analysis of the maturity and interest rates of Group fixed rate loans is as follows:

The fixed rate bands below include the effect of interest rate swaps with net principal value totalling £242.3m (2004 £496.3m).

	Repayable						
Interest rate	Within one year	Between one and two years	Between two and five years	Between five and ten years	Over ten years	2005 Total	2004 Total
	£m	£m	£m	£m	£m	£m	£m
6% or less	28.8	36.2	67.8	74.3	2.3	**209.4**	433.9
Over 6% to 8%	4.8	20.8	127.2	5.3	7.9	**166.0**	345.6
Over 8%	8.2	12.2	29.5	1.1	2.5	**53.5**	57.8
At 31 December 2005	**41.8**	**69.2**	**224.5**	**80.7**	**12.7**	**428.9**	
At 31 December 2004	43.5	68.1	597.2	110.4	18.1		837.3
An analysis of the maturity of total Group loans is as follows:							
At 31 December 2005	**30.6**	**40.1**	**539.0**	**41.2**	**35.9**	**686.8**	
At 31 December 2004	79.7	323.0	713.7	51.4	43.2		1,211.0

The maturity profile of the Group's financial liabilities at 31 December 2005 was as follows:

	2005	2004
	£m	£m
In one year or less, or on demand	**47.9**	100.5
In more than one year, but not more than two years	**40.1**	323.0
In more than two years, but not more than five years	**565.6**	719.8
In more than five years	**77.1**	94.6
	730.7	1,237.9

21 Interest bearing loans and borrowings (Continued)

The undrawn committed facilities available at 31 December 2005 in respect of which all conditions precedent had been met at that date were as follows:

	2005	2004
	£m	£m
Expiring in one year or less	**4.4**	164.0
Expiring in more than one year, but not more than two years	**4.9**	306.0
Expiring in more than two years	**677.0**	190.6
	686.3	660.6

As a result of the change of control following the DP World takeover on 8 March 2006 (see note 34) facilities totalling £1,084.6m may be cancelled at the bank's option. DP World has arranged sufficient acquisition finance to allow any amounts drawn under these facilities to be repaid as they fall due.

Finance lease liabilities

Finance lease liabilities are payable as follows:

	Minimum lease payments 2005	Interest 2005	Principal 2005	Minimum lease payments 2004	Interest 2004	Principal 2004
	£m	£m	£m	£m	£m	£m
Less than one year	**5.8**	**2.3**	**3.5**	16.5	3.2	13.3
Between one and five years	**19.8**	**6.6**	**13.2**	23.1	7.9	15.2
More than five years	**37.4**	**10.7**	**26.7**	42.1	11.7	30.4
	63.0	**19.6**	**43.4**	81.7	22.8	58.9

22 Trade and other payables

	2005		2004	
	Current	Non-current	Current	Non-current
	£m	£m	£m	£m
Payments received on account	**6.9**	**—**	8.8	—
Trade payables	**126.1**	**0.2**	128.0	—
Amounts owed to joint ventures and associates	**65.1**	**8.3**	20.0	50.1
Social security and other taxation	**13.6**	**—**	17.8	—
Other payables: secured	**—**	**—**	0.3	—
unsecured	**61.1**	**0.3**	67.7	0.2
Accruals and deferred income	**142.2**	**9.1**	140.6	5.9
Fair value of derivative financial instruments	**9.4**	**17.2**	—	—
	424.4	**35.1**	383.2	56.2
	459.5		439.4	

The current expectation is that all current trade and other payables will be paid prior to 31 December 2006.

23 Provisions

	Employee compensation	Reorganisation and restructuring	Other provisions	Total
	£m	£m	£m	£m
At 1 January 2005	**33.0**	**73.5**	**28.5**	**135.0**
Exchange movements	**4.4**	**—**	**(0.7)**	**3.7**
Transfers from profit and loss account	**10.8**	**9.7**	**48.1**	**68.6**
Transfers to profit and loss account	**—**	**(6.9)**	**(0.1)**	**(7.0)**
Change in actuarial assumptions	**2.9**	**—**	**—**	**2.9**
On disposal of subsidiaries	**—**	**—**	**(0.8)**	**(0.8)**
Applied during the year	**(5.8)**	**(50.4)**	**(27.2)**	**(83.4)**
At 31 December 2005	**45.3**	**25.9**	**47.8**	**119.0**
Disclosed as:				
Current	**7.2**	**23.2**	**20.8**	**51.2**
Non-current	**38.1**	**2.7**	**27.0**	**67.8**
	45.3	**25.9**	**47.8**	**119.0**

The reorganisation and restructuring provision includes an amount of £4.5m (2004 £nil) for onerous leases as a result of the Group's relocation to its new offices in December 2005.

Other provisions include £21.4m (2004 £nil) in respect of rental guarantees for properties in Germany and the UK, £3.4m (2004 £4.3m) for onerous leases over several properties in the UK and £6.4m (2004 £4.1m) relating to the repayment of state aid following an EC ruling. Transfers from the profit and loss account for the year include a charge of £2.5m (2004 £2.7m) for the unwinding of discounts on provisions.

The directors expect the current provision balance to be utilised prior to 31 December 2006.

24 Issued capital

The authorised share capital is £956.5m (2004 £956.5m) being the allotted capital together with £134.3m (2004 £143.0m) of unclassified stock. The nominal value of each class of stock unit is £1.

The allotted, called up and fully paid share capital is as follows:

	2005	2004
	£m	£m
Deferred stock	**752.3**	743.6
Preferred stock	**3.3**	3.3
5.5% concessionary stock	**66.6**	66.6
	822.2	813.5

Rights at 31 December 2005

The rights attached to preferred and concessionary stock at 31 December 2005 are summarised below:

Holders of preferred stock, which ranked before all other stock, received a discretionary fixed cumulative dividend of 5 per cent per annum (net of tax credit). On a liquidation they were entitled to receive, subject to the rights of preferential creditors, a return of capital together with all unpaid dividend arrears and accruals and a premium based upon the average price of the stock in the six months preceding the liquidation. Holders were entitled to one vote for each unit of stock held, both on a show of hands and on a poll.

Holders of the 5.5 per cent concessionary stock, which ranked after the preferred stock, received a discretionary fixed non-cumulative dividend of 5.5 per cent per annum (net of tax credit). Should the

24 Issued capital (Continued)

directors terminate the concessionary fare scheme, this dividend would be replaced by an annual fixed cumulative dividend equal to or exceeding 5.5 per cent (net of tax credit) so that the market price of the stock at the date of termination is at least 100p per £1 nominal of stock. In such circumstances the stock would be redeemed with a 20p premium within six months of the date of termination. On a liquidation they were entitled to receive, subject to the rights of preferential creditors, all unpaid dividends and the amount paid up on their stock. Holders were entitled to one vote on a show of hands and on a poll to one vote for every £4 nominal of stock held.

Changes since 31 December 2005

The following changes took place in consequence of the approval of schemes of arrangement under section 425 Companies Act 1985 between P&O and the holders of the deferred stock (the 'Deferred Scheme') and the concessionary stock (the 'Concessionary Scheme').

Following approval by stockholders of the Deferred Scheme on 13 February 2006 and the Court's sanction on 2 March 2006, on 7 March 2006 £1,000 nominal of special deferred stock (new deferred stock which temporarily had additional rights attached in connection with the implementation of the Schemes) was allotted and issued to Thunder FZE ("Thunder") and its nominee Ports, Customs and Free Zone Corporation ("DP World"). On 8 March 2006 the existing deferred stock (other than that in respect of which stockholders had elected to receive loan notes) was cancelled and deferred stockholders received 520p per £1 nominal of deferred stock. An amount of new deferred stock equal to the amount of deferred stock cancelled on 8 March 2006 has been allotted and issued to Thunder and its nominee DP World, in proportion to their respective holdings of special deferred stock.

On 13 February 2006, stockholders approved the cancellation of the preferred stock conditional upon the implementation of the Deferred Scheme. On 8 March 2006, the principal amount of £3,344,000 was cancelled and a total amount of £3,416,836 (representing the principal and an accrued dividend of 2.17808p per unit of preferred stock) was paid to the preferred stockholders on 16 March 2006.

On 13 February 2006 stockholders approved, and on 2 March 2006 the Court sanctioned, the Concessionary Scheme, under which on 16 March 2006 concessionary stockholders received £1.20 for each unit of concessionary stock held or, at their option, £1.00 plus a unit of entitlement to discounted fares on certain P&O ferry routes (a 'Concessionary Unit') conferring the same concessionary travel benefits as the concessionary stock. On 8 March 2006 the concessionary stock was cancelled and an equal amount of new deferred stock was allotted and issued to Thunder and its nominee DP World.

The movements in deferred stock in the year were as follows:

	Deferred stock
	£
At 1 January 2005	**743,557,989**
Exercise of options granted under stock option schemes	**8,740,848**
At 31 December 2005	**752,298,837**

The movements during the year in rights of subscription for, or rights of conversion into, deferred stock were as follows:

	At 1 January 2005	Granted	Lapsed	Exercised	At 31 December 2005
	£	£	£	£	£
Executive stock option schemes	**35,247,101**	**—**	**(1,439,302)**	**(8,172,938)**	**25,634,861**
1994 Save As You Earn Stock Option Scheme/2004 Sharesave Plan	**8,062,296**	**1,128,770**	**(930,168)**	**(567,910)**	**7,692,988**
	43,309,397	**1,128,770**	**(2,369,470)**	**(8,740,848)**	**33,327,849**

24 Issued capital (Continued)

The executive stock options were generally exercisable not later than 15 April 2014 at prices between 166p and 266p per £1 nominal of deferred stock.

The Save As You Earn Stock Options and the Sharesave Plan options were exercisable not later than 17 April 2009 at prices between 128p and 270p per £1 nominal of deferred stock.

Following the takeover of the Group by DP World on 8 March 2006, all of the above options became exercisable from that date. Any options remaining unexercised will lapse on 7 September 2006.

25 Capital and reserves

	Share capital	Share premium account	Translation reserve	Hedging reserve	Other reserves	Retained earnings	Total	Minority interest	Total equity
	£m	£m	£m	£m	£m	£m	£m	£m	£m
At 1 January 2004	807.6	778.3	—	—	163.7	(706.6)	**1,043.0**	40.7	**1,083.7**
Total recognised income and expense	—	—	(52.1)	—	—	(211.3)	**(263.4)**	8.6	**(254.8)**
Exercise of options granted under stock option schemes	5.9	6.7	—	—	—	—	**12.6**	—	**12.6**
Debt redemption costs	—	(1.6)	—	—	—	1.6	**—**	—	**—**
Amortisation of debt issue costs	—	(0.5)	—	—	—	0.5	**—**	—	**—**
Purchases of own stock	—	—	—	—	—	(14.2)	**(14.2)**	—	**(14.2)**
Share-based payments	—	—	—	—	—	4.5	**4.5**	—	**4.5**
Dividends to stockholders	—	—	—	—	—	(91.6)	**(91.6)**	—	**(91.6)**
Changes in composition and dividends	—	—	—	—	—	—	**—**	(2.5)	**(2.5)**
At 31 December 2004	813.5	782.9	(52.1)	—	163.7	(1,017.1)	**690.9**	46.8	**737.7**
Effect of adoption of IAS 32 and 39 on 1 January 2005	—	—	—	(23.0)	—	(4.2)	**(27.2)**	—	**(27.2)**
At 1 January 2005	813.5	782.9	(52.1)	(23.0)	163.7	(1,021.3)	**663.7**	46.8	**710.5**
Total recognised income and expense	—	—	69.2	14.8	—	121.7	**205.7**	10.1	**215.8**
Exercise of options granted under stock option schemes	8.7	9.5	—	—	—	—	**18.2**	—	**18.2**
Amortisation of debt issue costs	—	(0.2)	—	—	—	0.2	**—**	—	**—**
Purchases of own stock	—	—	—	—	—	(5.8)	**(5.8)**	—	**(5.8)**
Share-based payments	—	—	—	—	—	5.4	**5.4**	—	**5.4**
Dividends to stockholders	—	—	—	—	—	(70.0)	**(70.0)**	—	**(70.0)**
Changes in composition and dividends	—	—	—	—	—	—	**—**	(2.9)	**(2.9)**
At 31 December 2005	822.2	792.2	17.1	(8.2)	163.7	(969.8)	**817.2**	54.0	**871.2**

Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations that are not integral to the operations of the Company, as well as from the effective portion of translation of liabilities that hedge the Company's net investment in a foreign subsidiary.

25 Capital and reserves (Continued)

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

Retained earnings

The P&O Group Employee Benefit Trust (the "Trust") is used in connection with the Group's Deferred Bonus and Co-investment Matching Plan (the "Matching Plan"), the P&O Performance Share Plan (the "Performance Share Plan") and the P&O 2005 Matching Share Plan (the "2005 Matching Share Plan"), the terms of which are set out in the directors' remuneration report on pages 28 to 35. The Trust may also be used in connection with the Group's other share based plans, including the Executive Stock Option Plan. The Trustee of the Trust purchases the Company's stock in the open market, as required, on the basis of regular reviews of the anticipated liabilities of the Group, with financing provided by the Company. All expenses of the Trust are settled directly by the Company and charged in the financial statements as incurred.

As at 31 December 2005 the Trust held £12,096,283 nominal of deferred stock of the Company (2004 £11,435,110 nominal) representing 1.6 per cent (2004 1.5 per cent) of the Company's deferred stock. During the year the Trust acquired £1,900,000 nominal of deferred stock of the Company (2004 £4,934,437 nominal), representing 0.3 per cent (2004 0.7 per cent) of the Company's deferred stock, and £1,238,827 nominal of deferred stock of the Company (2004 £144,518 nominal), representing 0.2 per cent (2004 nil per cent) of the Company's deferred stock, was distributed by the Trust to participants in the Matching Plan under the terms of that plan.

Retained earnings is stated after the deduction of £30.8m (2004 £28.4m) in respect of £12,096,283 nominal of deferred stock of the Company (2004 £11,435,110 nominal) held by the Trust, of which £516,069 nominal (2004 £402,032 nominal) has been conditionally awarded to participants in the Matching Plan. Further stock awards over £4,287,491 nominal (2004 £2,132,996 nominal) have been granted to participants under the Matching Plan, the Performance Share Plan and the 2005 Matching Share Plan, which will be met by the Trust to the extent that the performance conditions are met. The market value of the deferred stock held by the Trust as at 31 December 2005 was £56.4m.

Retained earnings is also stated after a credit of £11.0m (2004 £6.6m) relating to charges made to the income statement in respect of equity settled share-based payments, including the fair values of awards and grants under the Matching Plan, the Performance Share Plan and the 2005 Matching Share Plan, which will be met by the Trust, and the fair value of options granted under the Executive Stock Option Plan and the P&O 2004 UK Sharesave Plan.

Exchange movements in the Group retained earnings include a loss of £49.4m (2004 £45.0m gain) in respect of foreign currency net borrowings.

26 Directors' emoluments

The aggregate emoluments of the directors of the Company were:

	2005	2004
	£000	£000
Fees	**508**	149
Salaries and benefits	**2,092**	2,264
Performance related bonuses	**1,252**	1,078
Short term employment benefits	**3,852**	3,491
Pensions costs	**512**	439
Equity settled share-based payments	**859**	531
	5,223	4,461

26 Directors' emoluments (Continued)

Amounts totalling £217,000 (2004 £188,000) in respect of 2004 performance related bonuses were settled in 2005 by way of equity settled share-based payments under the Deferred Bonus and Co-Investment Matching Plan.

Pension costs represent the estimated cost to the Group of providing pensions benefits in respect of current year service measured in accordance with IAS 19 'Employee Benefits'.

Further details on directors' emoluments, long term incentives, pension entitlements and deferred stock under option held by the directors are shown in the directors' remuneration report on pages 28 to 35.

27 Employees

The average number of people employed by the Group was:

	2005	2004
UK full time	**2,620**	2,899
UK part time	**155**	204
Overseas full time	**11,119**	12,018
Overseas part time	**2,768**	2,883
Sea staff	**2,803**	4,034
	19,465	22,038

The aggregate payroll costs, excluding directors' emoluments, were:

	2005 £m	2004 £m
Wages and salaries	**425.6**	449.7
Social security costs	**10.4**	14.5
Pensions costs	**39.4**	27.9
	475.4	492.1

Amounts totalling £3.9m (2004 3.4m) in respect of equity settled share-based payments were charged to the income statement.

Amounts totalling £0.4m (2004 £0.4m) in respect of 2004 performance related bonuses were settled in 2005 by way of equity settled share-based payments under the Deferred Bonus and Co-Investment Matching Plan.

Certain comparatives have been adjusted to make them consistent with current year classifications.

Equity settled share-based payments

The Group operated five employee share plans: the Executive Stock Option Plan ("P&O Option Plan"), the P&O 2004 UK Sharesave Plan ("2004 Plan"), the Deferred Bonus and Co-investment Matching Plan ('Matching Plan'), the P&O Performance Share Plan ("Performance Share Plan") and the P&O 2005 Matching Share Plan ("2005 Matching Share Plan"). Upon the takeover of the Group by DP World in March 2006, awards under these plans vested according to the provisions of the relevant plan rules.

The following analysis includes only those awards and grants made under the above share plans since 7 November 2002 in accordance with the transitional arrangements of IFRS 2 'Share-based Payment', so is not a complete analysis of all awards or grants which were outstanding during the year.

The Performance Share Plan

Under the Performance Share Plan, executive directors and a limited number of other senior employees who had significant influence over the Group's ability to meet its strategic objectives were eligible to

27 Employees (Continued)

receive annual awards, in the form of deferred stock, worth up to 120 per cent of salary. In order to provide flexibility, the scheme rules allowed annual awards of up to a maximum of 200 per cent of salary.

Awards would vest after three years subject to the Company's TSR ("Total Shareholder Return") performance against the constituents of the FTSE 350 (excluding investment trusts) at the date of award, 25 per cent of the award would vest if the Company was ranked at the median. The full award would vest if the Company was ranked at, or above, the upper quartile. Between these two points, the award would vest on a straight line basis. No portion of the award would vest if the Company was ranked below the median, and any unvested award at the end of the three year period would automatically lapse.

