P&O SCOTTISH FERRIES LIMITED

REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2006

Registered No. 71375

Directors
T C Cairns
M E Moore

Secretary
B Allinson

Auditors
Ernst & Young LLP
1 More London Place
London SE1 2AF

Registered Office
16 Palace Street
London SW1E 5JQ

DIRECTORS' REPORT

The directors present their report and financial statements for the year ended 31 December 2006

Results and dividends

The profit for the year, after taxation, is £92,000 (2005 loss £263,000). No dividend was paid or proposed for the year ended 31 December 2006 (2005 £nil)

Principal activity and review of business

The company ceased its main business on 11 November 2002 Its only activity is interest earned and paid from fellow subsidiary undertakings and interest is agreed between parties from time to time

The company is taking advantage of the exemption for small companies under s246(4) and s247A(1a) not to prepare a review of the business

Principal risks and uncertainties

The directors do not foresee any significant risks/uncertainties facing the company

Events since the balance sheet date

On 1 January 2007 Thunder FZE, an intermediate parent undertaking, was purchased by Galaxy Investments Ltd and in the opinion of the directors, the ultimate parent undertaking from that date is Dubai World Corporation, a company incorporated in Dubai

On 7 June 2007 Galaxy Investments Ltd was renamed DP World Limited

Directors

The directors of the company who held office during the year were as follows
T C Cairns
R M Gradon (resigned 30 June 2006)
D A Shaw (appointed 30 June 2006, resigned 23 April 2007)
M E Moore

All directors are entitled to contractual indemnification from the company to the extent permitted by law against claims and legal expenses incurred in the course of their duties Third party indemnity insurance is provided and remains in force as at the date of approving the directors' report

DIRECTORS' REPORT

Secretary

B Allinson was appointed secretary on 5 October 2007

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing this report, of which the auditor is unaware Having made enquiries of fellow directors and the group's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to made himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information

Auditors

Following the acquisition of the Peninsular and Oriental Steam Navigation Company by Thunder FZE, a wholly owned subsidiary of Ports, Customs and Free Zone Corporation Dubai, KPMG Audit Plc resigned as the company's auditor and Ernst & Young LLP has been appointed in accordance with the elective resolution passed by the company under section 386 Companies Act 1985

Ernst and Young LLP has indicated their intention to resign as auditors and in accordance with Section 385 of the Companies Act 1985, a resolution proposing the appointment of KPMG Audit Plc as auditors to the company will be put to the annual general meeting

On behalf of the board

B Allinson

B Allinson
Secretary
18 October 2007

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law)

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,

- make judgments and estimates that are reasonable and prudent,

- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and

- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985 They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF P&O SCOTTISH FERRIES LIMITED

We have audited the financial statements of P&O Scottish Ferries Limited for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes 1 to 12 These financial statements have been prepared under the accounting policies set out therein

This report is made solely to the company's members, as a body, in accordance with the section 235 of the Companies Act 1985 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 We also report to you whether in our opinion the information given in the Directors' Report is not consistent with the financial statements

In addition we report to you if, in our opinion, 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 the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF P&O SCOTTISH FERRIES LIMITED

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 an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements

Opinion

In our opinion

• the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its profit for the year then ended,

• the financial statements have been properly prepared in accordance with the Companies Act 1985, and

• the information given in the Directors' Report is consistent with the financial statements

Ernst & Young LLP
Registered Auditor
London
18 October 2007

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2006

	Notes	2006 £'000	2005 £'000
Administrative costs		-	(1)
Other operating income		-	14
Operating profit			
Continuing operations		-	13
Scottish executive clawback		-	(668)
Pension creditor written off		105	-
Accrual release		9	-
Provision release		5	80
Profit/(loss) on ordinary activities before investment income, interest and taxation		119	(575)
Interest receivable	3	-	446
Pension finance expense	3	(65)	(13)
Profit/(loss) on ordinary activities before taxation		54	(142)
Tax on profit/(loss) on ordinary activities	4	38	(121)
Profit/(loss) on ordinary activities after taxation and for the financial year		92	(263)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 2006

	2006 £'000	2005 £'000
Profit/(loss) for the financial year	92	(263)
Actuarial gain/(loss)	3,123	(9,235)
Total recognised gains and losses relating to the financial year	3,215	(9,498)

BALANCE SHEET
AT 31 DECEMBER 2006

	Notes	**2006 £'000**	**2006 £'000**	2005 £'000	2005 £'000
Fixed assets					
Investments	5		**403**		403
Current assets					
Debtors amounts falling due within one year	6	**7,696**		8,756	
Creditors: amounts falling due within one year	7	**401**		1,238	
Net current assets			**7,295**		7,518
Total assets less current liabilities			**7,698**		7,921
Provisions for liabilities	8		**-**		5
Pension liabilities	11		**5,439**		8,872
Net assets / (liabilities)			**2,259**		(956)
Capital and reserves					
Called up share capital	9		**8,148**		8,148
Profit and loss account	10		**(5,889)**		(9,104)
			2,259		(956)

T C Cairns

Director

18 October 2007.

NOTES TO THE FINANCIAL STATEMENTS
AT 31 DECEMBER 2006

1 ACCOUNTING POLICIES

Basis of preparation

The financial statements of P&O Scottish Ferries Limited were approved for issue by the Board of Directors on 18 October 2007 .

