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**ASSOCIATED BRITISH PORTS HOLDINGS LIMITED
AND SUBSIDIARIES**

ANNUAL REPORT AND ACCOUNTS 2006

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Directors:

CRN Clark	Chairman
RJ Adam	
AJ Adams	(resigned 26 April 2006)
TJ Bowdler	(resigned 14 August 2006)
PLH Camu	(appointed 29 November 2006)
SJ Chambers	(resigned 14 August 2006)
EH Clarke	(appointed 29 November 2006)
RP Edey	(appointed 1 March 2006, resigned 14 August 2006)
TD Ferguson II	(appointed 29 November 2006)
GPR Kay	(appointed 29 November 2006)
JC Knowlton	(appointed 29 November 2006)
BA Lerenius	
SB Lilley	(alternate to EH Clarke, appointed 29 November 2006)
SR Melliss	(appointed 1 March 2006, resigned 14 August 2006)
DD Morrison	
MJ Nobrega	(appointed 29 November 2006)
DS Sach	(resigned 14 August 2006)
AE Seng	(appointed 29 November 2006)
AH Simon	(resigned 26 April 2006)
RM Watters	(appointed 29 November 2006)
EYK Wong	(appointed 29 November 2006)

Secretary:

H Rees, FCIS

Directors' report

The directors present their report and the audited accounts of the company and the group for the year ended 31 December 2006.

2006 was an important year in the strategic development of ABPH Limited. The group completed two new major riverside terminals on the Humber, completed its exit from non-core activities in the USA and successfully transitioned from being a public company to ownership by a consortium of private investors. In addition, all of the group's activities produced a strong performance and the group's UK ports and transport business secured a number of new business wins.

1. Business description

The principal activities of the group comprise the provision of innovative and high-quality port facilities and related services to ship and cargo owners and other users of seaports in the UK. The group also provides value-added transport-related services and generates income from the ownership and development of properties at port locations within the UK. The principal activity of the company is as an intermediate holding company.

The group owns and operates 21 general cargo ports within the UK. In addition, it owns 49 per cent of Southampton Container Terminals, the second largest container terminal in the UK, and 33 per cent of Tilbury Container Services, a deep-sea container terminal located at the Port of Tilbury. Following the group's acquisition by Admiral Acquisitions (UK) Limited (Admiral) during August 2006, the group's ultimate parent company is Rose Ports (Jersey) Limited, a company controlled by Borealis Investor, GIC Special Investments Pte, Goldman Sachs Infrastructure Fund and Infracapital LP acting by its manager M&G Investment Management Limited.

2. Development and performance in 2006

Group overview

The continued organic growth achieved by our core UK ports and transport business and the increased contribution from our property activities underpinned a strong operating performance from the group's continuing activities during 2006.

Group revenue from continuing activities increased by 5.9 per cent to £419.1m (2005: £395.8m) as a result of the growth achieved by the group's ports and transport activities and increased contribution from its property activities. Underlying (before exceptional items and increase in fair value of investment properties) operating profit from continuing activities, as set out in table 1, increased by 13.2 per cent to £183.3m (2005: £161.9m). This improvement in underlying operating performance was driven by the commissioning of two major new riverside terminals within the group's core UK ports and transport business and an increased contribution from its property activities, which again benefited from an improved sales mix in 2006. Underlying group earnings before interest, taxation, depreciation and amortisation (EBITDA) from continuing operations grew by 13.7 per cent to £217.3m (2005: £191.1m).

Table 1

	2006*	2005*	Change from 2005
Operating profit by business segment	£m	£m	%
Ports & transport – UK	162.6	151.3	7.5
Property investment	4.3	3.9	10.3
Property development	16.4	6.7	144.8
Underlying operating profit	183.3	161.9	13.2
Increase in fair value of investment properties	3.3	3.5	(5.7)
Less			
Exceptional items – administrative expenses	(39.2)	-	n/a
Group operating profit	147.4	165.4	(10.9)
Underlying group EBITDA	217.3	191.1	13.7

**Continuing operations*

Net interest payable associated with the group's continuing activities increased by 3.9 per cent to £39.6m (2005 £38.1m). In addition following its acquisition by Admiral, the group also incurred exceptional interest costs of £65.6m (2005 £nil) in relation to the refinancing of its existing debt facilities.

The group's share of profit from continuing associated undertakings contributed £6.9m to pre-tax profit (2005 £4.4m).

Underlying pre-tax profit from continuing activities, which excludes the change in fair value of investment properties and exceptional items, increased by 17.5 per cent to £150.6m (2005 £128.2m). Following its acquisition by Admiral the group no longer considers underlying and basic earnings per share to be appropriate indicators of its performance.

The review of the group's investment property portfolio led to an increase in carrying values of £3.3m (2005 £3.5m) and the group recorded exceptional administrative costs of £39.2m (2005 £nil) in relation to its acquisition by Admiral. Consequently, pre-tax profit amounted to £49.1m (2005 £131.7m).

The group's underlying tax charge for the year in relation to its continuing activities amounted to £38.2m (2005 £34.1m) and represented an underlying effective tax rate, excluding associates, of 26.6 per cent (2005 27.5 per cent). The related exceptional tax credit recognised during 2006 amounted to £17.6m (2005 £nil).

During 2006 the group sold its entire USA operations for a total consideration of £57.2m. These operations generated a profit after tax during the period to 24 May 2006 of £0.8m (full year 2005 £2.3m) and the group generated a post-tax gain of £7.5m in relation to this transaction.

A detailed segmental analysis of the group's business is provided in note 2 to the financial statements on page 35. The operating performance of each business segment is discussed in more detail on the following pages.

Ports & transport – UK

With 21 strategically located ports the group is the largest and leading ports operator in the UK. Table 2 sets out the changes in cargoes, international ferry passengers and cruise passengers handled by UK ports for the four years to 31 December 2005*

Table 2

(million tonnes)	2005 ABP market position	2005 ABP market share	2005 ABP	2005 market	2004 market	2003 market	2002 market	2001 market
Cargoes								
Liquid bulks	1	21.3%	56.4	265.4	269.4	262.5	273.1	276.8
Dry bulks	1	31.4%	42.3	134.9	122.8	124.1	115.9	124.1
Containers, roll-on/ roll-off and vehicles	2	18.2%	28.2	154.7	149.9	139.7	138.9	135.9
Other general cargo	1	25.7%	7.9	30.7	31.0	29.4	30.4	29.6
Total	1	23.0%	134.8	585.7	573.1	555.7	558.3	566.4
Change				2.2%	3.1%	-0.5%	-1.4%	-1.2%
International ferry passengers (thousands)	4	6.9%	1,643	23,693	25,799	26,523	28,726	27,753
Change				-8.2%	-2.7%	-7.7%	3.5%	-2.7%
International cruise passengers (thousands)	1	70.3%	694	987	807	723	572	496
Change				22.3%	11.6%	26.4%	15.3%	1.8%

*Source: DfT Transport Statistics Report Maritime Statistics 2005, being the latest available data on the UK ports market

As the UK ports and transport business accounts for 92.1 per cent of the group's revenue from continuing activities and 88.7 per cent of continuing underlying operating profit it is very much the key driver of the group's overall performance. During 2006, the cargo volumes handled by the group's UK ports increased by 1.7 per cent to 137.1m tonnes (2005 134.8m tonnes). Table 3 provides an analysis of the changes in the group's 2006 UK ports volumes by cargo category compared with 2005.