Awards would only vest subject to the remuneration committee determining that the TSR performance was a genuine reflection of the Company's underlying financial performance over the three year period.

Awards could be satisfied by the use of stock purchased in the market or newly issued stock and to the extent that new issue stock was used this was subject to the normal dilution limits (i.e. options/awards over stock in the Company did not exceed 5 per cent of the Company's issued deferred stock in any rolling 10 year period in respect of executive schemes, or 10 per cent in any 10 year period in respect of all schemes).

The 2005 Matching Share Plan

Executive directors were able to invest their own cash resources up to a limit of 50 per cent of their maximum bonus opportunity into stock in the Company ("Invested Stock"). Participants who made such investment received a performance based matching award equal in value to the Invested Stock (valuing the Invested Stock on a pre-tax basis). Awards were designed to vest after three years, subject in normal circumstances to the participant continuing to hold the Invested Stock for the three year period and would vest based on the same TSR performance conditions as under the Performance Share Plan.

The Matching Plan

The Matching Plan provided participants with the opportunity to receive matching awards of deferred stock depending upon the performance of the Company over a two year retention period following the year in which an original bonus-related award was earned.

One third of any annual bonus awarded to directors and other executives who were participants in the Matching Plan was in the form of a Stock Award which was automatically invested in the Matching Plan. Participants were also invited to commit their own resources to the Matching Plan, by investing in further deferred stock in the Company (described as Invested Stock) subject to an overall limit on the amount invested in the Matching Plan in any one year of up to 75 per cent of base salary. Subject to the discretion of the Matching Plan Trustee, Matching Plan participants receive Matching Awards. Matching Awards entitled the participants to acquire a maximum amount of deterred stock which, at the date of grant, had a value equal to the aggregate value of the executive's Stock Award and Invested Stock (valuing Invested Stock on a gross of tax basis).

The amount of deferred stock over which a Matching Award might be exercised was dependent on the Company's TSR over the retention period compared to that of the other companies in the FTSE 350 index. If the Company achieved median performance a participant was entitled to exercise 25 per cent of his Matching Award and if the Company achieves upper quartile performance, a participant was entitled to exercise 100 per cent of his Matching Award. For performance between median and upper quartile, entitlement was calculated on a straight line basis.

Matching Awards were only exercisable if a secondary validating performance condition was also met. This required earnings per share ("EPS") growth (after appropriate adjustments to ensure consistency throughout the period) over the retention period to exceed the growth in the UK Index of Retail Prices by an average of at least 3 per cent per annum.

27 Employees (Continued)

The P&O Option Plan

Options under this plan were generally exercisable three years after the date of grant subject to the achievement of performance conditions and remained exercisable until the tenth anniversary of grant. Performance conditions were generally based on the achievement of EPS growth (after appropriate adjustments to ensure consistency throughout the period) of an average of at least 3 per cent per annum in excess of the growth in the UK Retail Prices Index over a period of at least three years from grant.

No awards have been made under this plan since 2003, other than in exceptional circumstances.

The 2004 Plan

All employees were able to participate, subject to service conditions and limits, in the 2004 Plan. The 2004 Plan operated within specific tax legislation (including a requirement to finance the exercise of the option using the proceeds of a monthly savings contract) and exercise of the option was not subject to satisfaction of a performance target since this was an all-employee share scheme.

(a) Stock Award Plans

	Performance Share Plan		2005 Matching Share Plan		Matching Plan	
	Deferred stock	WAFV*	Deferred stock	WAFV*	Deferred stock	WAFV*
	’000	pence	’000	pence	’000	pence
Stock awards (March 2005)	—	—	—	—	249	302
Matching awards (March 2005)	—	—	—	—	619	113
Share Plan awards (May 2005)	2,211	114	179	114	—	—
Dividend Replacement (June/November 2005)	16	178	1	178	6	349
Share Plan awards (August 2005)	196	134	—	—	—	—

* WAFV = Weighted average fair value

The fair values of grants under the Stock Award Plans are calculated by discounting the share price at the date of the award in respect of the relevant performance conditions.

27 Employees (Continued)

(b) Stock Option Plans

	P&O Option Plan		2004 Plan	
	Options	WAEP	Options	WAEP*
	’000	pence	’000	pence
As at 31 December 2003				
Options outstanding	9,844	247	7,041	128
Movements during 2004				
Options granted	17	220	1,487	205
Options exercised	(110)	249	(146)	128
Options lapsed	(810)	249	(666)	131
Weighted average fair value of options granted during the year		55		89
As at 31 December 2004				
Options outstanding	8,941	247	7,716	143
Movements during 2005				
Options granted	**—**	**—**	**1,129**	**270**
Options exercised	**(1,269)**	**249**	**(553)**	**130**
Options lapsed	**(184)**	**249**	**(884)**	**140**
Dividend Stock				
Weighted average fair value of options granted during the year		**—**		**102**
As at 31 December 2005				
Options outstanding	**7,488**	**246**	**7,408**	**163**
Range of exercise prices		**179p-249p**		**128p-270p**
Weighted average remaining contractual life		**2,819 days**		**446 days**
Options exercisable	**1,713**	**249**	**622**	**152**

* WAEP = Weighted average exercise price

Stock options were exercised on a regular basis throughout the year.

27 Employees (Continued)

The fair values of grants under the Stock Option Plans are calculated using binomial valuation models. The following table gives the assumptions applied to the options granted during the year. Expectations of early exercise are incorporated into the model.

	2005	2004
Average actual share price (pence)	**334**	243
Weighted average exercise price of options granted in the period (pence)		
P&O Option Plan	**—**	220
2004 Plan	**270**	205
Weighted average fair value of options granted in the period (pence)		
P&O Option Plan	**—**	55
2004 Plan	**102**	89
Expected volatility (%)	**33.5**	37.5
Dividend yield (%)	**4.0**	4.0
Risk-free interest rate (%)	**5.0**	5.0
Expected lives (years)		
P&O Option Plan	**—**	3.5
2004 Plan	**3.5**	3.5

The expected volatility is based on the historic volatility (calculated based on the weighted average life of the options) adjusted for any expected changes to future volatility due to publicly available information.

28 Employee benefits

Reconciliation of assets and liabilities recognised in the balance sheet

	2005 Total £m	2004 Total £m
Non-current		
Defined benefit pension schemes net liabilities	**(275.7)**	(262.8)
Liabilities from defined contribution pension schemes	**(1.8)**	—
Liability in respect of long service leave	**(1.0)**	(2.9)
Liability for other non-current deferred compensation	**(1.8)**	(3.2)
Current		
Liability for current deferred compensation	**(23.0)**	(24.2)
Net liabilities	**(303.3)**	(293.1)
Reflected in balance sheet as follows:		
Employee benefits assets: non-current (note 18)	**2.5**	—
Employee benefits liabilities: non-current	**(282.8)**	(268.9)
Employee benefits liabilities: current	**(23.0)**	(24.2)
	(303.3)	(293.1)

The defined benefit pension schemes net liabilities of £275.7m is in respect of the total Group schemes shown below. The £3.3m (2004 £42.6m) net liability in respect of the Group's share of joint ventures and associates is included within investments in joint ventures and associates in the consolidated balance sheet.

An expense of £5.3m (2004 £4.2m) has been recognised in administrative costs (£4.7m) (2004 £3.7m) and cost of sales (£0.6m) (2004 £0.5m) in the income statement in respect of employee benefits excluding pensions.

28 Employee benefits (Continued)

Pensions

The Group participates in a number of pension schemes throughout the world. The principal scheme is located in the UK (the "P&O UK Scheme"). The P&O UK Scheme is a funded defined benefit scheme and was closed to routine new members on 1 January 2002. The assets of the scheme are managed on behalf of the trustee by independent fund managers.

The Group also operates a number of smaller defined benefit and defined contribution schemes. In addition, the Group participates in various industry schemes, the most significant of which is the Merchant Navy Officers' Pension Fund (the "MNOPF Scheme"). These generally have assets held in separate trustee administered funds.

Expenses recognised in income statement

	Defined Benefit Pension schemes			Total	Share of joint ventures &	
	P&O UK Scheme	MNOPF Scheme	Other schemes	Group schemes	associates schemes	2005 Total
	£m	£m	£m	£m	£m	£m
Employer's current service cost	8.0	0.7	7.0	15.7	1.2	16.9
Employer's past service cost	0.7	—	—	0.7	—	0.7
Loss due to settlements/curtailments	0.7	—	—	0.7	—	0.7
	9.4	0.7	7.0	17.1	1.2	18.3
Expected return on scheme assets	(58.1)	(5.1)	(7.2)	(70.4)	(3.6)	(74.0)
Interest cost	59.9	5.3	6.7	71.9	3.9	75.8
	1.8	0.2	(0.5)	1.5	0.3	1.8
Total defined benefit expenses	11.2	0.9	6.5	18.6	1.5	20.1
Total defined contribution expenses				22.9	2.0	24.9
Total pension expenses	11.2	0.9	6.5	41.5	3.5	45.0

The expenses for defined benefit and defined contribution schemes are classified as follows in the consolidated income statement:

	Defined Benefit Pension schemes			Defined Contribution		Share of joint ventures &	
	P&O UK Scheme	MNOPF Scheme	Other schemes	Pension schemes	Total Group schemes	associates schemes	2005 Total
	£m	£m	£m	£m	£m	£m	£m
Cost of sales	1.8	0.7	4.0	20.1	26.6	—	26.6
Administrative costs	7.6	—	3.0	2.8	13.4	—	13.4
Share of results of joint ventures and associates	—	—	—	—	—	3.5	3.5
	9.4	0.7	7.0	22.9	40.0	3.5	43.5
Net financing costs	1.8	0.2	(0.5)	—	1.5	—	1.5
	11.2	0.9	6.5	22.9	41.5	3.5	45.0

28 Employee benefits (Continued)

	Defined Benefit Pension schemes					
	P&O UK Scheme	MNOPF Scheme	Other schemes	Total Group schemes	Share of joint ventures & associates schemes	2004 Total
	£m	£m	£m	£m	£m	£m
Employer's current service cost	9.6	n/a	6.1	15.7	2.0	17.7
Employer's past service cost	0.4	n/a	—	0.4	0.1	0.5
Gain due to settlements/curtailments	(4.2)	n/a	(0.3)	(4.5)	—	(4.5)
	5.8	n/a	5.8	11.6	2.1	13.7
Expected return on scheme assets	(47.2)	n/a	(6.6)	(53.8)	(10.0)	(63.8)
Interest cost	48.3	n/a	7.0	55.3	10.3	65.6
	1.1	n/a	0.4	1.5	0.3	1.8
Total defined benefit expenses	6.9	n/a	6.2	13.1	2.4	15.5
Total defined contribution expenses				16.8	1.6	18.4
Total pension expenses	6.9	n/a	6.2	29.9	4.0	33.9

The expenses for defined benefit and defined contribution schemes are classified as follows in the consolidated income statement:

	Defined Benefit Pension schemes						
	P&O UK Scheme	MNOPF Scheme	Other schemes	Defined Contribution Pension schemes	Total Group schemes	Share of joint ventures & associates schemes	2004 Total
	£m	£m	£m	£m	£m	£m	£m
Cost of sales	0.9	n/a	3.3	12.9	17.1	—	17.1
Administrative costs	4.9	n/a	2.5	3.9	11.3	—	11.3
Share of results of joint ventures and associates	—	—	—	—	—	4.0	4.0
	5.8	n/a	5.8	16.8	28.4	4.0	32.4
Net financing costs	1.1	n/a	0.4	—	1.5	—	1.5
	6.9	n/a	6.2	16.8	29.9	4.0	33.9

Total amount of actuarial losses recognised in the statement of recognised income and expense

	2005	2004
	£m	£m
Total actuarial losses recognised in the statement of recognised income and expense in the year	**147.9**	54.7

The cumulative amount of actuarial losses recognised in the statement of recognised income and expense is a loss of £202.6m (2004 £54.7m).

Actuarial valuations and assumptions

The latest valuations of the defined benefit schemes have been updated to 31 December 2005 by qualified independent actuaries. The principal assumptions are included in the table below.

28 Employee benefits (Continued)

The assumptions used by the actuaries are the best estimates chosen from a range of possible actuarial assumptions, which, due to the timescale covered, may not necessarily be borne out in practice.

	P&O UK Scheme		MNOPF Scheme		Other schemes		Share of joint ventures & associates schemes	
	2005	**2004**	**2005**	**2004**	**2005**	**2004**	**2005**	**2004**
Discount rates	**4.75%**	5.30%	**4.75%**	n/a	**5.00%**	5.40%	**4.85%**	5.30%
Expected rates of salary increases	**4.20%**	4.20%	**4.20%**	n/a	**3.60%**	3.70%	**3.75%**	4.15%
Pension increases:								
—deferment	**2.70%**	2.70%	**2.70%**	n/a				
—payment	**2.50%**	2.50%	**2.50%**	n/a	**2.25%**	1.60%	**2.70%**	2.60%
Inflation	**2.70%**	2.70%	**2.70%**	n/a	**2.65%**	2.25%	**2.70%**	2.70%
Expected rates of return on scheme assets	**5.80%**	6.20%	**6.60%**	n/a	**6.45%**	6.60%	**6.50%**	6.25%

The assumptions for pensioner longevity under both the P&O UK Scheme and the MNOPF Scheme are based on analyses of pensioner death trends under the respective schemes for many years. In each case the assumptions follow those used for the most recent funding valuation, and include allowances for future reductions in death rates for all members. For the P&O UK Scheme the PA92U2004 tables are used (with a +1 year age rating applied for females), together with a reduction of 0.1 per cent in the discount rate to allow for further longevity improvements. For the MNOPF Scheme the PA80C2003 tables are used (with a +1 year age rating applied for both males and females) together with a reduction of 0.25 per cent in the discount rate. These assumptions will be reviewed following the next funding valuation, due no later than 30 September 2007 for the P&O UK Scheme and 31 March 2006 for the MNOPF Scheme.

The expected long-term rates of return for each of the main asset classes are subjective judgements based on market indicators, economic background, historical analysis of returns and industry forecasts. They take into account the schemes' strategic asset allocations across the sectors of the main asset classes.

	P&O UK Scheme		MNOPF Scheme		Other schemes				
	Expected long term rate of return	**Fair value**	**Expected long term rate of return**	**Fair value**	**Expected long term rate of return**	**Fair value**	**Total Group schemes fair value**	**Share of joint ventures & associates schemes fair value**	**Total fair value**
	% p.a.	**£m**	**% p.a.**	**£m**	**% p.a.**	**£m**	**£m**	**£m**	**£m**
2004									
Equities	8.00	346.8	n/a	n/a	8.10	62.7	409.5	58.4	467.9
Bonds	4.70	393.5	n/a	n/a	4.70	39.6	433.1	64.0	497.1
Other	3.70	26.0	n/a	n/a	5.20	8.0	34.0	4.3	38.3
	6.20	766.3	n/a	n/a	6.60	110.3	876.6	126.7	1,003.3
2005									
Equities	**7.70**	**517.7**	**7.70**	**192.3**	**7.95**	**72.3**	**782.3**	**4.9**	**787.2**
Bonds	**4.40**	**711.8**	**4.50**	**80.8**	**4.20**	**45.0**	**837.6**	**3.1**	**840.7**
Other	**3.70**	**13.4**	**5.45**	**35.1**	**5.40**	**8.7**	**57.2**	**0.2**	**57.4**
	5.80	**1,242.9**	**6.60**	**308.2**	**6.45**	**126.0**	**1,677.1**	**8.2**	**1,685.3**

28 Employee benefits (Continued)

Reconciliation of the opening and closing balances of the fair value of scheme assets and the present value of the defined benefit obligation

	P&O UK Scheme	MNOPF Scheme	Other schemes	Total Group schemes	Share of joint ventures & associates schemes	2005 Total	2004 Total
	£m	£m	£m	£m	£m	£m	£m
Present value of obligation at 1 January	(1,008.2)	—	(131.1)	(1,139.3)	(169.4)	**(1,308.7)**	(1,338.6)
Employer's interest cost	(59.9)	(5.3)	(6.7)	(71.9)	(3.9)	**(75.8)**	(65.6)
Employer's current service cost	(8.0)	(0.7)	(7.0)	(15.7)	(1.2)	**(16.9)**	(17.7)
Past service costs—vested benefits	(0.7)	—	—	(0.7)	—	**(0.7)**	(0.5)
Contributions by scheme participants	(2.0)	(0.2)	(1.6)	(3.8)	(0.3)	**(4.1)**	(4.3)
Foreign currency exchange	—	—	(2.6)	(2.6)	—	**(2.6)**	1.9
Benefits paid	57.2	3.8	13.1	74.1	3.1	**77.2**	56.8
Sale of businesses	—	—	2.6	2.6	112.9	**115.5**	143.1
Curtailments	—	—	—	—	—	**—**	0.3
Settlements	(0.7)	—	—	(0.7)		**(0.7)**	9.4
Provision reclassified as defined benefit scheme	—	—	(1.0)	(1.0)	—	**(1.0)**	—
Amounts recognised in the statement of recognised income and expense							
New schemes entered into during the year	—	(416.9)	(0.6)	(417.5)	—	**(417.5)**	—
Amounts arising from P&O Nedlloyd transfer/sale	(214.7)	—	—	(214.7)	53.7	**(161.0)**	—
Actuarial loss on obligation	(123.3)	(18.7)	(19.6)	(161.6)	(6.4)	**(168.0)**	(93.5)
Present value of obligation at 31 December	(1,360.3)	(438.0)	(154.5)	(1,952.8)	(11.5)	**(1,964.3)**	(1,308.7)
Fair value of scheme assets at 1 January	766.3	—	110.3	876.6	126.7	**1,003.3**	1,027.3
Expected return on scheme assets	58.1	5.1	7.2	70.4	3.6	**74.0**	63.8
Contributions by employer	147.1	5.9	10.9	163.9	10.2	**174.1**	44.6
Contributions by scheme participants	2.0	0.2	1.6	3.8	0.3	**4.1**	4.2
Foreign currency exchange	—	—	2.0	2.0	—	**2.0**	(1.1)
Benefits paid	(57.2)	(3.8)	(13.1)	(74.1)	(3.1)	**(77.2)**	(56.8)
Sale of businesses	—	—	(2.7)	(2.7)	(90.9)	**(93.6)**	(112.3)
Settlements	—	—	—	—	—	**—**	(5.2)
Amounts recognised in the statement of recognised income and expense							
New schemes entered into during the year	—	294.3	0.5	294.8	—	**294.8**	—
Amounts arising from P&O Nedlloyd transfer/sale	231.7	—	—	231.7	(40.3)	**191.4**	—
Actuarial gain on assets	94.9	6.5	9.3	110.7	1.7	**112.4**	38.8
Fair value of scheme assets at 31 December	1,242.9	308.2	126.0	1,677.1	8.2	**1,685.3**	1,003.3
Defined benefit schemes net liabilities	(117.4)	(129.8)	(28.5)	(275.7)	(3.3)	**(279.0)**	(305.4)
Actual return on scheme assets	153.0	11.6	16.5	181.1	5.3	**186.4**	102.6