The financial statements are prepared under the historical cost convention and in accordance with the Companies Act 1985

The financial statements are prepared in accordance with applicable United Kingdom accounting standards

Investments

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

Related party transactions

Under FRS 8, the company is exempt from the requirement to disclose transactions or balances with entities which form part of the group There were no other related party transactions during the year

Cash flow statement

The company has taken advantage of the exemption available to it under FRS1 "Cash Flow Statements" not to prepare a statement of cash flows

Group financial statements

The company is exempt under s228 of the Companies Act 1985 from the requirement to prepare group financial statements because its results are included in the consolidated financial statements of its ultimate United Kingdom parent company, The Peninsular and Oriental Steam Navigation company The consolidated financial statements of the Peninsular and Oriental Steam Navigation Company within which this company is included can be obtained from the Registrar of Companies, Companies House, Crown Way, Cardiff CF4 3UZ

1 ACCOUNTING POLICIES (contınued)

Pensıon Schemes

Contrıbutıons for ongoıng benefit accruals paıd to schemes ın respect of defined benefit pensıon schemes are calculated as a percentage, agreed on actuarıal advıce, of the pensıonable salarıes of employees The cost of provıdıng defined benefit pensıons ıs charged to the profit and loss account on a systematıc basıs over the perıods benefitıng from the servıces of employees Dıfferences between the amounts charged to the profit and loss account and payments made to the pensıon schemes are treated as assets or lıabılıtıes

Contrıbutıons ıncludıng lump sum payments ın respect of defined contrıbutıon pensıon schemes and multı employer defined benefit schemes, where ıt ıs not possıble to ıdentıfy the Company's share of the scheme, are charged to the profit and loss account when they are payable

2 OPERATING PROFIT

(a) The basıs of chargıng ıntra-group ınterest ıs agreed between the partıes from tıme to tıme

(b) The dırectors are also dırectors/employees of, and were paıd by, other group undertakıngs The dırectors do not belıeve that ıt ıs practıcable to apportıon these emoluments between theır servıces as dırectors of the company and theır servıces as dırectors/employees of the other group undertakıngs

(c) Fees for audıt and non-audıt servıces provıded by Ernst & Young LLP to the company have been borne by other group undertakıngs It ıs not practıcable to ascertaın what proportıon of such fees relates to the company

(d) The company had no employees durıng the year (2005 none)

3 NET INTEREST

	2006	2005
	£'000	£'000
Bank ınterest receıvable	**-**	446
Pensıon finance expense	**(65)**	(13)
	(65)	433

4 TAX

(a) Tax on profit/(loss) on ordinary activities

The tax credit/(charge) is made up as follows

	2006	2005
	£'000	£'000
Current tax		
UK corporation tax at 30% (2005 - 30%)	**-**	(129)
Tax overprovided in previous years	**38**	8
Total current tax (note 4(b))	**38**	(121)

(b) Factors affecting the tax credit/(charge)

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 30% (2005 - 30%) The differences are reconciled below

	2006	2005
	£'000	£'000
Profit/(loss) on ordinary activities before tax	**54**	(142)
Profit/(loss) on ordinary activities multiplied by the current rate of corporation tax in the UK of 30% (2005 - 30%)	**(16)**	43
UK income not taxable and other permanent adjustments	**16**	(172)
Tax overprovided in previous years	**38**	8
Total current tax (note 4 (a))	**38**	(121)

NOTES TO THE FINANCIAL STATEMENTS
AT 31 DECEMBER 2006

5 INVESTMENTS

	Shares in group undertakings £'000	*Other unlisted investments* £'000	*Total* £'000
Cost			
At beginning and end of year	400	3	403

The company holds 100% of the ordinary share capital of P&O Scottish Ferries Ship Management Limited, which is incorporated in Great Britain and registered in Scotland The company did not trade during the year

6 DEBTORS

	2006 **£'000**	2005 £'000
Other taxes and social security	-	15
Amounts owed by fellow subsidiaries	**7,696**	8,741
	7,696	8,756

7 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2006 **£'000**	2005 £'000
Amounts owed to subsidiary	**400**	400
MNRPF pension scheme	-	697
Other creditors including taxation and social security	**1**	131
Accruals	-	10
	401	1,238