Table 3

Changes in ABP's UK port volumes Cargo	2006 million tonnes	2005 million tonnes	Change from 2005 %
Liquid bulks	54.9	56.4	(2.7)
Dry bulks	45.3	42.3	7.1
Containers, roll-on/roll-off and vehicles	28.8	28.2	2.1
Other general cargo	8.1	7.9	2.5
Total tonnage	137.1	134.8	1.7

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The overall volume growth of 1.7 per cent for 2006 reflects a variety of developments across the group's many trades. Significant developments in individual cargo volumes included the following:

- **Liquid bulks** – a reduction of 2.7 per cent mainly due to decreases in petroleum exports, crude oil volumes and chemical export volumes being partially offset by increased petroleum imports
- **Dry bulks** – coal volumes continued to grow, increasing by 9.3 per cent due to robust demand for imported coal from the electricity generation industry. Growth was also seen in iron ore imports and cement/clinker volumes
- **Containers** – deep-sea traffic increased at both Southampton and Tilbury as a result of new business, while shortsea traffic declined marginally
- **Roll-on/roll-off and vehicles** – roll-on/roll-off units (excluding vehicles) increased by 1.1 per cent. The growth achieved by shortsea ports was partially offset by a decrease in volumes at Southampton. Import/export vehicle volumes increased by 2.4 per cent, with growth at Grimsby partially offset by reduced volumes at Southampton
- **Other general cargo** – was marginally up on the prior year with increased scrap metal volumes in South Wales being offset by reduced forest product imports handled by Humber ports

Table 4 provides an analysis of the changes in the group's UK passenger volumes for 2006 compared with 2005

Table 4

	2006 (000s)	2005 (000s)	Change from 2005 %
Changes in ABP's UK ports passenger volumes			
International ferry passengers	1,612	1,643	(1.9)
International cruise passengers	725	694	4.5
Domestic cruise and ferry passengers	303	310	(2.3)
Total	2,640	2,647	(0.3)

The greater part of the group's international ferry passenger volumes relate to the North Sea routes operating from the Port of Hull. Growth of 6.3 per cent achieved at Hull partly due to the 2006 FIFA World Cup in Germany was more than offset by reductions in the passenger volumes for southern Europe handled by the Port of Plymouth and the Irish sea volumes at the Port of Swansea.

We remain confident about the growth prospects for the international cruise market. Building on a record performance in 2005, the number of cruise calls at the Port of Southampton increased by 6.8 per cent to 250 (2005: 234). International cruise passenger volumes in 2006 increased by 4.5 per cent compared to 2005. Domestic cruise and ferry passenger volumes relate mainly to the Troon to Larne (near Belfast) and Fleetwood to Douglas (Isle of Man) services. Passenger volumes on both of these routes decreased during 2006 compared with 2005.

We have achieved consistent growth in the UK ports and transport business by applying a strategy of targeted investment, generating new business by securing long-term contracts with quality customers.

Table 5

Ports & transport – UK	2006* £m	2005* £m	Change from 2005 %
Revenue	386.0	373.9	3.2
Underlying operating profit	162.6	151.3	7.5

**Continuing operations*

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Supported by the 1.7 per cent growth in overall cargo volumes and returns from recent investments, revenue during 2006 increased by 3.2 per cent to £386.0m (2005 £373.9m). Underlying operating profit grew by 7.5 per cent to £162.6m (2005 £151.3m). The continued growth of this business is underpinned by the long-term contracts that we have in place with a broad mix of customers, many of which are blue-chip multinational organisations.

The £400m+, 10-year investment plan for our UK ports announced in 2004 remains on track. Two new major riverside facilities at the Port of Immingham, representing a combined investment of £87m, became operational during the second quarter of this year. At the Port of Hull construction of a £30-35m shortsea container terminal, expected to become operational in 2008, will begin once we have finalised customer contracts. We also continue to explore the development of a shortsea coal terminal at the Port of Hull. This project could potentially involve an investment of £55-110m, depending upon how the terminal is operated. During 2006 we also announced our intention to explore new investment in the expansion of container capacity at Southampton.

In addition to the progress made with our strategic investments on the Humber, we secured eight new long-term contracts during 2006, against which we are investing £27.9m. Details of these new contracts are discussed in the review of operations detailed below. While these new contracts have lead times of up to two years and will only contribute to our results once they become operational, they nevertheless underpin the group's future growth prospects.

Significant developments in operating performance of the five business units of the UK ports and transport business are discussed below.

Hull & Goole

Revenues increased by 3.8 per cent. Growth in ferry passenger traffic and metal volumes was partially offset by reductions in agribulks, liquid bulks and forest products.

Hull's Finland Terminal, Northern UK's hub for the Finnish forest products industry, benefited from £4.8m of further investment in two 45-metre extensions to the existing paper-storage facility, the construction of a new 6,500 sq m storage facility, additional paving for open storage and enhanced office accommodation. This expansion followed new agreements with shippers Finnlines PLC and paper manufacturers UPM-Kymmene Corporation, M-real Alliance and Myllykoski Paper Oy. A £0.7m investment in new timber storage facilities, following the signing of a new 15-year contract with North Sea Lumber (Sales) Ltd, was completed in December.

Also at Hull, we have earmarked £1.3m for improvements to rail-related infrastructure at the port and will contribute a further £1.3m to the £14.5m project to upgrade the Hull Docks Branch (the rail line serving the port) over the next two years.

Discussions with prospective customers for the proposed £30-35m shortsea container terminal are continuing and we remain confident about the future commercial prospects for this development. In addition, we continued to progress our plans for the development of a riverside dry bulks terminal at the port. It is anticipated that a formal planning application in relation to this project will be submitted during 2008.

At the Port of Goole, two new facilities became operational during 2006. A £0.9m biomass bulk-handling facility, constructed following a 10-year agreement with Caldaire Terminal Ltd, became operational in May and a £1.4m dry-bulks complex, built on the back of a 10-year agreement with NW Trading Ltd, became operational in July.

Humber Estuary Services, the division which discharges our statutory duty as Competent Harbour Authority for the Humber Estuary, completed a £1.9m upgrade of its fleet of pilot launches. Three new, state-of-the-art vessels are now in service.