It is anticipated that the company will make the following contributions to the pension schemes in 2006:

	P&O UK Scheme	MNOPF Scheme	Other schemes	Total Group schemes	Share of joint ventures & associates schemes	Total
	£m	£m	£m	£m	£m	£m
Pension scheme contributions	**39.7**	**6.8**	**6.0**	**52.5**	**0.4**	**52.9**

28 Employee benefits (Continued)

	P&O UK Scheme	MNOPF Scheme	Other schemes	Total Group schemes	Share of joint ventures & associates schemes	Total
	£m	£m	£m	£m	£m	£m
2004						
Present value of the defined benefit obligations	(1,008.2)	n/a	(131.1)	(1,139.3)	(169.4)	(1,308.7)
Fair value of scheme assets	766.3	n/a	110.3	876.6	126.7	1,003.3
Surplus or deficit in the scheme	(241.9)	n/a	(20.8)	(262.7)	(42.7)	(305.4)
Experience gains/(losses) on scheme assets	29.9	n/a	3.9	33.8	5.0	38.8
Experience gains/(losses) on scheme liabilities	(75.3)	n/a	(7.3)	(82.6)	(10.9)	(93.5)
2005						
Present value of the defined benefit obligations	**(1,360.3)**	**(438.0)**	**(154.5)**	**(1,952.8)**	**(11.5)**	**(1,964.3)**
Fair value of scheme assets	**1,242.9**	**308.2**	**126.0**	**1,677.1**	**8.2**	**1,685.3**
Surplus or deficit in the scheme	**(117.4)**	**(129.8)**	**(28.5)**	**(275.7)**	**(3.3)**	**(279.0)**
Experience gains/(losses) on scheme assets	**94.9**	**6.5**	**9.3**	**110.7**	**1.7**	**112.4**
Experience gains/(losses) on scheme liabilities	**(123.3)**	**(18.7)**	**(19.6)**	**(161.6)**	**(6.4)**	**(168.0)**

P&O UK Scheme

Formal actuarial valuations of the P&O UK Scheme are normally carried out triennially by qualified independent actuaries, the latest regular valuation report for the scheme being at 1 April 2003, using the projected unit method. As a result of the decision by P&O Nedlloyd to form its own UK scheme and the request to transfer its share of the assets and liabilities of the P&O UK Scheme into that new scheme, an additional valuation was carried out as at 30 September 2004 using the projected unit method.

At this date, allowing for the P&O Nedlloyd transfer and related transactions, the market value of the P&O UK Scheme's assets were £987m and the value of accrued benefits to members allowing for future increases in earnings was £1,176m giving a deficit of £189m and a funding ratio of 83.9 per cent.

Excluding the deficit reduction payments, the average contribution rates for the P&O UK Scheme were 22.8 per cent for the year to 31 December 2005 and 23.7 per cent from 1 January 2006.

The principal long term assumptions in the P&O UK Scheme's 2004 valuation are:

	Nominal % per annum
Price inflation	**3.00**
Investment return on pre retirement portfolio	**6.50**
Investment return on post retirement portfolio	**5.50**
Earnings escalation	**4.50**
LEL escalation	**3.00**
Increases in accrued pensions on excess over Guaranteed Minimum Pensions	**2.75**

As a result of this valuation and the subsequent take over of the Group by DP World, the Group made a further deficit contribution to the scheme of £25m in March 2006 and has committed to further regular monthly deficit payments totalling £75m over the next five years. These monthly payments are supported by a bank guarantee.

28 Employee benefits (Continued)

Merchant Navy Officers' Pension Fund

The MNOPF Scheme is a defined benefit multi-employer scheme in which officers employed by companies within the Group have participated and continue to participate.

The scheme is divided into two sections, the Old Section and the New Section, both of which are closed to new members and the latest valuation was carried out at 31 March 2003.

The Old Section has been closed to benefit accrual since 1978. The scheme's independent actuary advised that at 31 March 2003 the market value of the scheme's assets for the Old Section was £1,316m, representing approximately 115 per cent of the value of the benefits accrued to members. The assets of the Old Section were substantially invested in bonds.

As at 31 March 2003, the date of the most recent formal actuarial valuation, the New Section had assets with a market value of £1,168m, representing approximately 86 per cent of the benefits accrued to members. The valuation assumptions were as follows:

	Nominal % per annum
Discount rate	**7.80**
Rate of national average earnings increase	**4.00**
Rate of pension increases (where increases apply)	**2.50**

At the date of the valuation, approximately 59 per cent of the New Section's assets were invested in equities, 28 per cent in bonds and 13 per cent in property and cash.

Following a court decision in 2005, the trustee has advised the Group that its share of the net deficit of the New Section is 18.319 per cent and has issued a schedule of regular deficit payments from Group companies totalling £5.5m per annum commencing on 30 September 2005 and payable annually on 31 March thereafter until 31 March 2014. Therefore, the Group has accounted for the MNOPF New Section as a defined benefit scheme from 30 September 2005. Prior to that date, the Group accounted for the New Section as a defined contribution scheme as it was unable to determine its share of the scheme. The proportion of the deficit attributable to the Group will change following the next actuarial valuation, to be prepared as at 31 March 2006, as not all employers have made their deficit payments, with shortfalls to be reallocated to other employers, and part of the deficit payments being made by Carnival plc are attributable to the Group under the terms of the demerger agreement relating to the demerger of P&O Princess Cruises in 2000.

Merchant Navy Ratings' Pension Fund

The Merchant Navy Ratings' Pension Fund (the "MNRPF Scheme") is an industry wide multi-employer defined benefit pension scheme in which sea staff employed by companies within the Group have participated. The scheme has a significant funding deficit and has been closed to further benefit accrual.

As at 31 March 2005, the date of the most recent full triennial actuarial valuation carried out by an independent actuary, the scheme had assets with a market value of £590m, representing 86 per cent of the benefits accrued to members allowing for future increases. Approximately 68 per cent of the scheme's assets were invested in bonds, 25 per cent in equities and 7 per cent in property and cash. The valuation assumptions were as follows:

	Nominal % per annum
Investment return on pre retirement portfolio	**6.50**
Investment return on post retirement portfolio	**5.00**
Rate of national average earnings increase	**4.20**
Rate of pension increases (where increases apply)	**2.70**

28 Employee benefits (Continued)

Following this valuation the Group is yet to receive any adjustments to the previous schedule of payments. The Group is making current contributions in respect of subsidiaries that are current employers in the scheme and voluntary payments in respect of subsidiaries that have settled the relevant statutory debt obligations and are no longer current employers within the scheme. Current contributions and voluntary payments by the Group to the scheme in 2005 totalled £5.8m, which included amounts previously provided for. These payments are included within total defined contribution expense for the Group.

P&O has appointed an independent actuary to estimate the deficit of the MNRPF Scheme at 31 December 2005 using the same assumptions as applied for the IAS 19 valuation of the P&O UK Scheme as set out above. Based on the share of current contributions to the scheme by P&O Group companies, the Group's share of the estimated deficit could be between £8m and £10m.

The Group cannot identify its share of the underlying assets and liabilities of the MNRPF Scheme on a consistent and reasonable basis and is therefore accounting for contributions and payments to the MNRPF Scheme under IAS 19 as if it were a defined contribution scheme.

Other schemes

Other defined benefit schemes include schemes in Australia, Ireland, Canada, Indonesia, South Africa, Pakistan, North America and the Philippines.

Other industry schemes are mainly overseas multi-employer schemes, in which the Group is unable to identify its share of the underlying assets and liabilities on a consistent and reasonable basis. The Group is therefore accounting for contributions to the these schemes as if they were defined contribution schemes for IAS 19 purposes.

P&O Nedlloyd

During 2005, P&O Nedlloyd formed its own UK pension scheme and 25 per cent of the assets and liabilities of the P&O UK Scheme were transferred in to the P&O Nedlloyd scheme. P&O Nedlloyd in addition made an exit payment into the remaining P&O UK Scheme of £70m. The Group's share of this scheme was included within share of joint ventures and associates until the investment in P&O Nedlloyd was disposed of on 29 June 2005.

29 Commitments

Capital Contracted	2005	2004
	£m	£m
Ships	**76.9**	2.7
Land and buildings	**7.5**	13.6
Other	**40.2**	45.6
	124.6	61.9

Of the above capital commitments it is expected that the Group will pay £124.6m in 2006. The Group's share of capital commitments within its joint ventures is £19.4m (2004 £26.1m) and associates is £8.0m (2004 £23.6m).

Revenue

Leases as lessee

The commitment of the Group in respect of non-cancellable operating leases is as follows:

	Property		Other	
Lease expiring:	2005	2004	2005	2004
	£m	£m	£m	£m
Within one year	**67.3**	70.5	**77.1**	79.2
Between one and five years	**287.5**	271.7	**120.8**	155.0
Over five years	**1,188.0**	1,168.4	**106.3**	107.7
	1,542.8	1,510.6	**304.2**	341.9

29 Commitments (Continued)

Leases as lessor

The Group leases out its properties held for development and sale and a vessel surplus to ongoing operations. The future minimum lease receipts under non-cancellable leases are as follows:

	Property		Other	
Lease expiring:	2005	2004	2005	2004
	£m	£m	£m	£m
Within one year	**0.6**	1.1	**2.7**	—
Between one and five years	**4.1**	4.7	**1.3**	—
Over five years	**—**	—	**—**	—
	4.7	5.8	**4.0**	—

30 Contingent liabilities

	2005	2004
	£m	£m
Loan and lease guarantees on behalf of joint ventures and associates		
Ports	**75.0**	37.6
Property	**7.1**	3.6
	82.1	41.2
Other contingent liabilities	**30.6**	103.8
	112.7	145.0

Other contingent liabilities in the Group include £14.0m (2004 £78.7m) relating to guarantees of the financial liability for a vessel leased to Associated Bulk Carriers Limited, a previous associate of the Group. This lease expires in 2008. Associated Bulk Carriers Limited was sold to Eurotower Holdings SA in December 2003 and as part of the transaction, P&O received a counter indemnity for this liability from First Omega Shipping Inc, the owner of Eurotower Holdings SA.

Included within amounts receivable relating to previous corporate disposals is an amount outstanding of £42.6m (2004 £32.2m) net of relevant provisions arising following the sale of Bovis Group plc in 1999. Pursuant to the sale terms P&O is obliged to provide loan funding and partial indemnification for one of Bovis' projects, the construction of which is now completed and is the subject of litigation. Most of this litigation has been the subject of a settlement agreement as a result of which the bulk of such amounts receivable are expected to be repaid over the next twelve months.

A contingent liability exists in a joint venture of the Group relating to a value added tax assessment resulting from a tax audit for the year 2003. The joint venture company believes that there is no liability. Accordingly it has objected to the assessment and is currently awaiting rulings from the tax authority. The Group's share of the contingent liability relating to the 2003 assessment is £2.2m. If the assessment for 2003 is upheld, there may be liabilities relating to other years but these cannot be reliably estimated until tax rulings following the objection have been published.

31 Notes to the statement of cash flows

(a) Purchase of subsidiaries and businesses

	Fair value balance sheets 2005	Fair value balance sheets 2004
	£m	£m
Net assets acquired:		
Property, plant and equipment	—	0.6
Investments in joint ventures and associates	—	0.6
Properties held for development and sale	—	43.7
Other net current assets	—	3.1
Loans	—	(17.0)
Cash and overdrafts	—	2.3
Minority interests	—	(0.1)
	—	33.2
Goodwill	—	—
	—	33.2
Satisfied by:		
Cash	—	0.7
Investments already owned	—	32.5
	—	33.2

The cash outflow of £nil (2004 inflow £1.6m) on the purchase of subsidiaries and businesses comprises the cash consideration of £nil (2004 £0.7m), less net cash of £nil (2004 £2.3m) of the subsidiaries at the dates of acquisition. The investments already owned of £nil (2004 £32.5m) represent the reserves of and loans to joint ventures and associates now consolidated as subsidiaries. There were no fair value adjustments in respect of the above acquired subsidiaries and businesses.

31 Notes to the statement of cash flows (Continued)

(b) Sale of subsidiaries and termination of businesses

	Cold Logistics 2005	Disposal balance sheets 2005	Disposal balance sheets 2004
	£m	£m	£m
Net assets sold:			
Intangible assets	**14.6**	**14.6**	2.3
Property, plant and equipment	**173.2**	**173.2**	149.9
Other net current assets/(liabilities)	**7.7**	**7.7**	(3.1)
Loans	**(6.7)**	**(6.7)**	(6.1)
Cash and overdrafts	**6.6**	**6.6**	4.8
Income and deferred taxation	**—**	**—**	(2.7)
Employee benefits	**(6.5)**	**(6.5)**	(4.2)
Provisions	**(0.8)**	**(0.8)**	—
Minority interests	**—**	**—**	2.0
Less: investment in joint ventures and associates retained	**—**	**—**	(4.6)
	188.1	**188.1**	138.3
(Loss)/profit on sale and termination of businesses		**(9.5)**	32.7
		178.6	171.0
Satisfied by:			
Net cash consideration		**134.6**	191.3
Other investments		**33.0**	—
Deferred consideration		**18.2**	(20.0)
Accrued costs		**(7.2)**	(0.3)
		178.6	171.0

The cash inflow of £128.0m (2004 £186.5m) on the sale of subsidiaries and termination of businesses comprises cash received of £134.6m (2004 £191.3m) less net cash of £6.6m (2004 £4.8m) of the subsidiaries at the dates of disposal.

32 Financial instruments

The transitional arrangements for the reporting of financial instruments for both the year ended 31 December 2005 and the comparative information are explained in note 1 and note 36. The main impact on the Group's financial statements on the introduction of IAS 39 is the inclusion of the fair value position of derivative financial instruments on the balance sheet.

The Group's policies and procedures in relation to the role and management of financial instruments and financial risk are set out below. These have not been impacted by the introduction of IFRS.

Financial risk

The financial instruments held by the Group to finance its operations include cash, overdrafts, loans, and a limited amount of interest bearing and non-interest bearing investments. Derivative financial instruments are used to manage the interest rate, currency and fuel price risks arising from its operations and its sources of finance. The derivatives employed for this purpose are principally interest rate swaps, cross currency swaps, forward foreign currency contracts and fuel price swaps.

The Group has in place established treasury policies. The purpose of these is to ensure that adequate cost effective funding is available to the Group at all times and that exposure to financial risk is minimised.

The main financial risks to which the Group is exposed are foreign currency risk, interest rate risk and liquidity risk as summarised below. No transactions of a speculative nature are undertaken. The Board

32 Financial instruments (Continued)

receives regular reports which monitor these risks in accordance with agreed policies. None of these policies have been altered during the year.

Liquidity risk

The Group has cash balances and undrawn committed facilities to provide liquidity as required. At 31 December 2005 committed undrawn facilities totalled £686.3m (2004 £660.6m). Most of this borrowing capacity is available under a syndicated loan which is repayable in June 2010. The syndicated loan agreement contains representations, warranties, undertakings (including financial condition covenants and undertakings requiring the provision of guarantees from various subsidiary companies) in favour of the lenders which are typical for this type of credit agreement and customary events of default upon occurrence of which the lenders may terminate and demand repayment of the facility. The agreement also includes the requirement to effect a mandatory prepayment upon a change of control of The Peninsular and Oriental steam Navigation Company.

The DP World takeover has affected liquidity and the effect is shown in the loan note on page F-151.

Foreign currency risk

The Group has extensive overseas and international business operations and operates in a number of foreign currencies which gives rise to transactional and translational foreign exchange risk. The most important foreign currency to the Group is the US dollar, followed by the Australian dollar and the Indian rupee. In general, the Group's profits and stockholders' funds benefit if these currencies are strong against sterling. The year end rate for the US dollar was $1.717=£1 (2004 $1.92=£1), for the Australian dollar it was $2.340=£1 (2004 $2.449=£1) and for the Indian rupee it was INR77.271=£1 (2004 INR83.458=£1).

Translational currency risk

The proportion of the Group's net operating assets denominated in foreign currencies is 73 per cent with the result that the Group's sterling consolidated balance sheet, and in particular stockholders' funds, can be significantly affected by currency movements when it is retranslated at each period end rate. The Group mitigates the effect of such movements by borrowing in the same currencies as those in which the assets are denominated and using cross currency swaps. In addition the majority of the Group's operating profit in 2005 was generated by businesses with functional currencies other than sterling. The results of these businesses are translated into sterling at average exchange rates for the purposes of consolidation. The impact of currency movements on operating profit is mitigated partially by interest costs being incurred in foreign currencies.

Exchange arising on foreign currency investments are taken directly to equity. Most foreign currency loans are accounted for as hedges and the exchange arising from retranslating these loans at each balance sheet date is taken to equity to the extent that this hedge is deemed to be effective. Where cross currency swaps are used to hedge overseas equity investments the movement in the fair value of the instrument is also taken to equity.

Transactional currency risk

A portion of the Group's businesses generate part of their revenue and incur some costs outside their main functional currency. Due to the diverse number of locations in which the Group operates there is some natural hedging that occurs within the Group. When it is considered that currency volatility could have a material impact on the results of an operation, hedging, generally up to 12 months using forward contracts, is undertaken to reduce the short term effect of currency movements.