8 PROVISIONS FOR LIABILITIES, CHARGES AND CONTINGENT LIABILITIES

	2006 **£'000**	2005 £'000
Future closure costs		
- At beginning of year	**5**	170
- Released during year	**(5)**	(165)
	-	5

9 AUTHORISED AND ISSUED SHARE CAPITAL

Authorised	**2006**	2005
	£'000	£'000
1,000,000 ordinary shares at £10 each	**10,000**	10,000

Allotted, called up and fully paid	**2006**	2005
	£'000	£'000
814,884 ordinary shares at £10 each	**8,148**	8,148

10 RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	Share capital	*Profit and loss account*	*Total share-holders' funds*
	£'000	£'000	£'000
At 1 January 2005	8,148	394	8,542
Loss for the year	-	(263)	(263)
Actuarial loss	-	(9,235)	(9,235)
At 31 December 2005	8,148	(9,104)	(956)
Profit for the year	-	92	92
Actuarial gain	-	3,123	3,123
At 31 December 2006	8,148	(5,889)	2,259

NOTES TO THE FINANCIAL STATEMENTS
AT 31 DECEMBER 2006

11 PENSIONS

The Company participates in three funded defined benefit pension schemes 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 latest valuation of the P&O UK Scheme has been updated to 31 December 2006 by qualified independent actuaries

The Company made no contributions to the P&O UK Scheme, as P&O Ferries Limited, a fellow subsidiary, agreed to take on the liability for any P&O UK Scheme deficit payments relating to P&O Scottish Ferries Limited from 1 January 2003, and the Company is therefore accounting for the P&O Scheme under FRS 17 as if it were a defined contribution scheme, as the company is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis

The Company participates in the Merchant Navy Officers' Pension Fund (the "MNOPF Scheme") industry wide scheme

As the MNOPF Scheme is 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 member of the scheme approach retirement

The latest valuation of the MNOPF scheme has 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

	MNOPF Scheme		
	2006	2005	2004
	%	%	%
Discount rates	**5.10**	4 75	n/a
Expected rates of salary increases	**4.40**	4 20	n/a
Pension increases			
- deferment	**2.90**	2 70	n/a
- payment	**2.70**	2 50	n/a
Inflation	**2.90**	2 70	n/a
Expected rates of return on scheme assets	**7.00**	6 60	n/a

NOTES TO THE FINANCIAL STATEMENTS
AT 31 DECEMBER 2006

11 PENSIONS (contınued)

The market value of the schemes' assets, whıch are not ıntended to be realısed ın the short term and may be subject to sıgnıficant change before they are realısed, and the present value of the schemes' lıabılıtıes, whıch are derıved from cash flow projectıons over long perıods and thus ınherently uncertaın are set out below

	MNOPF Scheme	
	Expected long term rate of return	Market value
	%	£'000
2006		
Equitıes	**7.70**	**14,335**
Bonds	**4.60**	**5,876**
Other	**4.20**	**2,207**
		22,418
Present value of scheme lıabılıtıes		**(27,857)**
Deficıt		**(5,439)**
Related deferred tax asset		**-**
Net pensıon lıabılıty		**(5,439)**
2005		
Equitıes	7 70	13,143
Bonds	4 50	5,522
Other	5 45	2,398
		21,063
Present value of scheme lıabılıtıes		(29,935)
Deficıt		(8,872)
Related deferred tax asset		-
Net pensıon lıabılıty		(8,872)
2004		n/a

A valuatıon has not been on the schemes assets and lıabılıtıes for 2004

11 **PENSIONS** (contınued)

The pensıon costs for defined benefit schemes are as follows

	MNOPF Scheme £'000
2006	
Total charge to operatıng profit	-
Other finance ıncome/(expense)	
Expected return on pensıon scheme assets	1,333
Interest on pensıon scheme lıabılıtıes	(1,398)
Net return	(65)
Statement of total recognısed gaıns and losses	
Actual return less expected return on pensıon scheme	682
Experıence gaıns and losses on pensıon scheme	2,348
Changes ın assumptıons underlyıng the present value of scheme lıabılıtıes	93
Reclassıficatıon of defined contrıbutıon scheme as defined benefit scheme	-
Actuarıal gaın recognısed ın statement of total recognısed gaıns and losses	3,123
2005	
Total charge to operatıng profit	-
Other finance ıncome/(expense)	
Expected return on pensıon scheme assets	327
Interest on pensıon scheme lıabılıtıes	(340)
Net return	(13)
Statement of total recognısed gaıns and losses	
Actual return less expected return on pensıon scheme	484
Experıence gaıns and losses on pensıon scheme	(185)
Changes ın assumptıons underlyıng the present value of scheme lıabılıtıes	(1,155)
Reclassıficatıon of defined contrıbutıon scheme as defined benefit scheme	(8,379)
Actuarıal loss recognısed ın statement of total recognısed gaıns and losses	(9,235)
2004	n/a