Grimsby & Immingham

Revenue rose by 13.4 per cent, driven by the continued growth in coal imports and increases in roll-on/roll-off traffic and volumes of import/export vehicles

Our first two new major projects on the Humber became operational on schedule during the second quarter of 2006. Humber International Terminal phase 2 at the Port of Immingham was officially opened in May. This £59.5m dedicated coal-handling facility has been constructed following agreements with BHP Billiton, International Power, Scottish & Southern Energy, Drax Power and EDF Energy. The new terminal boasts the latest and most modern dockside plant and fully automated landside operations and has an estimated capacity of 9.5m tonnes of coal per annum. Also at Immingham, a new riverside roll-on/roll-off facility in which the group invested £27.5m under a 25-year agreement with DFDS Tor Line became operational in June.

A £1.7m storage and distribution centre, built on the back of a 10-year agreement with LAWS Fertilisers (UK) Limited, became operational in January 2006. We invested £1.8m in the construction of a 9,000 sq m terminal for the reception and storage of gypsum on the back of a 20-year agreement with customer Knauf UK. A £0.6m mooring facility for Adsteam Humber Limited, constructed following a 17-year agreement, was completed in August. To support the continued growth in coal volumes at the port, we are also investing £3.7m in new cranes for Humber International Terminal phase 1, the dedicated dry bulks-handling terminal. This investment is being made following the signing of a new five-year agreement with Hargreaves Group, the raw materials import and distribution specialist.

Southampton

Revenue excluding the former ABP Connect activities decreased by 0.1 per cent and including these activities decreased by 7.8 per cent. At the Port of Southampton, growth in container volumes and cruise traffic was offset by reductions in agribulks and roll-on/roll-off traffic. Revenue for the former ABP Connect activities decreased due to a reduction in the lower-margin transport activities.

Southampton's container operations benefited from strong growth in throughput, particularly during the second half of the year. To support forecast future growth for container traffic, we announced plans to increase container capacity at the port by 85 per cent to at least 3.7m TEUs (twenty-foot equivalent units). The new strategy focuses on the sustainable development and re-use of existing dock infrastructure, coupled with significant improvements in efficiency through state-of-the-art container-handling technology.

2006 was another good year for Southampton's cruise operations, with the port welcoming 738,000 domestic and international cruise passengers over the course of 2006 (2005: 702,000). In addition the port won an award in March for 'Best Turnaround Port Operations' at the world's largest cruise conference in Miami. To facilitate the continued growth in cruise traffic we are investing £9.8m in the expansion and enhancement of City Cruise Terminal. This investment is supported by a new seven-year agreement with Royal Caribbean Cruises Ltd (RCCL).

Southampton has also announced plans to invest £4.3m in a storage facility and handling equipment to create a new dry-bulk terminal. This investment is being made to accommodate projected growth in dry-bulk volumes at the port and is supported by a 10-year agreement with Solent Stevedores.

Empress Terminal, the port's second multi-deck car terminal, was officially opened by His Royal Highness The Duke of York in May.

South Wales Ports

At our five South Wales ports of Barry, Cardiff, Newport, Port Talbot and Swansea, revenue rose by 3.3 per cent, driven by increases in iron ore and steel imports and scrap exports

The Port of Newport is investing £0.5m in the construction of a new rail-passing loop, the installation of modern storage facilities and the provision of an electronic-tallying system to record the handling of steel cargoes. This investment follows the renewal of a three-year agreement with Corus Group. Newport also announced plans to invest £2.3m in the development of a waste electrical goods recycling depot for Sims Group. This investment is supported by a fifteen-year agreement.

Shortsea Ports

Across our 11 shortsea ports, revenue rose by 2.2 per cent on the back of growth in roll-on/roll-off traffic and volumes of grain and aggregates. Timber and liquid bulk volumes decreased.

A £5.0m investment in the redevelopment of the Port of Teignmouth's Western Quays – supported by long-term agreements with Mole Valley Farmers, Civil & Marine Slag Cement and WBB Minerals – was completed in June. This project benefited from a £1.0m Freight Facilities Grant from the Department for Transport, as it provides associated environmental benefits and supports the transportation by sea of cement from Port Talbot in South Wales to markets in Devon and Cornwall.

Property investment

The group's property investment activities consist of income generated from tenants on its port estates who do not make use of its port facilities. Our ongoing disposal of surplus land and property means that the contribution from property investment is subject to a gradual decline.

Table 6

Property investment	2006* £m	2005* £m	Change from 2005 %
Revenue	6.5	6.2	4.8
Operating profit	4.3	3.9	10.3

**Continuing operations*

Primarily, as a result of the receipt of a lease surrender premium at the Port of Southampton, revenue from continuing activities increased by 4.8 per cent to £6.5m (2005: £6.2m) and operating profit from continuing activities grew by 10.3 per cent to £4.3m (2005: £3.9m).

Property development

The group's programme of exploiting the potential of non-core property at its ports continued during 2006. The timing and scope of prospective disposals has become more difficult to predict over the years, particularly given the increasingly protracted and complex planning requirements that need to be satisfied prior to a disposal.

Table 7

Property development	2006* £m	2005* £m	Change from 2005 %
Revenue	26.6	15.7	69.4
Underlying operating profit	16.4	6.7	144.8

**Continuing operations*

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The sale of 132 acres of non-operational land associated with our Ports of Barrow and Garston for a total consideration of £19.0m was the primary reason for the improved contribution from our continuing property development activities during 2006. Revenue increased by 69.4 per cent to £26.6m (2005 £15.7m) and operating profit increased by 144.8 per cent to £16.4m (2005 £6.7m). The group has now achieved £245.5m of its extended target of £250m from non-core property and land disposals.

Associates

The group's associates comprise a 49 per cent interest in Southampton Container Terminals (SCT) and a 33 per cent interest in Tilbury Container Services (TCS).

Both SCT, which is located at ABP's Port of Southampton, and TCS, at the Port of Tilbury, engage in container-handling activities. SCT is the second-largest container terminal operator in the UK and handles a significant percentage of the UK's trade with the Far East.

Table 8

<i>Associates</i>	2006 £m	2005 £m	Change from 2005 %
Throughput (000s of twenty-foot equivalent units)	1,928	1,798	7.2
Group's share of revenue from associates	60.6	53.0	14.3
Group's share of underlying operating profit in associates	10.4	6.5	60.0
Group's share of net interest costs in associates	(0.3)	(0.5)	40.0
Group's share of taxation in associates	(3.2)	(1.6)	(100.0)
Group's share of profit in associates	6.9	4.4	56.8

Container throughput at TCS increased by 1.2 per cent to 428,000 units as a result of the new business added on the back of recent capacity expansion. Meanwhile, SCT benefited from the commencement of new services by the Grand Alliance and increased throughput by 9.1 per cent to 1,500,000 units.

Driven by this increase in throughput, the group's share of revenue from associated undertakings increased to £60.6m (2005 £53.0m). The group's share of profit from associated undertakings which further benefited from an increase in revenue from higher-margin ancillary activities and increased by 56.8 per cent to £6.9m (2005 £4.4m).

Net interest payable

Net interest payable (excluding exceptional interest costs detailed below) associated with the group's continuing activities increased by £1.5m to £39.6m (2005 £38.1m).