When the Group's businesses enter into capital expenditure or lease commitments in currencies other than their main functional currency, these commitments are hedged in most instances using forward contracts and currency swaps in order to fix the cost when converted to the functional currency. The main exposure

32 Financial instruments (Continued)

of the Group's foreign currency commitments of this nature is in respect of ferry operating lease commitments. Forward contracts match the expected cash flows of capital and lease commitments.

The Group classifies its forward exchange contracts hedging forecasted transactions as cash flow hedges and in accordance with IAS 39 states them at fair value. The fair value of forward exchange contracts at 1 January 2005 was adjusted against the opening balance of the hedging reserve at that date. The fair values of hedges of forecasted transactions at 31 December 2005 are shown in the fair value table below.

As well as the direct effect on cash flows, exchange rates also affect the Group's businesses because of their overall economic influence. In particular, exchange rates affect international trade flows which impact on the activities of the Group.

Interest rate risk

A small proportion of the Group's underlying borrowings are at fixed rates of interest. In addition, the Group uses interest rate swaps and other instruments to fix the interest cost on its floating rate borrowings in order to limit the impact of increases in interest rates. In the medium term, the Group's policy is to maintain between 50 per cent and 75 per cent of borrowings at a fixed rate of interest. In the short term, the level of fixed rate borrowings may move out of the 50 per cent to 75 per cent range, in which case a plan is put in place to move back within this range. Interest rate swaps have been taken out for periods of between 2 and 13 years with an average life of 3.7 years at 31 December 2005. £428.9m of borrowings were at fixed rates of interest as at 31 December 2005 (2004 £837.3m), either directly or indirectly through swap arrangements. This represents 71 per cent (2004 71 per cent) of net borrowings, with 66 per cent (2004 62 per cent) at rates fixed for more than one year.

The Group classifies interest rate swaps as cash flow hedges and states them at fair value. The fair value of swaps at 1 January 2005 was adjusted against the opening balance of the hedging reserve at that date. The net fair values of swaps at 31 December 2005 are shown in the fair value table below.

Fuel price risk

During 2005 P&O Ferries used fuel price swaps to fix a proportion of its fuel requirement for 2006 in accordance with its fuel hedging policy. These swaps are classified as cash flow hedges and stated at fair value. The fair value of the swaps at the 31 December 2005 was £nil (2004 £nil). There were no fuel swaps outstanding in Group companies at the end of 2004.

Credit risk

At the balance sheet date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the balance sheet.

32 Financial instruments (Continued)

Effective interest rates and repricing analysis

In respect of income-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at 31 December 2005 and the periods in which they reprice.

	Note	Effective interest rate %	Total	Within one year	1 to 2 years	2 to 5 years	More than 5 years
			£m	£m	£m	£m	£m
Cash and cash equivalents*	20		**99.5**	**99.5**	—	—	—
Bank overdrafts*	20		**(17.3)**	**(17.3)**	—	—	—
Available-for-sale financial assets	19	**7.00**	**34.6**	—	—	**34.6**	—
Debt securities held-to-maturity	19	**4.41**	**11.2**	**11.2**	—	—	—
Bank loans, bonds and finance leases							
GBP fixed rate bonds and loans	21	**6.29**	**(4.7)**	—	—	—	**(4.7)**
GBP floating rate loans and finance leases	21	**5.04**	**(159.1)**	**(159.1)**	—	—	—
Effect of GBP swaps		**1.25**	—	**80.0**	—	**(30.0)**	**(50.0)**
US$ fixed rate loans and bonds	21	**7.95**	**(16.4)**	**(0.8)**	**(9.7)**	**(1.3)**	**(4.6)**
US$ floating rate loans	21	**4.66**	**(97.0)**	**(97.0)**	—	—	—
Effect of US$swaps		**0.83**	**23.3**	**67.0**	—	**(20.4)**	**(23.3)**
C$ floating rate loans	21	**3.63**	**(85.3)**	**(85.3)**	—	—	—
A$ floating rate loans	21	**5.97**	**(66.0)**	**(66.0)**	—	—	—
Effect of A$ swaps		**(0.09)**	—	**21.3**	—	**(21.3)**	—
Euro fixed rate loans	21	**4.52**	**(6.6)**	**(1.0)**	**(1.0)**	**(2.7)**	**(1.9)**
Euro floating rate loans	21	**2.78**	**(6.8)**	**(6.8)**	—	—	—
Indian rupee fixed rate loans	21	**7.18**	**(145.6)**	**(12.0)**	**(15.7)**	**(112.6)**	**(5.3)**
Indian rupee floating rate loans	21	**4.12**	**(7.7)**	**(7.7)**	—	—	—
Effect of INR swaps		—	**(23.3)**	—	—	**(23.3)**	—
Other currency fixed rate loans	21	**6.75-13.00**	**(59.7)**	**(0.4)**	**(42.8)**	**(12.9)**	**(3.6)**
Other currency floating rate loans	21	**4.70-14.80**	**(31.9)**	**(31.9)**	—	—	—
£ loans from joint ventures and associates		**4.50**	**(8.7)**	**(8.7)**	—	—	—
US$ loans from joint ventures and associates		**5.38**	**(47.2)**	**(47.2)**	—	—	—
US$ loans to joint ventures and associates		**4.88**	**14.9**	**14.9**	—	—	—
Euro loans to joint ventures and associates		**4.84**	**15.4**	**15.4**	—	—	—
			(584.4)	**(231.9)**	**(69.2)**	**(189.9)**	**(93.4)**

* Due to the variety of different currencies and number of bank accounts in which the Group holds its cash and cash equivalents or has overdrafts, calculating an effective interest rate for the different balances would not give a meaningful result. Generally cash is only held where required to provide working capital liquidity to the relevant operation rather than to provide an investment return or provide long term facilities. Where overdrafts are used they are generally at a rate of 1 per cent or less above the relevant base rate.

The table below presents the carrying amounts under IFRS and the fair values of the Group's financial assets and liabilities at 31 December 2005. Comparative information is presented on the UK GAAP basis applicable at that date rather than in accordance with IAS 32 and IAS 39 as described in note 1.

32 Financial instruments (Continued)

A comparison by category of book value and fair value of the Group's financial assets and liabilities is as follows:

	2005		2004	
	Book value	Fair value	Book value	Fair value
	£m	£m	£m	£m
Primary financial instruments held or issued to finance the Group's operations:				
Trade and other receivables	**396.5**	**396.5**	346.4	346.4
Trade and other payables	**(187.7)**	**(187.7)**	(196.2)	(196.2)
Loans	**(686.8)**	**(687.8)**	(1,211.0)	(1,211.8)
Cash and cash equivalents	**99.5**	**99.5**	50.2	50.2
Bank overdrafts	**(17.3)**	**(17.3)**	(20.8)	(20.8)
Available-for-sale financial assets	**37.8**	**37.8**	—	—
Debt securities held to maturity	**11.2**	**11.2**	—	—
Unlisted investments	**—**	**—**	16.4	16.4
Loans from associates	**(73.4)**	**(73.4)**	(70.1)	(70.1)
Loans to associates	**67.9**	**67.9**	47.1	47.1
Derivative financial instruments held to manage the interest rate and currency profile:				
Interest rate swaps:				
Assets	**1.6**	**1.6**	—	1.4
Liabilities	**(22.3)**	**(22.3)**	—	(27.2)
Currency swaps:				
Assets	**0.4**	**0.4**	—	—
Liabilities	**—**	**—**	—	(0.7)
Derivative financial instruments held or issued to hedge the currency exposure on expected future transactions:				
Forward foreign currency contracts:				
Assets	**3.2**	**3.2**	—	5.6
Liabilities	**(2.4)**	**(2.4)**	—	(8.1)
Other derivatives:				
Assets	**0.1**	**0.1**	—	—
Liabilities	**(1.9)**	**(1.9)**	—	(1.9)
	(373.6)	**(374.6)**	(1,038.0)	(1,069.7)

The following valuation methods have been used under both IAS 39, for the year ended 31 December 2005, and FRS 13, for the comparative information.

The fair value of trade and other receivables and trade and other payables approximates to book value due to the short term maturity of these instruments.

The fair value of non-convertible bonds and dollar notes included in loans above is based on the quoted market price of comparable debt. Other loans include term loans and finance leases. These are largely at variable interest rates and therefore the book value normally equates to the fair value.

The fair value of debt securities held to maturity and available-for-sale financial assets are based on the quoted market value of similar assets.

The fair value of other investments is based on the year end quoted price for listed investments and the estimated recoverable amount for unlisted investments.

The fair value of cash and bank overdrafts approximates to the book value due to the short term maturity of the instruments.

32 Financial instruments (Continued)

The fair value of derivative financial instruments is discounted to the net present value using prevailing market rates and foreign currency rates at the balance sheet date.

The following comparative information has been presented under UK GAAP in accordance with the Group's transition to IFRS. See note 1 for further details.

Under UK GAAP gains and losses on instruments used for hedging are not recognised until the exposure that is being hedged is itself recognised. Unrecognised gains and losses on forward foreign currency contracts, fuel price swaps, cross currency swaps and interest rate swaps are as follows:

	Gains	(Losses)	Net gains/ (losses)
	£m	£m	£m
At 31 December 2003	10.8	(45.1)	(34.3)
Gains/(losses) arising before 1 January 2004 that were recognised during the year ended 31 December 2004	(2.2)	18.0	15.8
Gains/(losses) arising before 1 January 2004 that were not recognised during the year ended 31 December 2004	8.6	(27.1)	(18.5)
Gains/(losses) arising in the year to 31 December 2004 that were not recognised during the year ended 31 December 2004	(1.6)	(8.9)	(10.5)
At 31 December 2004	7.0	(36.0)	(29.0)
Of which:			
Gains/(losses) expected to be recognised in less than one year	2.0	(12.5)	(10.5)
Gains/(losses) expected to be recognised after more than one year	5.0	(23.5)	(18.5)
	7.0	(36.0)	(29.0)

The interest rate profile of the financial liabilities of the Group after taking into account the effect of interest rate swaps is set out in the tables below:

31 December 2004	Total	Variable rate financial liabilities	Fixed rate financial liabilities	Financial liabilities on which no interest is paid	Weighted average interest rate for fixed rate financial liabilities	Average time over which interest rate is fixed
	£m	£m	£m	£m	%	months
Currency:						
Sterling	397.8	204.8	192.8	0.2	6.30	52
Sterling: irredeemable	4.7	—	4.7	—	6.29	n/a
US dollars	286.1	66.1	218.4	1.6	5.71	33
Australian dollars	130.1	52.6	77.4	0.1	5.65	28
Euro	159.1	151.1	8.0	—	3.38	3
Indian rupees	128.3	2.5	125.8	—	7.58	43
Other	125.9	67.0	58.9	—	7.63	44
Total	1,232.0	544.1	686.0	1.9	6.27	40

The Group borrows in a range of currencies at both fixed and variable rates of interest.

The variable rate financial liabilities comprise bank borrowings and overdrafts bearing interest at rates fixed in advance for periods ranging from one to six months by reference to the applicable reference rate, primarily LIBOR for sterling, US dollar and euro borrowings, and the BBSY rate for Australian dollar borrowings.

Financial liabilities on which no interest is paid do not have fixed periods to maturity.

32 Financial instruments (Continued)

The interest rate profile of the financial assets of the Group is set out in the tables below:

31 December 2004	Total	Variable rate financial assests	Fixed rate financial assets	Financial assets on which no interest is received	Weighted average interest rate for fixed rate financial assets	Average time over which interest rate is fixed
	£m	£m	£m	£m	%	months
Currency:						
Sterling	14.9	14.1	—	0.8	n/a	n/a
US dollars	17.8	16.7	—	1.1	n/a	n/a
Australian dollars	3.5	2.5	—	1.0	n/a	n/a
Euro	6.1	4.1	—	2.0	n/a	n/a
Other	29.2	29.0	—	0.2	n/a	n/a
Total	71.5	66.4	—	5.1	n/a	n/a

The majority of variable rate financial assets comprise bank accounts bearing interest at the applicable LIBOR rate for sterling deposits or the applicable local equivalent rate. Fixed rate financial assets include deferred consideration relating to the sale of fixed assets and businesses, and other interest bearing and non-interest bearing investments.

The financial assets on which no interest is received do not have fixed periods to maturity.

The following table shows the Group's currency exposures, being exposures that give rise to the net currency gains and losses recognised in the income statement. Such exposures comprise the monetary assets and liabilities of the Group that are not denominated in the functional currency of the operating unit concerned, excluding certain non-sterling borrowings treated as hedges of net investments in overseas operations.

The amounts shown take into account the effect of any forward contracts entered into to manage currency exposures.

31 December 2004 Functional currency of Group operation:	Net foreign currency monetary assets/(liabilities)					
	Sterling	US dollars	Australian dollars	Euro	Other	Total
	£m	£m	£m	£m	£m	£m
Sterling	—	—	—	(19.2)	—	(19.2)
Australian dollar	—	(0.3)	—	0.2	1.4	1.3
Other	—	(0.4)	—	—	—	(0.4)
	—	(0.7)	—	(19.0)	1.4	(18.3)

33 Related parties

Identity of related parties

The Group has a related party relationship with its associates, joint ventures (see note 13) and with its directors.

Transactions with key management personnel

It is considered that, given the operational and organisational structure of the Group, the key management personnel as defined under IAS 24 'Related Party Disclosures' consists of the executive directors of the Company. Details of the executive directors' remuneration and any relevant transactions are given in the directors' remuneration report on pages 28 to 35.

33 Related parties (Continued)

Other related party transactions

Transactions with joint ventures and associates have been disclosed in note 13.

Ultimate parent company

The Company's immediate controlling party is Thunder FZE, a wholly owned subsidiary of Ports, Customs and Free Zone Corporation, Dubai. No other group financial statements include the results of the Group.

34 Post balance sheet events

On 1 February 2006, the Group announced it had sold its entire property portfolio in Denver to Shea Homes Limited Partnership. The portfolio had a book value of approximately US$120m (£67m) and as a result of the sale, the Group has largely exited its property interests in the US.

The Tariff Authority for Major Ports in India ("TAMP") has after review passed an order dated 7 March 2006 amending the royalty allowed at Nhava Sheva International Container Terminal ("NSICT") resulting in a reduction in the scale of rates of NSICT by 12 per cent. The said order amends TAMP's order dated 22 July 2005. NSICT is seeking to challenge this new order.

Takeover by DP World

On 29 November 2005, the P&O Board recommended the cash acquisition of P&O by Thunder FZE (a wholly owned subsidiary of Ports, Customs and Free Zone Corporation, Dubai ("DP World")) by way of schemes of arrangement. Following the announcement of an offer by PSA Venture (UK) Limited (a wholly owned subsidiary of PSA International Pte Ltd ("PSA") of Singapore) (also recommended by the Board) on the morning of 26 January 2006, the Board recommended revised proposals from Thunder FZE on the evening of 26 January 2006. These proposals were approved by the stockholders at meetings held on 13 February 2006, and following approval of the schemes by the High Court the schemes became effective on 8 March 2006 and P&O became a wholly owned subsidiary of DP World as at that date.

Following the acquisition of the Company by DP World, it has been announced that the Group's US ports business, P&O Ports North America, will be sold. A sale process has commenced.

As a result of DP World acquiring control of the Company, the Port Authority of New York and New Jersey has commenced legal proceedings that could, if pursued and if successful, result in the termination of the lease of a terminal by Port Newark Container Terminal LLC, a partnership in which the Group has a 50 per cent interest. It is anticipated that this litigation will be resolved by the sale of P&O Ports North America, without the lease being terminated.

The Group is engaged in ongoing litigation with its joint venture partners in its port businesses in Miami. The Group is confident of its contractual position and does not anticipate any significant adverse financial or operational impact from this litigation.

In addition to this litigation the Group is in dispute with shareholders and other stakeholders over matters arising from the takeover in respect of its port businesses in Mundra (India), Colombo (Sri Lanka) and Laem Chabang (Thailand). The Group is confident of its contractual position and does not anticipate any significant adverse financial impact from these disputes.

As a result of the change of control following the DP World takeover certain borrowing and loan facilities may be cancelled at the bank's option (see note 21). DP World has arranged sufficient finance to allow any amounts drawn under these facilities to be repaid as they fall due.

35 Accounting estimates and judgements

Management discussed with the Audit Committee the development, selection and disclosure of the Group's critical accounting policies and estimates and the estimates and the application of these policies and estimates.

35 Accounting estimates and judgements (Continued)

Key sources of estimation uncertainty

Note 10 contains information about the assumptions and their risk factors relating to goodwill impairment.

Pension assumptions

For each pension scheme the Group has decided on the expected long term rate of return for each of the main asset classes based on market indicators, economic background, historical analysis of returns and industry forecasts. If these were to reduce, then the Group's share of the increased deficit would be charged to reserves and recognised in the balance sheet in 2006. A more detailed analysis of these assumptions is provided in note 28.

36 Explanation of transition to IFRS

As stated in note 1, these are the Group's first consolidated financial statements prepared in accordance with IFRS.

The accounting policies referred to in note 1 have been applied in preparing the financial statements for the year ended 31 December 2005, the comparative information presented in these financial statements for the year ended 31 December 2004 and the preparation of an opening IFRS balance sheet at 1 January 2004 (the Group's date of transition).

In preparing its opening IFRS balance sheet, the Group has adjusted amounts reported previously in financial statements prepared in accordance with UK GAAP.

An explanation of how the transition from UK GAAP to IFRS has affected the Group's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables. This information differs to that published in a press release on 15 June 2005 due to balance sheet reclassifications relating to provisions and employee benefits, income statement reclassifications to reflect discontinued operations for businesses sold and an adjustment to the income statement and balance sheets (both 1 January 2004 and 31 December 2004) to reflect a revision to the accounting treatment of certain leases.

The major accounting changes which were required by the adoption of IFRS are:

- Pensions, where defined benefit pension scheme surpluses and deficits are now recognised on the balance sheet
- The consolidation of the entity which owned the Hanseatic Trade Center property development in Hamburg, which had been accounted for as an associate under UK GAAP
- The cessation of amortisation of goodwill
- The recording of share-based payments at fair value
- The provision of deferred tax on unremitted earnings of certain overseas subsidiaries, joint ventures and associates, revalued assets and rolled over gains
- Accounting for the partial sell down of the Group's holding in P&O Nedlloyd

Additionally there are significant presentational changes in the income statement and cash flow statement, particularly in respect of equity accounted joint ventures and associates.