A valuatıon has not been on the schemes assets and lıabılıtıes for 2004

11 PENSIONS (continued)

	2006	2005	2004
MNOPF Scheme			
Difference between the expected and actual return on scheme assets (£'000)	**682**	484	n/a
As a percentage of scheme assets (%)	**3.0**	2 3	n/a
Experience gains and losses on pension scheme liabilities (£'000)	**2,348**	(185)	n/a
As a percentage of the present value of scheme liabilities (%)	**(8.4)**	0 6	n/a
Total actuarial gain recognised in the statement of total recognised gains and losses (£'000)	**3,123**	(9,235)	n/a
As a percentage of the present value of scheme liabilities (%)	**(11.2)**	30 8	n/a

Movement in deficit during the two years ended 31 December 2006	MNOPF Scheme £'000
Deficit in scheme at 1 January 2005	-
Contributions paid	376
Other finance expense	(13)
Reclassification as Defined Benefit	(8,379)
Actuarial loss	(856)
Deficit in scheme at 31 December 2005	(8,872)
Contributions paid	375
Other finance expense	(65)
Adjustment to experience gain on assets	-
Actuarial gain	3,123
Deficit in scheme at 31 December 2006	(5,439)

The MNOPF Scheme is a defined benefit multi-employer scheme in which officers employed by the Company have participated

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 2006

The Old Section has been closed to benefit accrual since 1978 The scheme's independent actuary advised that at 31 March 2006 the market value of the scheme's assets for the Old Section was £1,473m, representing approximately 107 per cent of the value of the benefits accrued to members The assets of the Old Section were substantially invested in bonds

NOTES TO THE FINANCIAL STATEMENTS
AT 31 DECEMBER 2006

11 **PENSIONS** (continued)

As at 31 March 2006, the date of the most recent formal actuarial valuation, the New Section had assets with a market value of £1,931m, representing approximately 93 per cent of the benefits accrued to members The valuation assumptions were as follows

	Nominal % per annum
Discount rate	7 0
Rate of salary increases	4 5
Rate of pension increases (where increases apply)	3 0
Expected return on assets	7 8

At the date of the valuation, approximately 57 per cent of the New Section's assets were invested in equities, 15 per cent in bonds and 28 per cent in property and cash

The trustee has advised the Company that its share of the net deficit of the New Section is 1 25% and has issued a schedule of regular deficit payments from the Company totalling £375 6k 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

Merchant Navy Ratings Pension Fund ('MNRPF')

The MNRPF Scheme is an industry wide multi-employer defined benefit pension scheme in which sea staff employed by the Company 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

	%
Investment return on pre retirement portfolio	6 5
Investment return on post retirement portfolio	5 0
Rate of national average earnings increase	4 2
Rate of pension increases (where increases apply)	2 7

NOTES TO THE FINANCIAL STATEMENTS
AT 31 DECEMBER 2006

11 PENSIONS (continued)

Following this valuation the Company is yet to receive any adjustments to the previous schedule of payments While the company is no longer a current employer in the MNRPF, and has no legal obligation with respect to the on-going deficit in the fund, having settled its statutory debt obligation, it is participating on a voluntary basis to the fixed schedule of the payments

The Company is accounting for MNRPF under FRS17 as if it were a defined contribution scheme as the company is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis Current voluntary payments by the Company totalled £592,000, which have been previously provided for

12 PARENT UNDERTAKING

The smallest group of companies for which consolidated financials statements are prepared and in which the company is consolidated is The Peninsular and Oriental Steam Navigation Company, a company incorporated by Royal Charter and therefore not registered, copies of whose financial statements can be obtained from The Registrar of Companies, Companies House, Crown Way, Cardiff CF14 3UZ

The largest group of companies for which consolidated financials statements are prepared and in which the company is consolidated is Dubai Ports Authority a company incorporated in Dubai, whose accounts are filed with the Dubai International Financial Exchange

The immediate parent undertaking at 31 December 2006 is The Peninsular and Oriental Steam Navigation Company, a company incorporated in the United Kingdom

In the opinion of the directors, the ultimate parent undertaking as at 31 December 2006 was Ports Customs and Free Zones Corporation, a company incorporated in Dubai

On 1 January 2007 Thunder FZE, an intermediate parent undertaking, was purchased by Galaxy Investments Ltd and in the opinion of the directors, the ultimate parent undertaking from that date is Dubai World Corporation, a company incorporated in Dubai

On 7 June 2007 Galaxy Investments Ltd was renamed DP World Limited