Although net borrowings decreased by £41.2m to £520.6m, the group's average net debt in relation to its continuing activities for 2006 of £517.4m was marginally higher than 2005. Net borrowings decreased as the £65.6m of costs incurred in relation to the early repayment of the group's existing debt were more than offset by the cash received in relation to the disposal of the group's USA operations, cash received in relation to the issue of new shares and cash flow generated by the group's continuing operations. Meanwhile the increase in average net debt was primarily due to amounts spent on share repurchases during 2005 and the early part of 2006 and capital expenditure incurred in relation to the Humber projects during 2005 and 2006.

Following the disposal of its USA operations, the group's debt is now entirely denominated in sterling. The Bank of England base rate for 2006 averaged 4.64 per cent (2005 4.64 per cent). The increase in the group's net interest payable reflects the impact of increased average debt levels, coupled with the reduced capitalisation of interest incurred in relation to capital expenditure projects being only partially offset by

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the benefit of lower borrowing costs achieved as a result of the group's refinancing of its existing £295m of Eurobonds in November 2006

The group's overall underlying average rate of interest increased marginally to 7.8 per cent (2005: 7.7 per cent), continuing underlying interest cover increased slightly to 4.6 times (2005: 4.2 times)

In addition the group incurred exceptional interest costs of £65.6m (2005: £nil) in relation to the refinancing of its existing debt facilities following its acquisition by Admiral. These charges comprised £64.5m in relation to the early redemption premium and associated costs paid in respect of the early repayment of the group's £295m of Eurobonds and the write-off of £1.1m of costs which were being amortised over the term of its existing revolving credit facility.

Increase in fair value of investment properties

A significant proportion of the group's non-current assets are accounted for by its investment property portfolio. In accordance with the requirements of IAS 40 – Investment Property, the fair value for this portfolio is reviewed by a qualified surveyor on an annual basis. As a result of the review conducted as at 31 December 2006, the group has recorded £3.3m (2005: £3.5m) in its income statement in respect of the increase in fair value of investment properties.

Exceptional items – administrative expenses

On 14 June 2006 the boards of Associated British Ports Holdings PLC (ABPH) and Admiral announced that they had reached agreement on the terms of recommended proposals for the acquisition of ABPH by Admiral at a price of 810 pence per ABPH share. On 15 June 2006, Admiral announced the terms of a revised offer of 840 pence per ABPH share. On 23 June 2006, the offer was increased once more to 910 pence per ABPH share. Admiral's offer valued ABPH's fully diluted share capital at £2.8bn. Further information on this offer is set out in the Scheme Document dated 21 June 2006 and a supplementary letter from the Chairman of ABPH dated 24 June 2006. The scheme of arrangement associated with this offer became effective on 14 August 2006 and subsequent to its acquisition by Admiral, the company converted into a private limited company in November 2006. Costs incurred by the group during 2006 in relation to this offer amounted to £39.2m (2005: £nil) and have been disclosed as an exceptional item within the income statement. These costs included £29.8m in relation to professional fees, £5.7m in relation to acceleration of share-based payments charges and £3.7m of other related costs.

Taxation

The underlying tax charge in relation to the group's continuing activities for the year of £38.2m (2005: £34.1m) equates to an underlying effective tax rate of 26.6 per cent and is lower than the 27.5 per cent underlying effective tax rate for 2005 as a result of increased profit contribution from the group's property development activities. This rate is also below the standard rate of tax of 30.0 per cent for the UK because the group benefits from the utilisation of brought-forward capital losses against its UK property sales. The group's share of taxation of associated undertakings reported within its share of profits from associated undertakings amounted to £3.2m (2005: £1.6m).

The exceptional tax credit recognised in relation to the exceptional items discussed above amounted to £17.6m (2005: £nil).

Discontinued operations

On 25 May 2006, the group announced the disposal of its entire USA operations, AMPORTS Inc, to an affiliate of Lincolnshire Equity Fund III, L.P., for a consideration of US\$107.8m (£57.2m), comprising US\$100m (£53.1m) in cash together with US\$7.8m (£4.1m) relating to the assumption of certain finance leases by the purchaser. AMPORTS' profit after tax during the period to 24 May 2006 amounted to £0.8m (full year 2005: £2.3m) and the group generated a post-tax gain of £7.5m in relation to this transaction.

Dividends and share repurchases

On 28 April 2006, the company paid a final dividend of 9.75 pence per share in respect of its financial year ended 31 December 2005. On 13 September and 20 October 2006 the company paid interim dividends totalling £17.6m to Admiral. No final dividend for the year ended 31 December 2006 was paid.

During 2006, the company repurchased and subsequently cancelled 0.6m ordinary shares of 25 pence each, or 0.2 per cent of the capital at 31 December 2005. These shares were purchased as part of the group's £205m share repurchase programme announced in 2004. The total cost of £3.6m, including costs has been charged to retained earnings.

Return on capital employed

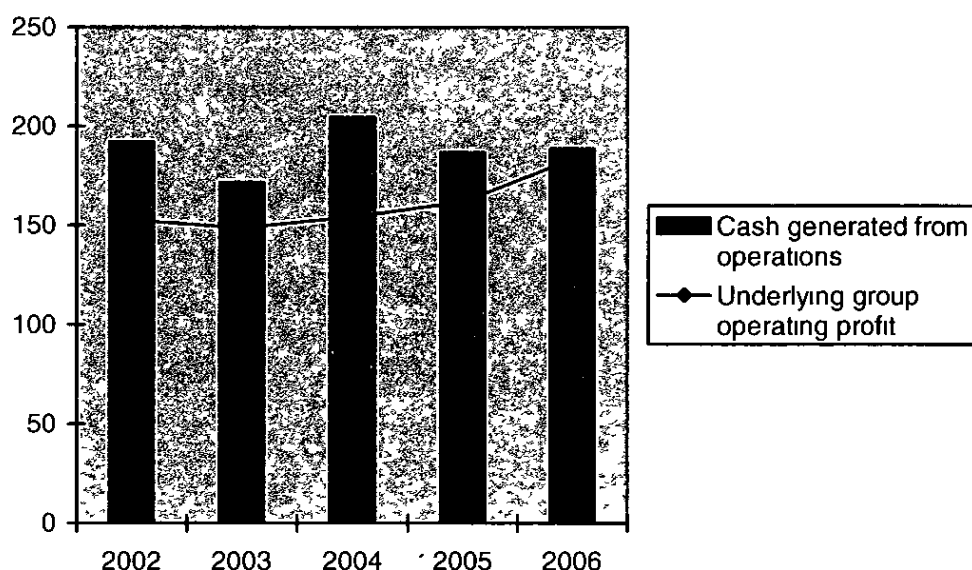
A key part of the group's strategy is to improve the return on capital employed by growing operating profit, maintaining a disciplined approach to capital expenditure and disposing of non-core assets.