The Group has applied the exemption available under IFRS 1 'First-time Adoption of International Financial Reporting Standards' that allows for comparatives not to be restated for IAS 32 'Financial Instruments: Disclosure and Presentation' and IAS 39 'Financial Instruments: Recognition and Measurement' and for IFRS 5 'Non-current assets held for sale and discontinued operations' to be applied prospectively from 1 January 2005. The summarised accounting policies in respect of these items, as applied from 1 January 2005, are outlined in Section B below.

IFRS restatement of the consolidated income statement 31 December 2004

	As previously reported (UK GAAP)	Adjustments		Restated in accordance with IFRS	Reclassification due to sale of businesses	Balance as per income statement	
		Reformatting changes	IFRS Adjustments				
	£m	£m	£m	£m	£m	£m	
Group turnover	2,397.5	—	74.0	2,471.5	(205.6)	2,265.9	**Group revenues**
Cost of sales	(2,078.4)	(11.2)	(119.8)	(2,209.4)	178.1	(2,031.3)	Cost of sales
Gross profit	319.1	(11.2)	(45.8)	262.1	(27.5)	234.6	**Gross profit**
Other operating income	27.2	—	5.8	33.0	—	33.0	Other operating income
Administrative costs	(460.3)	(1.1)	4.6	(456.8)	22.6	(434.2)	Administrative costs
Group operating loss	(114.0)	(12.3)	(35.4)	(161.7)	(4.9)	(166.6)	
Share of operating results of joint ventures and associates	79.6	(33.9)	32.6	78.3	(47.8)	30.5	Share of results of joint ventures and associates
Total operating loss: Group and share of joint ventures and associates	(34.4)	(46.2)	(2.8)	(83.4)	(52.7)	(136.1)	**Group operating loss**
Loss on sale of fixed assets	(10.9)	10.9	—	—	—	—	
Loss on sale and termination of businesses	(33.2)	(3.1)	79.4	43.1	(10.7)	32.4	Profit on sale and termination of businesses
Loss on sale and termination of discontinued businesses	(3.1)	3.1	—	—	—	—	
Amounts written off investments	(30.3)	1.1	29.2	—	—	—	
Loss on ordinary activities before interest and taxation	(111.9)	(34.2)	105.8	(40.3)	(63.4)	(103.7)	**Loss before financing costs**
Interest payable and similar items	(93.5)	5.2	(12.0)	(100.3)	5.4	(94.9)	Financial expenses
Interest receivable and similar items	16.6	(5.2)	—	11.4	—	11.4	Financial income
Interest payable joint ventures and associates	(21.2)	21.2	—	—	—	—	
Loss on ordinary activities before taxation	(210.0)	(13.0)	93.8	(129.2)	(58.0)	(187.2)	**Loss before taxation**
Taxation	(25.4)	12.2	(9.1)	(22.3)	1.5	(20.8)	Taxation
Loss on ordinary activities after taxation	(235.4)	(0.8)	84.7	(151.5)	(56.5)	(208.0)	**Loss on continuing operations**
	—	—	—	—	56.5	56.5	Profit from discontinued operations and profit on sale of discontinued operations, net of tax
	(235.4)	(0.8)	84.7	(151.5)	—	(151.5)	**Loss for the financial year**
Equity minority interests	(14.9)						
Loss attributable to stockholders	(250.3)						
							Attributable to:
	(250.3)	—	88.7	(161.6)	—	(161.6)	Equity stockholders of the parent
	14.9	(0.8)	(4.0)	10.1	—	10.1	Minority interests in subsidiaries
	(235.4)	(0.8)	84.7	(151.5)	—	(151.5)	

IFRS restatement of the consolidated balance sheet 1 January 2004

	As previously reported (UK GAAP)	Adjustments: Reformatting changes	Adjustments: IFRS adjustments	Restated in accordance with IFRS	
	£m	£m	£m	£m	
Fixed assets					**Non current assets**
Intangible assets: Goodwill	237.3	—	(21.2)	216.1	Intangible assets
	—	—	151.7	151.7	Prepaid leases
Tangible assets: Land and buildings	585.3	1,092.7	(122.4)	1,555.6	Property, plant and equipment
Tangible assets: Ships and other fixed assets	1,092.7	(1,092.7)	—	—	
Investments: Joint ventures and associates	749.0	—	(135.8)	613.2	Investments in joint ventures and associates
Investments: Other	12.6	—	—	12.6	Other investments
	—	1.3	4.2	5.5	Deferred tax assets
	—	40.1	—	40.1	Trade and other receivables
	2,676.9	41.4	(123.5)	2,594.8	
Current assets					**Current assets**
Property held for development and sale	478.6	—	271.6	750.2	Properties held for development and sale
Stock	60.1	—	—	60.1	Inventories
Debtors: amounts falling due within one year	427.2	—	(2.3)	424.9	Trade and other receivables
Debtors: amounts falling due after one year	40.1	(40.1)	—	—	
Cash at bank and in hand	64.0	—	1.4	65.4	Cash and cash equivalents
	1,070.0	(40.1)	270.7	1,300.6	
Creditors: amounts falling due within one year					**Current liabilities**
	—	(28.9)	—	(28.9)	Bank overdrafts
Loans	(100.8)	—	—	(100.8)	Interest bearing loans and borrowings
Other creditors	(627.7)	148.7	70.9	(408.1)	Trade and other payables
	—	(119.8)	1.0	(118.8)	Income tax liabilities
	—	—	(22.0)	(22.0)	Employee benefits
	—	(48.3)	—	(48.3)	Provisions
	(728.5)	(48.3)	49.9	(726.9)	
Net current assets	341.5	(88.4)	320.6	573.7	**Net current assets**
Creditors: amounts falling due in more than one year					**Non current liabilities**
Loans	(1,437.0)	—	(221.5)	(1,658.5)	Interest bearing loans and borrowings
Other creditors	(55.7)	—	(3.2)	(58.9)	Trade and other payables
	—	(71.5)	(17.0)	(88.5)	Deferred tax liabilities
	—	(27.6)	(216.2)	(243.8)	Employee benefits
Provisions for liabilities and charges	(180.2)	146.1	(1.0)	(35.1)	Provisions
	(1,672.9)	47.0	(458.9)	(2,084.8)	
Net assets	1,345.5	—	(261.8)	1,083.7	**Net assets**

IFRS restatement of the consolidated balance sheet 31 December 2004

	As previously reported (UK GAAP)	Adjustments		Restated in accordance with IFRS	
		Reformatting changes	IFRS adjustments		
	£m	£m	£m	£m	
Fixed assets					**Non current assets**
Intangible assets: Goodwill	105.2	—	(12.5)	92.7	Intangible assets
	—	—	145.0	145.0	Prepaid leases
Tangible assets: Land and buildings	447.6	903.1	(117.0)	1,233.7	Property, plant and equipment
Tangible assets: Ships and other fixed assets	903.1	(903.1)	—	—	
Investments: Joint ventures and associates	558.4	—	(57.0)	501.4	Investments in joint ventures and associates
Investments: Other	11.2	—	—	11.2	Other investments
	—	4.8	11.9	16.7	Deferred tax assets
	—	7.2	—	7.2	Trade and other receivables
	2,025.5	12.0	(29.6)	2,007.9	
Current assets					**Current assets**
Property held for development and sale	361.7	—	146.8	508.5	Properties held for development and sale
Stock	43.2	—	—	43.2	Inventories
	—	5.2	—	5.2	Other investments
Debtors: amounts falling due within one year	419.9	(6.0)	(3.7)	410.2	Trade and other receivables
Debtors: amounts falling due after one year	7.2	(7.2)	—	—	
	—	0.8	—	0.8	Tax recoverable
Cash at bank and in hand	50.8	—	(0.6)	50.2	Cash and cash equivalents
	882.8	(7.2)	142.5	1,018.1	
Creditors: amounts falling due within one year					**Current liabilities**
	—	(20.8)	—	(20.8)	Bank overdrafts
Loans	(79.7)	—	—	(79.7)	Interest bearing loans and borrowings
Other creditors	(551.9)	126.1	42.6	(383.2)	Trade and other payables
	—	(104.1)	(1.6)	(105.7)	Income tax liabilities
	—	—	(24.2)	(24.2)	Employee benefits
	—	(94.1)	—	(94.1)	Provisions
	(631.6)	(92.9)	16.8	(707.7)	
Net current assets	251.2	(100.1)	159.3	310.4	**Net current assets**
Creditors: amounts falling due in more than one year					**Non current liabilities**
Loans	(979.9)	—	(151.4)	(1,131.3)	Interest bearing loans and borrowings
Other creditors	(55.1)	3.1	(4.2)	(56.2)	Trade and other payables
	—	(65.0)	(18.3)	(83.3)	Deferred tax liabilities
	—	(30.3)	(238.6)	(268.9)	Employee benefits
Provisions for liabilities and charges	(220.3)	180.3	(0.9)	(40.9)	Provisions
	(1,255.3)	88.1	(413.4)	(1,580.6)	
Net assets	1,021.4	—	(283.7)	737.7	**Net assets**

(a) Overall impact of changes

The tables below summarise the major impacts of IFRS on the Group and further details of these adjustments are given in Section B below.

Income statement

Reconciliation of the loss before tax for the year ended 31 December 2004:

	Before separately disclosable items	Separately disclosable items	Total
	£m	£m	£m
Profit/(loss) before tax—UK GAAP	170.2	(380.2)	(210.0)
Pensions and post retirement benefits (IAS 19)	7.8	40.8	48.6
Scope of consolidation (IAS 27)	(9.0)	8.9	(0.1)
Goodwill (IFRS 3)	15.2	37.6	52.8
Share-based payments (IFRS 2)	(1.9)	—	(1.9)
Other items	(6.0)	—	(6.0)
Profit/(loss) before tax—IFRS (UK GAAP format)	176.3	(292.9)	(116.6)
Reformat joint venture and associate tax	(11.8)	—	(11.8)
Reformat joint venture and associate minorities	(0.8)	—	(0.8)
Profit/(loss) before tax—IFRS (IFRS format)	163.7	(292.9)	(129.2)
Effect of IFRS 5 (Cold Logistics and Container Shipping)	(56.6)	(1.4)	(58.0)
Loss before tax—IFRS	107.1	(294.3)	(187.2)

The IFRS adjustments result in related tax adjustments. In addition, IAS 12 results in further adjustments to the tax charge and tax provisions (see Section B 'Taxation').

The IFRS treatment of the P&O Nedlloyd transaction is the major adjustment affecting separately disclosable items (see Section B 'Partial sell down of holding in P&O Nedlloyd').

The majority of the impact of IAS 27 on 2004 pre-tax profit relates to a specific property transaction. £6.4m of the £15.2m adjustment to goodwill amortisation in 2004 relates to Ferries. All goodwill in Ferries as at 31 December 2004 was written off.

Net assets

Reconciliation of net assets as at 31 December 2004:

	Net assets excluding net debt	Net debt	Net assets
	£m	£m	£m
Net assets—UK GAAP	2,051.0	(1,029.6)	1,021.4
Pensions and post retirement benefits (IAS 19)	(296.0)	—	(296.0)
Scope of consolidation (IAS 27)	142.7	(145.9)	(3.2)
Goodwill (IFRS 3)	11.4	—	11.4
Dividend recognition (IAS 10)	46.0	—	46.0
Taxation (IAS 12)	(20.7)	—	(20.7)
Other items	(15.1)	(6.1)	(21.2)
Net assets—IFRS	1,919.3	(1,181.6)	737.7

Cash flow

IFRS accounting adjustments have no impact on the Group's actual cash flow. However, the reclassification of certain balance sheet items slightly changes the reported cash equivalent balance and, as can be seen from the net asset statement above, the change to the scope of consolidation increases the Group's borrowings (see Section B 'Scope of consolidation').

(b) Changes in accounting policies

The significant changes in the Group's accounting policies required by IFRS are set out below.

Presentation of financial statements

The Group's financial statements have been presented in accordance with IAS 1 'Presentation of Financial Statements'.

The major impact on the income statement is in the presentation of the Group's share of the results of associates and equity accounted joint ventures as a single line item. Under UK GAAP, the Group's share of operating results, interest, taxation and minorities were reported separately within the relevant sub totals of the Group's profit and loss statement. Thus under IFRS the Group's share of the taxation and minority interests of joint ventures and associates is included in profit before taxation. This does not affect the profit attributable to stockholders.

The format of the balance sheet has been changed to reflect the items required by IAS 1 to be disclosed on the face of the balance sheet and a number of other reclassifications.

These presentational changes are set out on pages F-179 to F-181 which reconciles the UK GAAP format to the IFRS format before the IFRS accounting policy adjustments described in the remainder of this section.

Transitional arrangements

IFRS 1 sets out the rules for first time adoption of IFRS. In general, these require a company to determine its IFRS accounting policies and then apply those retrospectively to determine its opening or 'transition balance sheet'. There are, however, certain exemptions to this general transitional requirement which the Group has adopted as follows:

- The Group has elected not to restate business combinations that took place before the transition date
- In some cases the latest valuations of property at the transition date have been used as deemed cost and property will no longer be revalued
- The Group has taken advantage of the exemption available under IFRS to 'zero' the foreign currency translation reserve at transition date
- The Group has applied the exemption available under IFRS 1 that allows for comparatives not to be restated for IAS 32 and IAS 39
- IFRS 5 has been applied prospectively from 1 January 2005

Pensions and other post retirement benefits

IAS 19 'Employee Benefits' requires defined benefit pension fund surpluses and deficits to be recognised on the balance sheet and separate recognition of the operating and financing costs of the schemes within the income statement. There are a number of options for the recognition of any actuarial gains and losses which arise and the Group has adopted the policy to recognise any variations in full in the statement of recognised income and expense.

These accounting treatments have no impact on the cash funding of the schemes.

The impact of IAS 19 can be summarised as follows:

	Year ended 31 December 2004
	£m
Income statement	
Operating loss	13.5
Share of result of joint ventures and associates	1.2
Net financing costs	(1.5)
Loss on sale of businesses	35.4
Adjustment to loss before taxation	48.6
Related taxation adjustment	(2.2)
Adjustment to loss after taxation	46.4
Adjustment to loss before taxation analysed as	
Before separately disclosable items	7.8
Separately disclosable items	40.8
	48.6

	At 1 January 2004	At 31 December 2004
	£m	£m
Net assets		
Write back SSAP 24 balances	6.1	(10.6)
Include pension holiday prepayment	—	5.3
Include IAS 19 pension liability:		
Main P&O pension scheme	(218.7)	(242.0)
Share of P&O Nedlloyd pension schemes*	(69.5)	(39.4)
Other pension schemes and benefits	(22.1)	(23.0)
	(304.2)	(309.7)
Related taxation adjustment	9.7	13.7
Adjustment to net assets	(294.5)	(296.0)

* Included within investments in joint ventures and associates

For 2004 under IFRS, the Group continued to account for the two merchant navy industry-wide schemes (the MNOPF and the MNRPF) on a cash basis as if they were defined contribution schemes. However, following the court decision in 2005, in respect of the MNOPF the Group has sufficient information to account for its share of the scheme as a defined benefit scheme under IAS 19 and recognise its share of the deficit on the balance sheet for 2005. Page F-166 outlines in detail the effect of the court case on the Group in 2005.

The deficit on the main P&O scheme is higher than that disclosed under UK GAAP (FRS 17) due to the adoption of bid values for the scheme assets and the capitalisation of the present value of the future scheme administration costs associated with past benefit accruals.

Scope of consolidation

IAS 27 'Consolidated and Separate Financial Statements' requires that the 'power to control' is considered in determining whether an entity should be consolidated, which is a broader definition than under UK GAAP. The Group reviewed the facts and circumstances of all of its investments at the transition date and concluded that there was one entity, the Hanseatic Trade Center ('HTC'), which was accounted for as a 47.5 per cent associate under UK GAAP where the existence of certain options over the interests of the other partners need to be taken into account under IFRS. Hence the entity has been consolidated as a subsidiary under IFRS. For the Company financial statements which are still being prepared under UK GAAP HTC is treated as an associate.

The impact of the change can be summarised as follows:

	Year ended 31 December 2004
	£m
Income statement	
Operating loss	(52.2)
Share of loss of joint ventures and associates pre-tax	32.8
Amounts written off investments	29.2
Net financing costs	(9.9)
Adjustment to loss before taxation	(0.1)
Share of joint ventures and associates tax	0.4
Adjustment to IFRS loss before taxation	0.3
Related taxation adjustment	(0.8)
Adjustment to loss after taxation	(0.5)
Adjustment to loss before taxation analysed as	
Before separately disclosable items	(9.0)
Separately disclosable items	8.9
	(0.1)

	At 1 January 2004	At 31 December 2004
	£m	£m
Net assets		
Movement in joint ventures and associates	(54.1)	1.1
Increase in property held for development and sale	271.6	146.8
Decrease in net current assets	(1.7)	(4.3)
Increase in borrowings	(217.2)	(145.2)
	(1.4)	(1.6)
Related taxation adjustment	(1.0)	(1.6)
Adjustment to net assets	(2.4)	(3.2)

The HTC property was sold during 2005. Under IFRS, the cash proceeds of approximately €200m (£140m) were recognised in the Group's cash flow statement.

Goodwill and business combinations

IFRS 3 'Business Combinations' prohibits the amortisation of goodwill. It requires goodwill to be carried at cost with an annual impairment test performed. Under IFRS goodwill previously written off to reserves is not 'clawed back' when the relevant business is sold, as it was under UK GAAP.

The Group has elected to adopt the exemption available under IFRS 1 and has applied IFRS 3 prospectively from the transition date. This results in the value of any goodwill being frozen at the transition date and any amortisation previously charged in the year ended 31 December 2004 being reversed as part of the IFRS restatement.

The impact of these changes can be summarised as follows:

	Year ended 31 December 2004
	£m
Income statement	
Reversal of goodwill amortisation in subsidiaries	12.9
Movements in negative goodwill	(0.4)
Reversal of goodwill amortisation in joint ventures and associates	2.1
Reversal of goodwill clawback on sale of businesses	44.6
Additional impairment of goodwill	(6.4)
Adjustment to loss before taxation	52.8
Related taxation adjustment	—
Adjustment to loss after taxation	52.8
Adjustment to loss before taxation analysed as	
Before separately disclosable items	15.2
Separately disclosable items	37.6
	52.8

	At 1 January 2004	At 31 December 2004
	£m	£m
Net assets		
Reversal of goodwill amortisation	—	12.9
Additional impairment of goodwill	(0.9)	(7.1)
Adjustments to goodwill within joint ventures and associates	0.2	1.8
Write back negative goodwill	4.5	3.8
	3.8	11.4
Related taxation adjustment	—	—
Adjustment to net assets	3.8	11.4

Dividend recognition

Under IAS 10 'Events After the Balance Sheet Date' dividends are not recognised until they are declared. As a result the accrued final dividend on deferred stock has been reversed. This adjustment has increased net assets by £67.7m at 1 January 2004 and £46.0m at 31 December 2004.

Share-based payments

The approach to share-based payments is different to that previously applied under UK GAAP. IFRS 2 'Share-based Payment' requires that a fair value charge is made to the income statement for all share-based payments granted to employees since 7 November 2002.

The impact of this treatment is a charge to the income statement of £1.9m in 2004. There is no material tax impact and no impact on net assets.

Taxation

The taxation impact of each of the IFRS adjustments has been included within the details of the relevant adjustment above.

In addition there are a number of specific requirements under IAS 12 'Income Tax' whereby it is necessary to reflect the deferred taxation impact of certain temporary differences which was not required under UK GAAP:

- Provision for deferred tax on unremitted earnings of certain overseas subsidiaries, joint ventures and associates
- Provision for deferred tax on revalued assets and rolled over gains

These changes result in an additional tax charge in 2004 of £6.2m, and net additional tax provisions within net assets of £20.7m as at 1 January 2004 and £20.7m as at 31 December 2004.

Other items

Included within other items are adjustments to both the income statement and balance sheets to reflect changes in accounting for lease incentives and a number of balance sheet reclassifications, the most significant of which relates to the reclassification of £145m to prepaid leases from other asset categories as at 31 December 2004.

Partial sell down of holding in P&O Nedlloyd

The accounting for the partial sale of P&O Nedlloyd ('PONL') in 2004 is complex, and results in a profit on disposal under IFRS as opposed to the previously reported loss on disposal under UK GAAP. The principal reasons for this change are:

- The inclusion of PONL's share of pension deficits in its balance sheet at the transaction date, reducing the net assets disposed
- The fact that it is not permitted under IFRS to 'clawback' goodwill previously written off to reserves

The impact of the change can be summarised as follows:

	UK GAAP	IFRS
	£m	£m
Cash consideration	139.2	139.2
25% share of the net assets of Royal P&O Nedlloyd after the transaction	180.9	150.2
	320.1	289.4
50% share of the net assets of PONL prior to the transaction	(341.2)	(279.8)
	(21.1)	9.6
Goodwill clawback	(44.3)	—
Net (loss)/profit on disposal	(65.4)	9.6

Financial instruments

IAS 32 covers the disclosure and presentation of financial instruments, while IAS 39 deals with the recognition and measurement of financial instruments including hedging arrangements.

The Group has applied the exemption available under IFRS 1 that allows for comparatives not to be restated for IAS 32 and IAS 39.

All derivative financial instruments are accounted for at fair market value whilst other financial instruments are accounted for either at amortised cost or at fair value depending on their classification. Subject to specific criteria, derivative financial instruments, financial assets and financial liabilities may be designated as forming hedge relationships as a result of which fair value changes are offset in the income statement or recognised directly in the statement of recognised income and expense depending on the nature of the hedge relationship.

From 1 January 2005 hedge accounting has been adopted for the Group's interest rate swaps, currency swaps and forward foreign currency contracts, thereby reducing potential volatility in the income statement.

The impact of the transition to IFRS in respect of financial instruments as at 1 January 2005 is summarised below:

	£m	£m
Net assets at 31 December 2004		737.7
Adjustments to net assets:		
Fair value of foreign exchange derivatives	(4.4)	
Related taxation effect (see note 14)	0.6	
		(3.8)
Fair value of interest rate derivatives		(26.5)
Fair value of derivative financial instruments within joint ventures and associates		3.1
Adjusted net assets at 1 January 2005		710.5

The above adjustments to net assets at 1 January 2005 total £27.2m of which, as set out in the consolidated statement of recognised income and expense on page F-114, £23.0m is in respect of effective cash flow hedges, and is taken to the hedging reserve, and the balance of £4.2m is an adjustment to retained earnings (see note 25).

As noted above, the Group has not restated comparative amounts for IAS 32 and IAS 39. Had the Group balance sheet as at 31 December 2004 been restated in this regard, trade and other payables would have increased by £37.9m (of which £13.1m is current and £24.8m non-current), trade and other receivables would have increased by £7.0m (of which £2.5m is current and £4.5m non-current), investments in joint ventures and associates would have increased by £3.1m and deferred tax liabilities would have decreased by £0.6m.

The effect on the income statement of applying these two standards in the comparatives is not material.

In accordance with FRS 13 of UK GAAP, the Group disclosed the fair value of derivative financial instruments in its 2004 accounts. This forms an appropriate basis for guidance as to the impact of IAS 39 on the Group's balance sheet at 1 January 2005.

Non-current assets held for sale and discontinued operations

Immediately before classification as held for sale, the measurement of the assets (and all assets and liabilities in a disposal group) is brought up to date in accordance with applicable IFRS. On initial classification as held for sale, non-current assets and disposal groups are recognised at the lower of carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale are included in profit or loss, including where there has been a revaluation. The same applies to gains and losses on subsequent remeasurement.

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier.

The implementation of IFRS 5 has no impact on previously reported net assets, although has led to the reclassification of certain items within the comparative income statements.

The Peninsular and Oriental Steam Navigation Company

Company Balance Sheet
at 31 December 2005

	Note	2005	Restated 2004
		£m	£m
Fixed assets			
Tangible assets:			
Ships and other fixed assets	E	**23.8**	20.7
Investments:			
Subsidiaries	F	**2,698.8**	3,292.2
Participating interests in joint ventures	G	**46.4**	46.4
Participating interests in associates	G	**104.5**	206.9
Other investments	G	**0.1**	0.1
		2,873.6	3,566.3
Current assets			
Properties held for development and sale	H	**29.2**	27.1
Debtors:			
Amounts falling due within one year	I	**53.9**	42.9
Amounts falling due after more than one year	I	**—**	3.4
		53.9	46.3
Cash at bank and in hand		**68.6**	50.9
		151.7	124.3
Creditors: amounts falling due within one year			
Loans	J	**—**	(20.0)
Other creditors	K	**(82.9)**	(107.0)
		(82.9)	(127.0)
Net current assets/(liabilities)		**68.8**	(2.7)
Total assets less current liabilities		**2,942.4**	3,563.6
Creditors: amounts falling due in more than one year			
Loans	J	**(241.2)**	(538.8)
Other creditors	K	**(754.0)**	(1,138.2)
		(995.2)	(1,677.0)
Provisions for liabilities and charges	L	**(111.4)**	(94.5)
Net assets		**1,835.8**	1,792.1
Capital and reserves			
Called up share capital	M	**822.2**	813.5
Share premium account	N	**792.2**	782.9
Profit and loss account	N	**221.4**	195.7
Stockholders' funds		**1,835.8**	1,792.1

The accounts were approved by a duly authorised committee of the Board of directors and signed on its behalf on 1 June 2006 by:

Robert Woods
Michael Gradon

The Peninsular and Oriental Steam Navigation Company

Notes to the Company Accounts

A Accounting policies

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

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, and on a consistent basis except as noted below.

Under section 230(4) of the Companies Act 1985 the Company is exempt from the requirement to present its own profit and loss account.

Under Financial Reporting Standard 1 (Revised 1996), the Company is exempt from the requirement to prepare a cash flow statement as the Group cash flow statement is published on page F-116.

Accounting policies for new standards

The Company has adopted the following accounting standards from 1 January 2005.

The Accounting Standards Board ("ASB") first issued FRS 17 'Retirement benefits' in November 2000, and the Company has applied the transitional arrangements under FRS 17, relating to disclosures, since the year ended 31 December 2001. FRS 17 has been fully adopted by the Company for the first time in the year ended 31 December 2005. Under full application, the Company's net obligation in respect of defined benefit pension plans has been reflected as a liability on its balance sheet. Actuarial gains and losses that arise in calculating the Company's obligations in respect of such plans are recognised directly in reserves. The operating and financial costs of such plans are recognised separately in the profit and loss account.

The ASB issued FRS 20 'Share-based Payment' in April 2004. The Company operated five employee share plans: the Executive Stock Option Plan ("P&O Option Plan"), the P&O 2004 UK Sharesave Plan ("2004 Plan"), the Deferred Bonus and Co-investment Matching Plan ("Matching Plan"), the P&O Performance Share Plan ("Performance Share Plan") and the P&O 2005 Matching Share Plan ("2005 Matching Share Plan"). The fair values of grants under the P&O Option Plan and 2004 Plan were calculated using binomial valuation models. The fair values of awards under the Matching Plan, Performance Share Plan and 2005 Matching Share Plan are calculated by discounting the share price at the date of award in respect of the relevant performance conditions. The fair value is measured at grant date and, in accordance with FRS 20, the resulting cost is charged to the profit and loss account over the period during which the employees become unconditionally entitled to the options or shares. The amount recognised as an expense is adjusted to reflect changes in expected and actual levels of options vesting.

The ASB issued FRS 21 'Events after the balance sheet date' in May 2004. This standard replaced Statement of Standard Accounting Practice 17 'Accounting for post balance sheet events' and the main effect of this change is to prohibit the recording of a provision for a proposed dividend where the dividend is declared after the balance sheet date. FRS 21 is applicable for accounting periods beginning on or after 1 January 2005. Therefore final dividends are now only recognised in the profit and loss account when stockholders have approved such amount and interim dividends are only recognised when paid.

During the year the Company also adopted FRS 23 'The Effects of Changes in Foreign Exchange Rates', FRS 25 'Financial Instruments: Disclosure and Presentation', FRS 26 'Financial Instruments: Measurement' and FRS 28 'Corresponding Amounts'. The adoption of these standards has not had a material impact on the Company's balance sheet.

The impact of first time adoption of these standards is set out in note N to the Company accounts.

Ships and other fixed assets

These assets are stated at cost less accumulated depreciation.

A Accounting policies (Continued)

Assets acquired under finance leases are stated at cost less accumulated depreciation, the future capital payments being included in loans.

Depreciation is calculated to write off the cost of these assets to estimated residual value, on a straight line basis over the expected useful life of the asset concerned. Generally for ships this is between 10 and 35 years, and for other fixed assets (reported within plant and machinery, fixtures and fittings) various periods of up to 40 years.

Provision for any impairment in value of ships and other fixed assets is made in the profit and loss account.

Assets constructed by the Company are depreciated from the date on which they come into use. Interest incurred in respect of assets under construction is capitalised into the cost of the asset concerned.

Properties held for development and sale

Properties held for development and sale are included in current assets at the lower of cost and net realisable value.

Turnover

Turnover comprises amounts derived from the provision of goods and services to third parties (excluding VAT and similar sales taxes). Turnover from the provision of services is recognised on the delivery of those services.

Leases

Ships, plant and machinery and land and buildings financed by leasing agreements giving rights approximating to ownership are capitalised as tangible fixed assets at cost less accumulated depreciation. The capital element of future lease payments is treated as a liability. The interest element is charged to the profit and loss account over the period of the finance lease in proportion to the balance of capital repayments outstanding.

All other leases are classified as operating leases with the lease rentals payable being charged to the profit and loss account on a straight line basis.

Employee benefits

Pensions

The Company's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine the present value, and the fair value of any plan assets is deducted. The calculation is performed by a qualified actuary using the projected unit credit method. The discount rate is the yield at the balance sheet date on AA credit rated bonds or local equivalent that have maturity dates approximating to the terms of the Group's obligations.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the profit and loss account on a straight line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the profit and loss account.

Actuarial gains and losses that arise in calculating the Company's obligation in respect of a plan are recognised in the period in which they arise directly in reserves.

The operating and financing costs of defined benefit pension plans are recognised separately in the profit and loss account; current service costs are spread systematically over the expected average remaining service lives of employees and financing costs are recognised in the periods within which they arise.

A Accounting policies (Continued)

Contributions, including lump sum payments, in respect of defined contribution pension schemes and multi employer defined benefit schemes where it is not possible to identify the Company's share of the scheme, are charged to the profit and loss account as they fall due.

Deferred taxation

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 in respect of revalued fixed assets where there is no commitment to sell the asset, gains on sale of assets which are rolled over into replacement assets and the remittance of taxable subsidiary, associate or joint venture earnings where no commitment has been made to the remittance of those earnings.

Foreign currency

Foreign currency transactions

Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into sterling at the rate of exchange ruling at that date. Foreign exchange differences arising on translation are recognised in the profit and loss account. Non-monetary asset and liabilities that are measured in terms of historical cost in a foreign currency are translated using the rate of exchange ruling at the date of the transaction.

Net investment in foreign operations

Exchange differences arising from the translation of the net investment in foreign operations, and of related hedges, are taken to the translation reserve in accordance with the hedging policy described below.

Financial instruments

FRS 25 and FRS 26 address the accounting for, and reporting of, financial instruments. FRS 26 sets out detailed accounting requirements in relation to financial assets and liabilities. As outlined above under 'Accounting policies for new standards', this has been applied by the Company for the first time for the year ended 31 December 2005. Under the exemption available the comparatives have not been restated for FRS 25 and FRS 26 and continue to reflect the disclosure requirements of FRS 13 'Derivatives and other Financial instruments: disclosures'.

Hedging

Hedge of foreign investments

Where a foreign currency liability hedges a net investment in a foreign operation, the portion of foreign exchange differences arising on translation of the liability that is determined to be an effective hedge is recognised directly in equity. The ineffective portion is recognised immediately in profit or loss. Where exchange differences have been deferred in equity, they are recycled to the income statement upon disposal of the respective foreign investments.

As noted above, the comparatives have not been restated for FRS 25 and FRS 26. Accordingly the Company has continued to reflect FRS 13, in its comparative figures.

Financial guarantees

The Company has not adopted the amendment to FRS 26 in relation to financial guarantee contracts which will apply for periods commencing on or after 1 January 2006.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, joint ventures or associates, the Company considers these to be insurance

A Accounting policies (Continued)

arrangements, and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

The Company does not expect the amendment to have any impact on the financial statements for the period commencing 1 January 2006.

Investments

Investments in debt and equity securities

Where the Company has the positive intent and ability to hold debt instruments to maturity, they are stated at amortised cost less impairment losses.

Other investments in debt and equity securities held by the Company are classified as being available-for-sale and are stated at fair value, with any resultant gain or loss being recognised directly in equity, except for impairment losses and, in the case of monetary items such as debt securities, foreign exchange gains and losses. When these investments are derecognised, the cumulative gain or loss previously recognised in equity is recognised in profit or loss. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss.

The fair value of financial instruments classified as available-for-sale is their quoted bid-price at the balance sheet date. Available-for-sale investments are recognised/derecognised by the Company on the date it commits to purchase/sell the investments. Securities held-to-maturity are recognised/derecognised on the day they are transferred to/by the Company.

The Company does not hold investments in debt or equity securities for trading purposes.

The comparative information for other investments are presented in accordance with FRS 13 and are stated at historical cost net of provisions for impairment.

B Audit fees

The Company's audit fee paid to KPMG was £0.5m (2004 £0.5m).

C Dividends on share capital

Dividends paid are as follows:	2005	Restated 2004
	£m	£m
Deferred stock	**(66.2)**	(87.8)
Preferred stock	**(0.1)**	(0.1)
5.5% concessionary stock	**(3.7)**	(3.7)
	(70.0)	(91.6)

After the balance sheet date a dividend of 6.0p per £1 nominal of deferred stock was proposed by the directors in respect of 2005 (2004 6.0p). This dividend has not been provided.

D Profit for the financial year attributable to stockholders

The profit for the financial year attributable to stockholders, being the profit on ordinary activities after taxation, was £188.6m (2004 £199.5m).

E Ships and other fixed assets

	Leased ships	Owned plant and machinery, fixtures and fittings	Total
	£m	£m	£m
Cost at 1 January 2005	**30.7**	**6.7**	**37.4**
Additions	**—**	**5.3**	**5.3**
Disposals	**—**	**(2.7)**	**(2.7)**
Cost at 31 December 2005	**30.7**	**9.3**	**40.0**
Depreciation at 1 January 2005	**(11.9)**	**(4.8)**	**(16.7)**
Depreciation charge for the year	**(1.2)**	**(0.6)**	**(1.8)**
Disposals	**—**	**2.3**	**2.3**
Depreciation at 31 December 2005	**(13.1)**	**(3.1)**	**(16.2)**
At 31 December 2005	**17.6**	**6.2**	**23.8**
At 31 December 2004	18.8	1.9	20.7

There is no interest capitalised.

F Investment in subsidiaries

	Shares at cost	Loans	Provisions against shares	Provisions against loans	Total
	£m	£m	£m	£m	£m
At 1 January 2005	**2,013.1**	**1,614.6**	**(132.0)**	**(203.5)**	**3,292.2**
Exchange movements	**—**	**20.3**	**—**	**—**	**20.3**
Additions/increases	**—**	**208.0**	**(2.9)**	**(0.5)**	**204.6**
Disposals/decreases	**(99.0)**	**(781.2)**	**61.4**	**0.5**	**(818.3)**
At 31 December 2005	**1,914.1**	**1,061.7**	**(73.5)**	**(203.5)**	**2,698.8**

The principal subsidiaries are shown on page 115.