The 11.9 per cent underlying return on capital employed that the group achieved in 2006 represents an improvement of 1.1 percentage points on the previous year. Given the significant progress to date, future improvements in the return on capital employed are expected to be modest. Nonetheless, the group remains committed to this approach going forward.

Cash flow

The group's business model generates strong operating cash flow. Figure 1 illustrates the consistency and strength of its cash generation and the consistently high level of conversion of operating profit into cash during the five years to 31 December 2006.

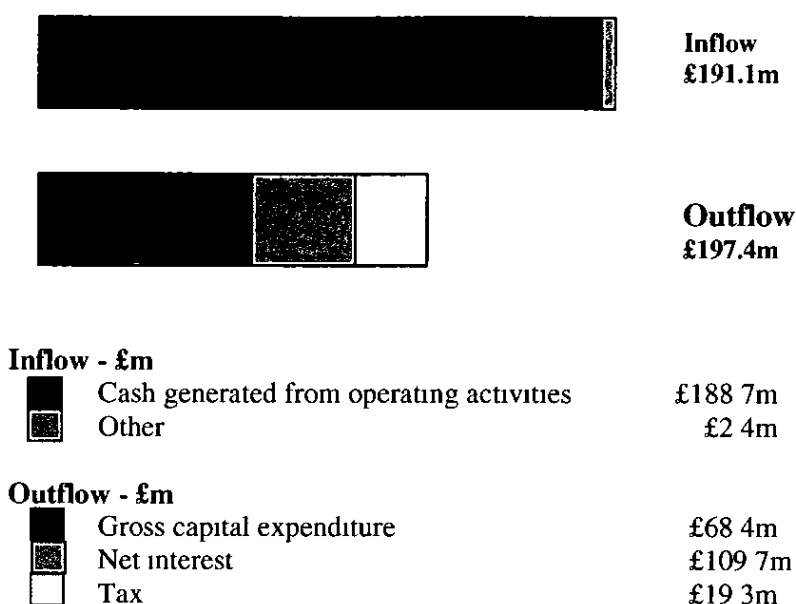
Figure 1



The group continued to closely monitor and manage its working capital commitments. At 102.9 per cent, underlying operating cash conversion from underlying group operating profit was once again in excess of 100 per cent. Cash generated from continuing operations totalled £188.7m for the year, compared to £186.9m in 2005. Free cash outflow at £6.3m was £14.6m below the 2005 inflow of £8.3m, due to the exceptional costs incurred in relation to the group's acquisition by Admiral and capital expenditure incurred on the Humber projects.

Figure 2

Analysis of 2006 free cash flow*



**Net cash from operating activities less net cash outflow from investing activities excluding acquisitions and disposals*

Given the group's commitment to growing the business through investment in its operations, capital expenditure represents the most significant use of its cash flow. Gross capital expenditure associated with the group's continuing activities decreased to £68.4m (2005: £111.1m), primarily as a result of reduced capital expenditure incurred in relation to the two Humber projects, which were completed during 2006.

There are two elements to the group's capital expenditure: maintenance or infrastructure expenditure and revenue-earning capital projects. Maintenance expenditure during 2006 was once again below the level of depreciation and the group aims to maintain this performance in 2007. By contrast, the only restriction the group places on revenue-earning capital projects is that they earn an internal rate of return on investment of at least 15 per cent. The group does not intend to enter into any major speculative investments.

Revenue-earning capital expenditure amounted to £43.4m (2005: £87.6m). Revenue-earning capital expenditure incurred during 2006 included £14.8m of further capital expenditure on Humber International Terminal phase 2 at Immingham, £9.1m on the development of the £27.5m roll-on/roll-off riverside terminal also at Immingham, £1.8m on the expansion and enhancement of City Cruise Terminal at Southampton and £1.8m of further expenditure on the redevelopment of port facilities at Teignmouth.

At the end of 2006, the group had completed £151.5m of the £400m+, 10-year revenue-related capital investment programme announced in 2004. Taking into account the group's projected expenditure of £30-35m on the shortsea container terminal development at Hull, plans to explore the development of a fourth new riverside terminal at the Port of Hull and the potential new investment in container capacity at Southampton means the group is well positioned to complete its £400m investment programme over the next eight years.

3. Financial position

Balance sheet

The group's balance sheet position as at 31 December 2006 is summarised in table 9 below

Table 9

	2006 £m	2005 £m	Change %
Property, plant and equipment	909.5	947.8	(4.0)
Port-related investment property	534.4	501.6	6.5
Other property assets	55.2	71.0	(22.3)
	1,499.1	1,520.4	(1.4)
Investment in associates	46.5	38.8	19.8
Property developments and land held for sale	10.2	15.3	(33.3)
Net retirement benefit asset	29.0	3.9	643.6
Deferred tax liabilities	(85.8)	(77.3)	(11.0)
Other	27.9	11.3	146.9
	1,526.9	1,512.4	1.0
Net borrowings	(520.6)	(561.8)	(7.3)
Net assets	1,006.3	950.6	5.9
Gearing	51.7%	59.1%	n/a

Property, plant and equipment, port-related investment property and other property assets

The group owns and operates 21 ports around the UK. Consequently, a majority of its capital is invested in port infrastructure and investment property located at its port facilities. Fair values for the group's investment property portfolio are reviewed annually, while property plant and equipment is carried in the balance sheet at cost or previous balance sheet valuation if transferred from another category. During 2006, the group's capital invested in property, plant and equipment decreased by £38.3m, with the impact of additions made in relation to the major growth projects at the Humber ports more than offset by depreciation and the disposal of the group's USA operations. The increase of £17.0m in its port-related investment property and other property assets included a total increase of £8.8m, which resulted from the review of fair values conducted as at 31 December 2006, net additions of £3.2m, net transfers from other categories of £17.2m, assets sold as part of the disposal of the group's USA operations of £10.8m, other disposals of £0.4m and an exchange loss of £1.0m.

Retirement benefits

The group's major retirement benefits scheme is a defined benefits scheme – the Associated British Ports Group Pension Scheme. The defined benefits section of this scheme was closed to new members in April 2002. The group accounts for retirement benefits in accordance with IAS 19 – Employee Benefits. During 2006, in relation to this scheme, the group recorded £9.5m for current service cost and recognised net finance income of £6.7m within its operating profit. As a result of the actuarial assumptions not having been borne out during 2006, the group also recognised an actuarial gain of £27.3m within its statement of group total recognised income and expense. This gain arose due to the gain associated with a 30 basis point increase in the discount rate applied of £22.3m and the experience gain of £8.6m in relation to the scheme's liabilities being partially offset by the loss of £3.6m resulting from worse than expected returns on the scheme's assets. Full details of all of the group's retirement benefit plans are provided in note 15.