G Joint ventures, associates and other investments

	Investment in joint ventures	Investment in associates	Joint venture and associate loans	Other investments	Total
	£m	£m	£m	£m	£m
Cost at 1 January 2005	**53.5**	**206.9**	**10.4**	**0.1**	**270.9**
Exchange movements	**—**	**—**	**(0.2)**	**—**	**(0.2)**
Additions	**—**	**104.5**	**12.5**	**—**	**117.0**
Transfer on acquisitions as subsidiaries	**—**	**—**	**—**	**—**	**—**
Disposals/repayments	**—**	**(206.9)**	**—**	**—**	**(206.9)**
Cost at 31 December 2005	**53.5**	**104.5**	**22.7**	**0.1**	**180.8**
Provisions at 1 January 2005	**(7.1)**	**—**	**(10.4)**	**—**	**(17.5)**
Transfers from profit and loss account	**—**	**—**	**(12.3)**	**—**	**(12.3)**
Provisions at 31 December 2005	**(7.1)**	**—**	**(22.7)**	**—**	**(29.8)**
At 31 December 2005	**46.4**	**104.5**	**—**	**0.1**	**151.0**
At 31 December 2004	46.4	206.9	—	0.1	253.4

(i) During the year the Company's trading with joint ventures and associates included £47.3m (2004 £57.2m) received from P&O Nedlloyd. The Company's operating profit also includes £0.4m (2004 £1.9m) in respect of management and guarantee fees from joint ventures and associates during the year.

(ii) On 29 June 2005 the Company sold its 25 per cent interest in Royal P&O Nedlloyd N.V. Total proceeds of £381.0m (€56.25 per share) were received on 30 June 2005 and resulted in a gain of £173.0m.

(iii) The issued share capital of the principal joint ventures and associates at 31 December 2005 was as follows:

	Number in issue	Nominal value of each class of share capital and issued debt	Percentage held
Joint ventures			
Managed Offices Limited	4,800,100	Ordinary	50
Wyseproperty Limited	20,000,000	Ordinary A	—
	20,000,000	Ordinary B	100
Associates			
HTC Hanseatic Trade Center GmbH & Co Grundbesitz KG	2,000,000	Limited partnership	47.5
PTS Holdings Limited	4,692,406	Ordinary	46.9

H Properties held for development and sale

	Total
	£m
At 1 January 2005	**27.1**
Additions	**2.1**
At 31 December 2005	**29.2**

All properties held for development and sale are in the UK and are in respect of the separate London Gateway Port and Business Park proposals. The projects received "minded to grant" approvals from respective Secretaries of State in July 2005 specifying certain issues which needed to be resolved before planning consents would be granted. Progress has been made on these issues and final decisions on planning consents are expected in the first half of 2006.

I Debtors

	2005 Falling due		Restated 2004 Falling due	
	within 1 year	in more than 1 year	within 1 year	in more than 1 year
	£m	£m	£m	£m
Trade debtors	**1.0**	**—**	1.3	—
Amounts owed by joint ventures and subsidiaries	**7.1**	**—**	—	—
Other debtors	**45.1**	**—**	41.6	3.4
Prepayments and accrued income	**0.7**	**—**	—	—
	53.9	**—**	42.9	3.4
	53.9		46.3	

Other debtors include £42.6m (2004 £35.7m) relating to previous corporate disposals, net of provisions, arising from the sale of Bovis Group plc in 1999 of which £nil (2004 £3.4m) falls due in more than 1 year.

J Loans

	2005	2004
	£m	£m
US dollar bonds and notes 2007 – 2027 (unsecured)	**13.5**	12.0
Term loans: unsecured	**226.3**	545.4
Mortgage debenture stocks	**1.4**	1.4
	241.2	558.8

All the above loans are non-convertible.

Loans are denominated in the following currencies:

	Sterling	US dollars	Australian dollars	Euro	Other	Total
	£m	£m	£m	£m	£m	£m
At 31 December 2005	**104.7**	**83.9**	**15.6**	**6.9**	**30.1**	**241.2**
At 31 December 2004	233.4	230.5	55.4	3.6	35.9	558.8

J Loans (Continued)

An analysis of the maturity and interest rates of fixed rate loans is as follows:

Interest rate	Repayable: Within one year	Repayable: Between one and two years	Repayable: Between two and five years	Repayable: Between five and ten years	Repayable: Over ten years	2005 Total	2004 Total
	£m	£m	£m	£m	£m	£m	£m
6% or less	—	—	—	—	1.4	**1.4**	1.4
Over 6% to 8%	—	8.9	—	—	4.6	**13.5**	12.0
Over 8%	—	—	—	—	—	**—**	—
At 31 December 2005	**—**	**8.9**	**—**	**—**	**6.0**	**14.9**	
At 31 December 2004	—	—	7.9	—	5.5		13.4
An analysis of the maturity of total loans is as follows:							
At 31 December 2005	**—**	**8.9**	**226.3**	**—**	**6.0**	**241.2**	
At 31 December 2004	20.0	276.1	257.2	—	5.5		558.8

The maturity profile of financial liabilities, other than short term creditors (such as trade creditors and accruals), at 31 December 2005 was as follows:

	2005	2004
	£m	£m
In one year or less, or on demand	**46.0**	84.6
In more than one year, but not more than two years	**8.9**	276.1
In more than two years, but not more than five years	**226.3**	257.2
In more than five years	**6.0**	5.5
	287.2	623.4

The undrawn committed facilities available at 31 December 2005 in respect of which all conditions precedent had been met at that date were as follows:

	2005	2004
	£m	£m
Expiring in one year or less	**—**	162.7
Expiring in more than one year, but not more than two years	**—**	221.7
Expiring in more than two years	**616.1**	99.6
	616.1	484.0

As a result of the change of control following the DP World takeover on 8 March 2006 (see note U) facilities totalling £890.9m may be cancelled at the bank's option. DP World has arranged sufficient acquisition finance to allow any amounts drawn under these facilities to be repaid as they fall due.

K Other creditors

	2005 Falling due		Restated 2004 Falling due	
	within 1 year	in more than 1 year	within 1 year	in more than 1 year
	£m	£m	£m	£m
Unsecured bank overdrafts	**46.0**	**—**	64.8	—
Trade creditors	**0.1**	**—**	0.1	—
Amounts owed to joint ventures and associates	**17.7**	**—**	8.7	—
Amounts owed to subsidiaries	**—**	**754.0**	5.9	1,137.8
Social security and other taxation	**1.3**	**—**	3.7	—
Other unsecured creditors	**2.4**	**—**	9.5	0.4
Accruals and deferred income	**15.4**	**—**	14.3	—
	82.9	**754.0**	107.0	1,138.2
	836.9		1,245.2	

Amounts owed to subsidiaries have no fixed term of repayment.

L Provisions for liabilities and charges

	Employee benefits	Other provisions	Total
	£m	£m	£m
At 1 January 2005 (restated)	**92.3**	**2.2**	**94.5**
Transfers from profit and loss account	**3.2**	**21.0**	**24.2**
Transfers from/(to) statement of total recognised gains and losses	**88.5**	**—**	**88.5**
Exchange movements	**—**	**0.3**	**0.3**
Applied during the year	**(87.7)**	**(8.4)**	**(96.1)**
At 31 December 2005	**96.3**	**15.1**	**111.4**

Deferred taxation comprises:	2005	2004
	£m	£m
Accelerated capital allowances	**—**	0.1
Other	**—**	(0.1)
	—	—

Provisions for employee benefits relate to defined benefit pension schemes as set out in note Q.

Other provisions include £12.5m (2004 £nil) in respect of rental guarantees for properties in Germany and £1.5m (2004 £nil) for onerous leases as a result of the Company's relocation to its new offices in December 2005. The directors expect £9.9m of the other provision balance to be utilised prior to 31 December 2006.

M Share capital

Details of the Company's share capital are set out in note 24 to the Group financial statements.

N Reserves

	Share premium account	Profit and loss account	Total
	£m	£m	£m
At 1 January 2005	**782.9**	**244.8**	**1,027.7**
Prior year adjustment	**—**	**(49.1)**	**(49.1)**
At 1 January 2005 (restated)	**782.9**	**195.7**	**978.6**
Exchange movements	**—**	**(0.7)**	**(0.7)**
Issues of stock	**9.5**	**—**	**9.5**
Amortisation of debt issue costs	**(0.2)**	**0.2**	**—**
Purchases of own stock	**—**	**(5.8)**	**(5.8)**
Share-based payments	**—**	**1.9**	**1.9**
Actuarial gains and losses	**—**	**(88.5)**	**(88.5)**
Retained profit for the financial year	**—**	**118.6**	**118.6**
At 31 December 2005	**792.2**	**221.4**	**1,013.6**

The P&O Group Employee Benefit Trust (the "Trust") is used in connection with the Group's Deferred Bonus and Co-investment Matching Plan (the "Matching Plan"), the P&O Performance Share Plan (the "Performance Share Plan") and the P&O 2005 Matching Share Plan (the "2005 Matching Share Plan"), the terms of which are set out in the directors' remuneration report on pages 28 to 35. The Trust may also be used in connection with the Group's other share based plans, including the Executive Stock Option Plan. The Trustee of the Trust purchases the Company's stock in the open market, as required, on the basis of regular reviews of the anticipated liabilities of the Group, with financing provided by the Company. All expenses of the Trust are settled directly by the Company and charged in the financial statements as incurred.

As at 31 December 2005 the Trust held £12,096,283 nominal of deferred stock of the Company (2004 £11,435,110 nominal) representing 1.6 per cent (2004 1.5 per cent) of the Company's deferred stock. During the year the Trust acquired £1,900,000 nominal of deferred stock of the Company (2004 £4,934,437 nominal), representing 0.3 per cent (2004 0.7 per cent) of the Company's deferred stock, and £1,238,827 nominal of deferred stock of the Company (2004 £144,518 nominal), representing 0.2 per cent (2004 nil per cent) of the Company's deferred stock, was distributed by the Trust to participants in the Matching Plan under the terms of that plan.

The profit and loss account reserve is stated after the deduction of £30.8m (2004 £28.4m) in respect of £12,096,283 nominal of deferred stock of the Company (2004 £11,435,110 nominal) held by the Trust, of which £516,069 nominal (2004 £402,032 nominal) has been conditionally awarded to participants in the Matching Plan. Further stock awards over £4,287,491 nominal (2004 £2,132,996 nominal) have been granted to participants under the Matching Plan, the Performance Share Plan and the 2005 Matching Share Plan, which will be met by the Trust to the extent that the performance conditions are met. The market value of the deferred stock held by the Trust as at 31 December 2005 was £56.4m.

The profit and loss account reserve is also stated after a credit of £3.3m (2004 £2.5m) relating to charges made to the profit and loss account in respect of equity settled share-based payments, including the fair values of awards and grants under the Matching Plan, Performance Share Plan and 2005 Matching Share Plan, which will be met by the Trust, and the fair value of options granted under the Executive Stock Option Plan and the P&O 2004 UK Sharesave Plan.

As described in note A the Company has adopted a number of new reporting standards for the first time in the year ended 31 December 2005. Stockholders' funds at the beginning of the year, as previously reported, were £1,841.2m (2004 £1,717.5m), before the prior year adjustments of £95.1m (2004 £80.0m), arising on full adoption of FRS 17 'Retirement benefits', less £46.0m (2004 £67.7m), arising due to the reversal of dividend accruals on adoption of FRS 21 'Events after the balance sheet date'.

N Reserves (Continued)

Exchange movements in the profit and loss account reserve include a loss of £0.7m (2004 £4.8m) in respect of foreign currency net borrowings.

O Directors' emoluments

Details on directors' emoluments, long term incentives, pension entitlements and deferred stock under option held by the directors are shown in the directors' remuneration report on pages 28 to 35.

P Employees

The average number of people employed by the Company was:

	2005	2004
UK full time	**106**	124
UK part time	**6**	8
Overseas full time	**2**	2
Overseas part time	**—**	—
	114	134

The aggregate payroll costs, excluding directors' emoluments, were:

	2005	2004
	£m	£m
Wages and salaries	**10.9**	11.8
Social security costs	**1.3**	1.4
Pensions costs	**2.1**	3.8
	14.3	17.0

Amounts totalling £0.5m (2004 £0.6m) in respect of equity settled share-based payments were charged to the income statement.

Amounts totalling £0.1m (2004 £0.1m) in respect of 2004 performance related bonuses were settled in 2005 by way of equity settled share-based payments under the Deferred Bonus and Co-Investment Matching Plan.

Equity settled share-based payments

The Company operated five employee share plans: the Executive Stock Option Plan ("P&O Option Plan"), the P&O 2004 UK Sharesave Plan ("2004 Plan"), the Deferred Bonus and Co-investment Matching Plan ("Matching Plan"), the P&O Performance Share Plan ("Performance Share Plan") and the P&O 2005 Matching Share Plan ("2005 Matching Share Plan"). Upon the takeover of the Company by DP World in March 2006, awards under these plans vested according to the provisions of the relevant plan rules.

A summary of the terms and conditions of these plans is included in note 27 to the Group financial statements.

The following analysis includes only those awards and grants made under the above share plans since 7 November 2002 in accordance with the transitional arrangements of FRS 20 'Share-based Payment', so is not a complete analysis of all awards or grants which were outstanding during the year.

P Employees (Continued)

(a) Stock Award Plans

	Performance Share Plan		2005 Matching Share Plan		Matching Plan	
	Deferred stock	WAFV*	Deferred stock	WAFV*	Deferred stock	WAFV*
	'000	pence	'000	pence	'000	pence
Stock awards (March 2005)	**—**	**—**	**—**	**—**	**123**	**302**
Matching awards (March 2005)	**—**	**—**	**—**	**—**	**410**	**113**
Share Plan awards (May 2005)	**784**	**114**	**179**	**114**	**—**	**—**
Dividend Replacement (June/November 2005)	**5**	**178**	**1**	**178**	**3**	**350**

* WAFV = Weighted average fair value

The fair values of grants under the Stock Award Plans are calculated by discounting the share price at the date of the award in respect of the relevant performance conditions.

(b) Stock Option Plans

	P&O Option Plan		2004 Plan	
	Options	WAEP*	Options	WAEP*
	'000	pence	'000	pence
As at 31 December 2003				
Options outstanding	2,751	245	234	128
Movements during 2004				
Options granted	—	—	34	205
Options exercised	—	—	—	—
Options lapsed	(21)	249	(1)	205
Weighted average fair value of options granted during the year		—		89
As at 31 December 2004				
Options outstanding	2,730	245	267	138
Movements during 2005				
Options granted	**—**	**—**	**13**	**270**
Options exercised	**(349)**	**249**	**(1)**	**205**
Options lapsed	**(26)**	**249**	**(7)**	**205**
Dividend Stock	**—**	**—**	**—**	**—**
Weighted average fair value of options granted during the year		**—**		**102**
As at 31 December 2005				
Options outstanding	**2,355**	**244**	**272**	**142**
Range of exercise prices		**223p-249p**		**128p-270p**
Weighted average remaining contractual life		**2,808 days**		**338 days**
Options exercisable	**373**	**249**	**74**	**128**

* WAEP = Weighted average exercise price

Stock options were exercised on a regular basis throughout the year.

P Employees (Continued)

The fair values of grants under the Stock Option Plans are calculated using binomial valuation models. The following table gives the assumptions applied to the options granted during the year. Expectations of early exercise are incorporated into the model.

	2005	2004
Average actual share price (pence)	**334**	243
Weighted average exercise price of options granted in the period (pence)		
P&O Option Plan	**—**	—
2004 Plan	**270**	205
Weighted average fair value of options granted in the period (pence)		
P&O Option Plan	**—**	—
2004 Plan	**102**	89
Expected volatility (%)	**33.5**	37.5
Dividend yield (%)	**4.0**	4.0
Risk-free interest rate (%)	**5.0**	5.0
Expected lives (years)		
P&O Option Plan	**—**	3.5
2004 Plan	**3.5**	3.5

The expected volatility is based on the historic volatility (calculated based on the weighted average life of the options) adjusted for any expected changes to future volatility due to publicly available information.

Q Pensions

The Company participates in two funded UK defined benefit pension schemes and a Group Personal Pension arrangement. The principal scheme, The P&O Pension Scheme (the "P&O UK Scheme"), was closed to routine new members on 1 January 2002. The assets of the scheme are managed on behalf of the trustee by independent fund managers.

The Company also participates in the Merchant Navy Officers' Pension Fund (the "MNOPF Scheme") industry wide scheme.

The latest valuation of the P&O UK Scheme and the MNOPF scheme have been updated to 31 December 2005 by qualified independent actuaries. The principal assumptions are included in the table below.

The assumptions used by the actuaries are the best estimates chosen from a range of possible actuarial assumptions, which, due to the timescale covered, may not necessarily be borne out in practice.

	P&O UK Scheme			MNOPF Scheme		
	2005	2004	2003	2005	2004	2003
Discount rates	**4.75%**	5.30%	5.40%	**4.75%**	n/a	n/a
Expected rates of salary increases	**4.20%**	4.20%	4.20%	**4.20%**	n/a	n/a
Pension increases:						
—deferment	**2.70%**	2.70%	—	**2.70%**	n/a	n/a
—payment	**2.50%**	2.50%	2.50%	**2.50%**	n/a	n/a
Inflation	**2.70%**	2.70%	2.70%	**2.70%**	n/a	n/a
Expected rates of return on scheme assets	**5.80%**	6.20%	6.80%	**6.60%**	n/a	n/a

The market value of the schemes' assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the schemes' liabilities,

Q Pensions (Continued)

which are derived from cash flow projections over long periods and thus inherently uncertain are set out below:

	P&O UK Scheme		MNOPF Scheme		
	Expected long term rate of return	Market value	Expected long term rate of return	Market value	Total market value
	%	£m	%	£m	£m
2005					
Equities	**7.70**	**337.2**	**7.70**	**22.1**	**359.3**
Bonds	**4.40**	**463.7**	**4.50**	**9.3**	**473.0**
Other	**3.70**	**8.7**	**5.45**	**4.0**	**12.7**
	5.80	**809.6**	**6.60**	**35.4**	**845.0**
Present value of scheme liabilities		**(891.0)**		**(50.3)**	**(941.3)**
Deficit		**(81.4)**		**(14.9)**	**(96.3)**
Related deferred tax asset		**—**		**—**	**—**
Net pension liability		**(81.4)**		**(14.9)**	**(96.3)**
2004					
Equities	8.00	132.4	n/a	n/a	132.4
Bonds	4.70	150.4	n/a	n/a	150.4
Other	3.70	10.0	n/a	n/a	10.0
	6.20	292.8	n/a	n/a	292.8
Present value of scheme liabilities		(385.1)		n/a	(385.1)
Deficit		(92.3)		n/a	(92.3)
Related deferred tax asset		—		n/a	—
Net pension liability		(92.3)		n/a	(92.3)
2003					
Equities	8.30	148.2	n/a	n/a	148.2
Bonds	5.00	116.4	n/a	n/a	116.4
Other	3.70	2.7	n/a	n/a	2.7
	6.80	267.3	n/a	n/a	267.3
Present value of scheme liabilities		(353.4)		n/a	(353.4)
Deficit		(86.1)		n/a	(86.1)
Related deferred tax asset		—		n/a	—
Net pension liability		(86.1)		n/a	(86.1)

Q Pensions (Continued)

The pension costs for defined benefit schemes are as follows:

	P&O UK Scheme £m	MNOPF Scheme £m	Total £m
2005			
Operating profit			
Current service cost	**(1.8)**	**—**	**(1.8)**
Past service cost	**(0.2)**	**—**	**(0.2)**
Net gain on settlement and curtailments	**(0.7)**	**—**	**(0.7)**
Total charge to operating profit	**(2.7)**	**—**	**(2.7)**
Other finance income/(expense)			
Expected return on pension scheme assets	**35.5**	**0.6**	**36.1**
Interest on pension scheme liabilities	**(36.0)**	**(0.6)**	**(36.6)**
Net return	**(0.5)**	**—**	**(0.5)**
Statement of total recognised gains and losses			
Actual return less expected return on pension scheme assets	**71.1**	**0.8**	**71.9**
Experience gains and losses on pension scheme liabilities	**(86.7)**	**(0.3)**	**(87.0)**
Amounts arising from P&O Nedlloyd transfer/sale	**(57.4)**	**—**	**(57.4)**
Changes in assumptions underlying the present value of scheme liabilities	**—**	**(1.9)**	**(1.9)**
Reclassification of defined contribution scheme as defined benefit scheme	**—**	**(14.1)**	**(14.1)**
Actuarial loss recognised in statement of total recognised gains and losses	**(73.0)**	**(15.5)**	**(88.5)**

	P&O UK Scheme £m	MNOPF Scheme £m	Total £m
2004			
Operating profit			
Current service cost	(3.6)	n/a	(3.6)
Past service cost	(0.2)	n/a	(0.2)
Net gain on settlement and curtailments	4.2	n/a	4.2
Total charge to operating profit	0.4	n/a	0.4
Other finance income/(expense)			
Expected return on pension scheme assets	18.0	n/a	18.0
Interest on pension scheme liabilities	(18.4)	n/a	(18.4)
Net return	(0.4)	n/a	(0.4)
Statement of total recognised gains and losses			
Actual return less expected return on pension scheme assets	11.1	n/a	11.1
Experience gains and losses on pension scheme liabilities	0.3	n/a	0.3
Changes in assumptions underlying the present value of scheme liabilities	(27.7)	n/a	(27.7)
Actuarial loss recognised in statement of total recognised gains and losses	(16.3)	n/a	(16.3)

Q Pensions (Continued)

As the P&O UK Scheme and MNOPF Scheme are both closed to routine new entrants, under the Projected Unit valuation method, the current service cost as a percentage of relevant defined benefit pensionable payroll will increase as the members of the scheme approach retirement.

	2005	2004	2003	2002
P&O UK Scheme				
Difference between the expected and actual return on scheme assets (£m)	**71.1**	11.1	18.8	(48.6)
As a percentage of scheme assets (%)	**8.8**	3.8	4.4	(20.3)
Experience gains and losses on pension scheme liabilities (£m)	**(86.7)**	0.3	0.5	—
As a percentage of the present value of scheme liabilities (%)	**(9.7)**	0.1	0.2	—
Total actuarial loss recognised in the consolidated statement of total recognised gains and losses (£m)	**(73.0)**	(16.3)	(15.1)	(35.3)
As a percentage of the present value of scheme liabilities (%)	**(8.2)**	(4.2)	(4.5)	11.7

	2005	2004	2003	2002
MNOPF Scheme				
Difference between the expected and actual return of scheme assets (£m)	**0.8**	n/a	n/a	n/a
As a percentage of scheme assets (%)	**2.3**	n/a	n/a	n/a
Experience gains and losses on pension scheme liabilities (£m)	**(0.3)**	n/a	n/a	n/a
As a percentage of the present value of scheme liabilities (%)	**(0.6)**	n/a	n/a	n/a
Total actuarial loss recognised in the consolidated statement of total recognised gains and losses (£m)	**15.5**	n/a	n/a	n/a
As a percentage of the present value of scheme liabilities (%)	**(30.8)**	n/a	n/a	n/a

Q Pensions (Continued)

Movement in deficit during the two years ended 31 December 2005	P&O UK Scheme	MNOPF Scheme	Total
	£m	£m	£m
Deficit in schemes at 1 January 2004	(86.1)	n/a	(86.1)
Current service cost	(3.6)	n/a	(3.6)
Contributions paid	10.1	n/a	10.1
Past service cost	(0.2)	n/a	(0.2)
Net gain on settlements and curtailments	4.2	n/a	4.2
Other finance expense	(0.4)	n/a	(0.4)
Actuarial loss	(16.3)	n/a	(16.3)
Deficit in schemes at 31 December 2004	(92.3)	n/a	(92.3)
Current service cost	**(1.8)**	**—**	**(1.8)**
Contributions paid	**87.1**	**0.6**	**87.7**
Past service cost	**(0.2)**	**—**	**(0.2)**
Net gain on settlements and curtailments	**(0.7)**	**—**	**(0.7)**
Other finance expense	**(0.5)**	**—**	**(0.5)**
Reclassification as Defined Benefit Scheme	**—**	**(14.1)**	**(14.1)**
Actuarial loss	**(73.0)**	**(1.4)**	**(74.4)**
Deficit in schemes at 31 December 2005	**(81.4)**	**(14.9)**	**(96.3)**

P&O UK Scheme actuarial valuation for funding purposes

Formal actuarial valuations of the P&O UK Scheme are normally carried out triennially by qualified independent actuaries, the latest regular valuation report for the scheme being at 1 April 2003, using the projected unit method. As a result of the decision by P&O Nedlloyd to form its own UK scheme and the request to transfer its share of the assets and liabilities of the P&O UK Scheme into that new scheme, an additional valuation was carried out as at 30 September 2004 using the projected unit method.

At this date, allowing for the P&O Nedlloyd transfer and related transactions, the market value of the P&O UK Scheme's assets were £987m and the value of accrued benefits to members allowing for future increases in earnings was £1,176m giving a deficit of £189m and a funding ratio of 83.9 per cent.

Excluding the deficit reduction payments, the average contribution rates for the P&O UK Scheme were 22.8 per cent for the year to 31 December 2005 and 23.7 per cent from 1 January 2006.

The principal long term assumptions in the UK Scheme's 2004 valuation are:

	Nominal % per annum
Price inflation	**3.00**
Investment return on pre-retirement portfolio	**6.50**
Investment return on post-retirement portfolio	**5.50**
Earnings escalation	**4.50**
LEL escalation	**3.00**
Increases in pensions in excess of Guaranteed Minimum Pensions	**2.75**

As a result of this valuation and the subsequent take over of the Company by DP World, the Company made a further deficit contribution to the scheme of £25m in March 2006 and has committed to further regular monthly deficit payments totalling £75m over the next five years. These monthly payments are supported by a bank guarantee.

Industry schemes

The MNOPF Scheme is a defined benefit multi-employer scheme, in which officers employed by the Company have participated.

Q Pensions (Continued)

The scheme is divided into two sections, the Old Section and the New Section, both of which are closed to new members and the latest valuation was carried out at 31 March 2003.

The Old Section has been closed to benefit accrual since 1978. The scheme's independent actuary advised that at 31 march 2003 the market value of the scheme's assets for the Old Section was £1,316m, representing approximately 115 per cent of the value of the benefits accrued to members. The assets of the Old Section were substantially invested in bonds.

As at 31 March 2003, the date of the most recent formal actuarial valuation, the New Section had assets with a market value of £1,168m, representing approximately 86 per cent of the benefits accrued to members. The valuation assumptions were as follows:

	Nominal % per annum
Discount rate	**7.80**
Rate of salary increases	**4.00**
Rate of pension increases (where increases apply)	**2.50**
Expected return on assets	**7.80**

At the date of the valuation, approximately 59 per cent of the New Section's assets were invested in equities, 28 per cent in bonds and 13 per cent in property and cash.

The trustee has advised the Company that its share of the net deficit of the New Section is 18.319 per cent and has issued a schedule of regular deficit payments from the Company totalling £5.5m per annum commencing on 30 September 2005 and payable annually on 30 March thereafter until 30 March 2014. Therefore, the Company has accounted for the MNOPF New Section as a defined benefit scheme from 30 September 2005. Prior to that date, the Company accounted for the New Section as a defined contribution scheme as it was unable to determine its share of the scheme. The proportion of the deficit attributable to the Company will change following the next actuarial valuation, to be prepared as at 31 March 2006, as not all employer's have made their deficit payments, with short falls to be reallocated to other employers, and part of the deficit payments being made by Carnival plc are attributable to the Company under the terms of the demerger agreement relating to the demerger of P&O Princess Cruises in 2000.

R Commitments

The Company has no capital commitments.

Revenue

The commitment during the following year in respect of non-cancellable operating leases is as follows:

Lease expiring:	Property 2005 £m	Property 2004 £m
Within one year	**—**	0.8
Between one and five years	**6.9**	0.8
Over five years	**17.4**	—
	24.3	1.6

S Contingent liabilities

	2005	2004
	£m	£m
Loan and lease guarantees on behalf of joint ventures and associates	**7.1**	3.6
Loan and lease guarantees on behalf of subsidiaries	**521.4**	471.6
Other contingent liabilities	**14.0**	78.7
	542.5	553.9

The other contingent liability of £14.0m (2004 £78.7m) relates to a guarantee of the financial liability for a vessel leased to Associated Bulk Carriers Limited, a previous associate of the Company. The lease expires in 2008. Associated Bulk Carriers Limited was sold to Eurotower Holdings SA in December 2003 and as part of the transaction, P&O received a counter indemnity for this liability from First Omega Shipping Inc, the owner of Eurotower Holdings SA.

Included within amounts receivable relating to previous corporate disposals is an amount outstanding of £42.6m (2004 £32.2m) net of relevant provisions arising following the sale of Bovis Group plc in 1999. Pursuant to the sale terms P&O is obliged to provide loan funding and partial indemnification for one of Bovis' projects, the construction of which is now completed and is the subject of litigation. Most of this litigation has been the subject of a settlement agreement as a result of which the bulk of such amounts receivable are expected to be repaid over the next twelve months.

T Financial instruments

FRS 25 and FRS 26 have not been applied for the year ended 31 December 2004, which forms the comparative period and which, for these purposes, have been presented under the previous accounting policy in accordance with FRS 13. The Company has applied the exemption available that allows comparatives not to be restated for FRS 25 and FRS 26. No material adjustments would be required to be made to the comparative information in order to make it comply with FRS 25 and FRS 26.

The Company's policies and procedures in relation to the role and management of financial instruments and financial risk are set out below. These have not been impacted by the application of FRS 25 and FRS 26.

Financial risk

The financial instruments held by the Company to finance its operations include cash, overdrafts, loans, and a limited amount of interest bearing and non-interest bearing investments. The Group manages these risks on a consolidated basis. For an understanding of the Group's management of these risks see note 32 to the Group financial statements.

T Financial instruments (Continued)

Effective interest rates and repricing analysis

In respect of income-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the periods in which they reprice.

	Effective interest rate	Total	Within one year	1 to 2 years	2 to 5 years	More than 5 years
Cash at bank and in hand	**4.67%**	**68.6**	**68.6**	**—**	**—**	**—**
Secured bank loans:						
GBP fixed rate debenture	**3.50%**	**(1.4)**	**—**	**—**	**—**	**(1.4)**
Unsecured bank loans:						
GBP floating rate loan	**5.10%**	**(103.3)**	**(103.3)**	**—**	**—**	**—**
US$ fixed rate bonds	**7.50%**	**(13.5)**	**—**	**(8.9)**	**—**	**(4.6)**
US$ floating rate loan	**4.72%**	**(70.5)**	**(70.5)**	**—**	**—**	**—**
AUS$ floating rate loan	**5.89%**	**(15.6)**	**(15.6)**	**—**	**—**	**—**
Euro floating rate loan	**2.78%**	**(6.9)**	**(6.9)**	**—**	**—**	**—**
HK$ floating rate loan	**4.69%**	**(30.0)**	**(30.0)**	**—**	**—**	**—**
Loans to subsidiaries						
GBP loans to subsidiaries	**5.50%**	**30.6**	**30.6**	**—**	**—**	**—**
Euro loans to subsidiaries	**3.16%**	**10.7**	**10.7**	**—**	**—**	**—**
Loans from subsidiaries						
GBP loans from subsidiaries	**5.50%**	**(18.8)**	**(18.8)**	**—**	**—**	**—**
USD loans from subsidiaries	**4.85%**	**(86.4)**	**(86.4)**	**—**	**—**	**—**
Loans from joint ventures and associates	**4.50%**	**(8.7)**	**(8.7)**	**—**	**—**	**—**
Bank overdrafts	**5.15%**	**(46.0)**	**(46.0)**	**—**	**—**	**—**
		(291.2)	**(276.3)**	**(8.9)**	**—**	**(6.0)**

A comparison by category of book value and fair value of the Company's financial assets and liabilities is as follows:

	2005		2004	
	Book value	Fair value	Book value	Fair value
	£m	£m	£m	£m
Primary financial instruments held or issued to finance the Company's operations:				
Third party loans payable	**(241.2)**	**(242.2)**	(558.8)	(559.6)
Subsidiary loans receivable	**1,061.7**	**1,061.7**	1,614.6	1,614.6
Subsidiary loans payable	**(754.0)**	**(754.0)**	(1,137.8)	(1,137.8)
Joint venture and associate loans payable	**(17.7)**	**(17.7)**	(8.7)	(8.7)
Other investments and deferred consideration receivable	**0.1**	**0.1**	0.1	0.1
Cash at bank and in hand	**68.6**	**68.6**	50.9	50.9
Bank overdrafts	**(46.0)**	**(46.0)**	(64.8)	(64.8)
	71.5	**70.5**	(104.5)	(105.3)

The fair value of non-convertible bonds and dollar notes included in loans above is based on the quoted market price of comparable debt. Other loans include term loans and finance leases. These are largely at variable interest rates and therefore the book value normally equates to the fair value.

The fair value of other investments is based on the year end quoted price for listed investments and the estimated recoverable amount for unlisted investments.

The fair value of cash and bank overdrafts approximates to the book value due to the short term maturity of the instruments.

The fair value of subsidiary loans payable and receivable are largely at variable rates and therefore the book value normally equates to the fair value.

T Financial instruments (Continued)

The following comparative information has been presented in accordance with FRS 13. See the 'Financial Instruments' accounting policy note on page F-192.

The interest rate profile of the financial liabilities is set out in the tables below:

31 December 2004	Total	Variable rate financial liabilities	Fixed rate financial liabilities	Financial liabilities on which no interest is paid	Weighted average interest rate for fixed rate financial liabilities	Average time over which interest rate is fixed
	£m	£m	£m	£m	%	months
Currency:						
Sterling	290.2	290.2	—	—	n/a	n/a
Sterling: irredeemable	1.4	—	1.4	—	3.50	n/a
US dollars	234.9	222.9	12.0	—	7.50	29
Australian dollars	55.4	55.4	—	—	n/a	n/a
Euro	5.8	5.8	—	—	n/a	n/a
Other	35.9	35.9	—	—	n/a	n/a
Total	623.6	610.2	13.4	—	7.08	29

The Company borrows in a range of currencies at both fixed and variable rates of interest.

The variable rate financial liabilities comprise bank borrowings and overdrafts bearing interest at rates fixed in advance for periods ranging from one to six months by reference to the applicable reference rate, primarily LIBOR for sterling, US dollar and euro borrowings, and the BBSY rate for Australian dollar borrowings.

Financial liabilities on which no interest is paid do not have fixed periods to maturity.

The interest rate profile of the financial assets is set out in the tables below:

31 December 2004	Total	Variable rate financial assets	Fixed rate financial assets	Financial assets on which no interest is received	Weighted average interest rate for fixed rate financial assets	Average time over which interest rate is fixed
	£m	£m	£m	£m	%	months
Currency:						
Sterling	35.1	34.9	—	0.2	n/a	n/a
US dollars	—	—	—	—	n/a	n/a
Australian dollars	—	—	—	—	n/a	n/a
Euro	19.3	19.3	—	—	n/a	n/a
Other	—	—	—	—	n/a	n/a
Total	54.4	54.2	—	0.2	n/a	n/a

The majority of variable rate financial assets comprise bank accounts bearing interest at the applicable LIBOR rate for sterling deposits or the applicable local equivalent rate. Fixed rate financial assets include deferred consideration relating to the sale of fixed assets and businesses, and other interest bearing and non-interest bearing investments.

The financial assets on which no interest is received do not have fixed periods to maturity.

U Post balance sheet events

Takeover by DP World

On 29 November 2005, the P&O Board recommended the cash acquisition of P&O by Thunder FZE (a wholly owned subsidiary of Ports, Customs and Free Zone Corporation, Dubai ("DP World")) by way of schemes of arrangement. Following the announcement of an offer by PSA Venture (UK) Limited (a wholly owned subsidiary of PSA International Pte Ltd ("PSA") of Singapore) (also recommended by the Board) on the morning of 26 January 2006, the Board recommended revised proposals from Thunder FZE on the

U Post balance sheet events (Continued)

evening of 26 January 2006. These proposals were approved by the stockholders at meetings held on 13 February 2006, and following approval of the schemes by the High Court the schemes became effective on 8 March 2006 and P&O became a wholly owned subsidiary of DP World as at that date.

As a result of the change of control following the DP World takeover certain borrowing and loan facilities may be cancelled at the bank's option (see note J). DP World has arranged sufficient finance to allow any amounts drawn under these facilities to be repaid as they fall due.

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