Net borrowings and gearing

Net borrowings comprise £560.0m of balances outstanding under the £910.0m of facilities available to the group under Admiral's £2,370.0m senior credit facility, £2.1m of obligations under finance leases and £43.1m of net cash after deducting other short-term borrowings and interest accruals of £1.6m. Net borrowings decreased by £41.2m to £520.6m (2005: £561.8m). Borrowings decreased as the £65.6m of costs in relation to the early repayment of the group's existing debt and facilities were more than offset by the cashflow generated by its operations, proceeds received in relation to the group's disposal of its USA operations and proceeds received in relation to shares issued to employees in relation to the group's

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acquisition by Admiral. Consequently, gearing as at 31 December 2006 decreased to 51.7 per cent (2005 59.1 per cent)

Changes in net assets

Net assets increased by £55.7m to £1,006.3m. The increase in shareholders' funds comprises

- Increase of £30.4m relating to the issue of ordinary shares during the year
- Increase of £36.8m in respect of the profit for the year
- Decrease of £0.9m in respect of currency translation losses on the retranslation of the group's USA net assets prior to their disposal
- Increase of £14.6m in relation to share-based payment costs recorded in the income statement
- Decrease of £47.0m representing dividends paid during the year
- Increase of £19.1m due to net actuarial gains recognised in relation to the group's pension scheme and increase of £0.7m due to actuarial gains recognised in relation to the group's share of associated undertakings' pension schemes
- Decrease of £3.6m in associated share repurchases made during the year
- Increase of £0.1m reflecting the group's share of associated undertakings' gain in relation to cash flow hedges
- Increase of £5.5m in relation to property revaluation gains recognised in equity

Accounting standards and policies

The group prepares its financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

Significant accounting policies

As the group is an infrastructure-based provider of services, property, plant and equipment assets such as operational land, buildings, dock structures, quays and dredging, floating craft and plant and equipment represent a significant proportion of its balance sheet. The depreciation charge applied to these assets affects both their carrying value and the group's income statement. The group determines depreciation rates by reference to engineering assessments of the useful economic lifespan of each asset. It considers the current rates to be consistent with normal practice and appropriate within the context of its past experience.

The investment property portfolio is the group's second largest asset by value. Its policy is to undertake internal valuations annually and independent external valuations at least once every five years. The portfolio was valued at £589.6m as at 31 December 2006 by the group's internal surveyors.

A full actuarial valuation of the group's main defined benefit pension scheme was last carried out as at 31 December 2003. As at 31 December 2006, the group's actuary reviewed the valuation of this scheme in accordance with the requirements of IAS 19 – Employee Benefits. Under IAS 19, this scheme had a surplus of assets over liabilities of £31.9m at the end of 2006. Valuations of retirement benefit schemes require an element of judgement in terms of the assumptions applied, although the directors have taken advice from the scheme actuary on the determination of these assumptions, there can be no certainty that these will be borne out in the future.

The group provides for deferred tax liabilities in respect of all temporary differences in accordance with the requirements of IAS 12 – Income Taxes. The group also continues to benefit from capital losses brought forward from previous years. The potential deferred tax asset that may be recognised in relation to these losses is recognised to the extent that it is probable that future taxable profit will be available to facilitate the realisation of such an asset.

Treasury policies and liquidity

The group's main financial risks are liquidity, interest rate, foreign exchange and credit risk. The group's treasury policies and financial risks are managed by Admiral, its immediate parent company. The group does not trade in financial instruments. For further details see page 33.

4. Strategy update

The UK ports and transport operations continue to be the main focus of the group's activities

Our strategy is to invest in long-term contracts with quality customers that can generate internal rates of return of at least 15 per cent. In addition, we continue to monitor maintenance capital expenditure with a view to keeping this below our annual depreciation charge

Invest £400m+ over 10 years Invest £400m+ over 10 years in the core UK ports business, including the development of new facilities and the expansion of existing ones.	On track The group has completed £87m of investment in two major new facilities at the Port of Immingham, both of which became operational in 2006. Once we have finalised customer contracts, construction of a £30m-35m shortsea container terminal at the Port of Hull will begin which will be ready in 2008. In 2007, the group will also continue to progress the development of its fourth major project on the Humber, a potential shortsea coal import terminal at Hull, together with its plans to expand container capacity at Southampton. At the same time, management at all levels continue to talk to the group's customers at every level, generating business and creating organic growth by investing in a whole range of customer projects.
Sell non-core land and property Achieve additional £50m target from disposal of non-core property and land, bringing total proceeds since early 2003 to £250m.	On track £246m of cumulative proceeds generated from sales of non-core property and land to 31 December 2006, effectively completing the target.
Buy back shares Complete £205m share repurchase programme.	On track £144m completed by 31 December 2006. Share repurchase programme terminated following acquisition by Admiral.

The group's plans to invest more than £400m in the core UK ports business are progressing well. The group has completed £87m of investment in two major new facilities at the Port of Immingham, both of which became operational in 2006. Once we have finalised customer contracts, construction of a £30m-35m shortsea container terminal at the Port of Hull will begin which will be ready in 2008. In 2007, the group will also continue to progress the development of its fourth major project on the Humber, a potential shortsea coal import terminal at Hull, together with its plans to expand container capacity at Southampton. At the same time, management at all levels continue to talk to the group's customers at every level, generating business and creating organic growth by investing in a whole range of customer projects.

5. Risks and uncertainties

The successful execution of the group's strategy and the attainment of its objectives are contingent upon the effective management of risks and uncertainties that could affect its business activities. The group's risk management activities are undertaken by a risk management working group that is responsible for formalising its risk objectives and policies, the identification of the major risks it faces and the implementation of risk management processes. The risk management working group reports to the board. The group has in place embedded risk management processes, which aim to address the significance of any potential social, environmental and ethical issues that could have an impact on the group's short- and long-term objectives. These processes also enable the board to receive information on all significant risks and facilitate the formulation of effective responses on a timely basis. Some of the group's more significant risks, together with details on its monitoring procedures and performance indicators, are discussed below.

Management of health and safety performance

The nature of the group's business means that the health and safety of its employees and other persons involved in its operations is a continuous risk. Ineffective management of health and safety matters can lead to serious injury, damage to infrastructure and social and financial ramifications. Further, the group is legally obliged to implement safe systems of work in the conduct of its operations.

The group manages this risk through the enforcement of rigorous policies and procedures that are backed by a strong commitment from the board and designed to achieve continuous improvement. Components of the group's health and safety risk management systems include the clear allocation of management responsibility at group and business unit level, strict enforcement and independent review and monitoring of policies and procedures, well-developed policies and targets on training and education, clear procedures for dealing with contractors and monitoring and reporting of health and safety performance. Further details on the group's development of its health and safety performance and initiatives during 2006 will be included in its annual Corporate Social Responsibility (CSR) report, which is due to be published in April 2007. Progress against the group's primary performance indicators is detailed in table 10 below.

Table 10

	2006	2005	Change %
Fatal accidents to employees / contractors*	-	-	-
Reportable injuries per thousand employees	5.3	9.3	43.0
Percentage of employees provided with accredited training	87.0	89.0	(2.2)

**To avoid duplication, the group is not required to report fatalities at ports that do not involve its employees.*

The group did not suffer any fatalities involving its employees during 2006. The group's incidence rate for reportable injuries of 5.3 per thousand employees was better than its target set at the beginning of the year of 9.0 or less per thousand employees. The majority of the incidents involved slips, trips or falls. The improvement on the prior year and against target reflects the group's recent initiatives and its continued focus on this area.

The group continues to provide appropriate accredited health and safety training to all of its employees. At the end of 2006, the percentage of UK employees provided with accredited training was 87.0 per cent (2005: 89.0 per cent), against a long-term target of 95.0 per cent. Every employee within the group's businesses continues to be set the objective of improving health and safety performance.

Management of environmental matters

The group's UK port estates comprise over 12,000 acres of sea-bed and land. The group's obligations in relation to environmental stewardship are a significant risk. In operating its business to meet the demands of the country's trade, the group has in place policies and procedures that are designed to ensure that its activities are conducted with due regard for their potential impact on the environment. The group's environment management team has developed and implemented a management framework to ensure that environmental aspects relevant to our business are identified, assessed and managed appropriately. Further details on the group's management of environmental matters will be detailed in its 2006 CSR report. Table 11 below provides details of the group's progress during 2006 against its more significant environmental indicators.

Table 11

	2006 [^]	2005 [^]	Change %
Co2 emissions (tonnes)*	81,351	86,123	5.5
Electricity consumption (million kWh)*	81.6	78.2	(4.3)
Water consumption (million litres)*	1,375.7	1,757.7	21.7
Third-party waste managed (cubic metres)	31,830	54,503	41.6

*The group's target for CO2 emissions, electricity consumption and water consumption was to maintain these at 2005 levels on a like-for-like basis compared with revenue.

[^]Continuing operations

The group sets targets on resource consumption in order to increase the efficiency of its operations and to minimise their impact on the environment. The group continued to implement a range of initiatives to improve resource efficiency and its 2006 performance on resource consumption was ahead of its target on a like-for-like basis. In addition, the environment team made good progress on a range of initiatives against which we had set targets at the beginning of 2006, further details of which will be provided in the CSR report.

Management of social and community issues

The group remains committed to ensuring that its business units are a positive influence on their local communities. Social and community matters are managed proactively on a business unit and corporate basis. All major developments are subject to a detailed social impact analysis and community integration remains a key priority for all business units. The group's social and community initiatives are focused on education, charities, arts sponsorship, civic organisations and local partnerships and the provision of free access to its facilities where practical and appropriate. The group assesses its performance by reference to participation in external indices and, in addition, the group targets to contribute 0.2 per cent of its pre-tax profit to social and community-related initiatives. Table 12 below provides details of the group's 2006 performance in relation to social and community matters.

Table 12

	2006	2005	Change %
Total cash and in-kind contributions (percentage of pre-tax profit)	0.23%	0.32%	n/a
Ranking in BiTC Corporate Responsibility Index	Joint 70th	Joint 74th	n/a

Further details on social and community related initiatives and investment will be included in the group's 2006 CSR report.

Impact from competitor activities

All of the group's ports and terminals are subject to competition from facilities operated under a variety of ownership structures. The group maintains regular dialogue with its current and potential customers and aims to further mitigate this risk by building long-term contractual relationships with its key customers and developing facilities and services to meet their requirements. In 2006, the group entered into eight significant new revenue earning agreements, which will involve an investment of £27.9m by the group.

Availability of planning approvals for future developments

The success of the group's future strategy of developing its core ports and transport business through organic investment is partly dependent upon the availability of appropriate planning approvals. Although the group has been successful in obtaining a number of planning approvals for major developments, as a result of the complexity of the process and the legislation governing planning approvals there is no certainty as to the costs and timeframes attached to the availability of future approvals. Multi-disciplinary project teams and the senior management team closely manage all planning applications.

Potential impacts from terrorism incident or other accidents

Acts of terrorism, natural disasters and accidents all have the potential to limit the group's ability to operate. In addition to detailed contingency planning that has been implemented across all of its operating locations, the group mitigates these risks by investing in security policies, procedures and resources.

Other key operating risks

Trade volumes

While approximately 53 per cent of the group's UK ports business over the next year is secured by customer contracts, significant changes in volumes handled by the UK ports could impact operating performance. Overall, volume changes are broadly linked to changes in the UK's Gross Domestic Product, although this does not necessarily hold true at individual cargo level.

Operating costs

Increases in overall costs that the group is unable to pass on to its customers can be expected to impact its future financial performance. During the year, the group has continued to work with its advisors and the UK valuation office to ensure that increased costs associated with the proposed changes to the local authority business rating regime applicable to UK ports are minimised. These changes are being implemented on a phased basis and will lead to an increase in the group's cost base in the short term. The group intends to recover these increased costs from its customers where possible.

The valuation of the group's pension scheme and ongoing service costs attached to the provision of retirement benefits can vary depending on market conditions. Although the group's pension scheme remains relatively well funded, it has the potential to impact the group's future cash flow and cost base depending on changes in market conditions.

The group also makes contributions to three industry-wide defined benefit schemes, which have various funding levels. The group's ability to control these schemes is limited and therefore the impact on the group's future cash flow and cost base from these schemes is uncertain.

Capital expenditure projects

The group completed its first two riverside terminals on the Humber on schedule during 2006. These facilities have underpinned the growth achieved by the group's ports and transport business particularly during the second half of 2006. Looking further ahead, the efficient management of the group's remaining projected capital expenditure will impact on the value the group is able to deliver to its stakeholders in the medium and long term.

6. Resources and key relationships

The group's core UK ports and transport business generates 92.1 per cent of group revenue and 88.7 per cent of underlying group operating profit. The group's prospects and its ability to deliver returns to shareholders are therefore closely linked to the performance of its UK ports and transport business. The group believes that its core business benefits from many characteristics that position it to deliver sustainable future returns. Key resources and relationships that could influence the group's future performance are discussed below.

Employee relations and human capital management

During 2006, we employed 2,483 people within our UK businesses. As an infrastructure-based provider of services, the success of our business is dependent on our employees, who have a direct impact on the delivery of our services to our customers as well as on the efficient running of our operations. The quality and effectiveness of the management of our people is therefore critical to the attainment of our business objectives. Further, industrial action by the group's employees can affect its ability to provide facilities and services to its customers. The group is committed to the development of its employees and manages industrial relations by maintaining an ongoing dialogue and constructive relationships with employees, and where appropriate, their representatives.

Components of our personnel resources strategy include commitments to the highest possible standards of health and safety, equal opportunities, employee development, clear and fair terms of employment, access to information, provision of market-competitive salaries and benefits, as well as the maintenance of effective relationships with unions and contractors. The group monitors a range of indicators to assist it with the management of its employees. Table 13 below sets out the group's performance in relation to the management of its employees during 2006.

Table 13

	2006	2005	Change %
Sickness and absenteeism rate	2.9% 6.6 days per employee	3.1% 7.0 days per employee	n/a
Annual appointments as a percentage of headcount	10.1%	17.9%	n/a
Annual leavers as a percentage of headcount	12.2%	17.4%	n/a
Annual compulsory redundancies as a percentage of headcount	0.7%	1.3%	n/a
Female employees as a percentage of headcount	10.8%	14.4%	n/a

The group's objective is to monitor and benchmark the above data to ensure that it is in line with industry norms for each business unit, exceptions are identified and addressed through the implementation of specific initiatives to promote best practice and improve performance. The group also monitors the ethnic diversity of its employees and is committed to ensuring that all segments of its communities have the opportunity to participate in and contribute towards the success of its business. Further details on the group's employee development initiatives will be reported in its annual CSR Report, due to be published in April 2007. We intend to continue the development of our people during 2007 and beyond.

The group is committed to giving full, and fair, consideration to applicants for employment who are disabled. If an employee becomes disabled during their employment, the group makes every effort to ensure that, wherever possible, the person can either continue in their present role or retrain for a different role.

Contracted revenue streams

In order to ensure that it is able to earn an appropriate return on capital invested in customer-driven schemes, the group enters into long-term agreements that normally include minimum annual revenue commitments from customers. These agreements not only enable the group to invest in the development of infrastructure to provide its customers with security over the availability of facilities, but also provide the group with secure and predictable future revenues. As at the end of 2006, over 53 per cent of revenues budgeted for the group's UK ports business are expected to be earned from customer agreements.

Market leading and diversified core business

The group's 21 ports located around the UK mean that its core business is the number one operator within its market by a considerable margin. The size and spread of its UK ports portfolio also means that the group's core business is highly diversified in terms of the variety of cargoes handled and the origination and destination markets for its cargoes. This diversification further contributes towards the stability of the group's revenues.

Customers and suppliers

Like all businesses the group's future success is dependent upon the maintenance and development of its relations with current and potential customers. The group works closely with its customers to develop new facilities and services to meet their requirements and senior management manages key customer relations at both corporate and business unit level. The group is investing £27.9m in new revenue earning projects contracted during 2006.

The effective and efficient sourcing of both operating and capital expenditure is an important driver of our business performance. The group aims to agree terms and conditions before business takes place and to settle amounts due to its suppliers in line with the terms agreed.

The group aims to agree terms and conditions before business takes place and to settle amounts due to its suppliers in line with the terms agreed.

At year-end, the group owed the equivalent of 29 days of purchases (2005: 35 days) to trade creditors, based on average daily amount invoiced by suppliers during the year.

Robust internal control and risk management systems

Through its board, the group maintains a system of internal controls to identify, evaluate and manage the significant risks it faces in order to safeguard its assets.

Other stakeholder relations

Good relations with its stakeholders are critical to the successful future development of the group's business. The group places a great deal of emphasis on maintaining regular dialogue with and on the communication of its performance to all stakeholders. The group publishes annual CSR reports that detail its performance to its wider stakeholder audience. The group endeavours to ensure that its communications with stakeholders are informative, relevant and meet the highest standards of transparency. In this regard, the group was delighted with the independent recognition given to its 2005 annual report.

The group's 2005 annual report was selected as the '*Business Annual Report and Accounts of the Year*' at the 2006 *Accountancy Age Awards* and won the '*Building Public Trust Award*' for non-FTSE 100 companies at the 2005 PricewaterhouseCoopers awards. The group aims to continue to develop its relations with all of its stakeholders during the year ahead.

7. Other statutory information**Directors and their interests**

The beneficial, including family, interests of the directors in office as at 31 December 2006 in the share capital of Associated British Ports Holdings Limited as at 31 December 2006 are set out in the table below

	Ordinary shares of 25p each		Ordinary shares of 25p each held by the trustees of the Employee Share Ownership Scheme		Ordinary shares of 25p each subject to options under the Savings-Related Share Option Scheme and Executive Share Option Scheme	
	2006	2005	2006	2005	2006	2005
AJ Adams	-	20,000	-	-	-	-
AE Seng	-	-*	-	-*	-	-*
AH Simon	-	5,000	-	-	-	-
BA Lerenius	-	44,179	-	1,667	-	407,781
CRN Clark	-	10,000	-	-	-	-
DD Morrison	-	515	-	1,667	-	91,600
DS Sach	-	26,280	-	-	-	-
EH Clarke	-	-*	-	-*	-	-*
EYK Wong	-	-*	-	-*	-	-*
GPR Kay	-	-*	-	-*	-	-*
JC Knowlton	-	-*	-	-*	-	-*
MJ Nobrega	-	-*	-	-*	-	-*
PLH Camu	-	-*	-	-*	-	-*
RP Edey	-	-*	-	-*	-	-*
RJ Adam	-	7,287	-	1,667	-	264,422
RM Watters	-	-*	-	-*	-	-*
SB Lilley	-	-*	-	-*	-	-*
SJ Chambers	-	10,000	-	-	-	-
SR Melliss	-	-*	-	-*	-	-*
TJ Bowdler	-	5,000	-	-	-	-
TD Ferguson II	-	-*	-	-*	-	-*

**Interests at date of appointment*

Messrs RJ Adam, BA Lerenius and DD Morrison were granted options over 47,520, 73,002 and 20,110 shares in the company, respectively, on 26 April 2006. These options were exercisable at 726 pence each. In addition, Messrs RJ Adam, BA Lerenius and DD Morrison were awarded 47,520, 73,002 and 20,110 shares, respectively on 26 April 2006 under the group's Performance Share Plan. During the year the number of options over shares exercised by, Messrs RJ Adam, BA Lerenius and DD Morrison were 311,942, 480,783 and 111,710 respectively.

No director has, or had at any time during the year, held a material interest in any contract or arrangement of significance to which any group undertaking was or is a party.

Charitable and political donations

The group donated £91,000 (2005 £123,000) to charities during the year. It did not make any contributions for political purposes (2005 nil).


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Auditors

Each director has taken steps that he ought to have taken in his duty as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information. So far as each director is aware, there is no information of which the company's auditors are unaware.

PricewaterhouseCoopers LLP have expressed their willingness to continue in office as auditors of the company. Resolutions will be put to the AGM proposing their reappointment as auditors and authorising the directors to set their remuneration.

By order of the Board



**Hywel Rees FCIS
Company Secretary
150 Holborn
London EC1N 2LR
Registered in England No. 1612178
20 February 2007**

Statement of directors' responsibilities in respect of the preparation of financial statements

Company law requires the directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the company and the group and of the income or expense of the group for that period. In preparing those 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,
- State whether the financial statements comply with the International Financial Reporting Standards as endorsed by the European Union, 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 group and the company will continue in business.

The directors confirm that the financial statements comply with these requirements. The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditors' Report to the Member of Associated British Ports Holdings Limited

We have audited the group and parent company financial statements (the "financial statements") of Associated British Ports Holdings Limited for the year ended 31 December 2006 which comprise the group income statement, the group and parent company balance sheets, the group and parent company cash flow statements, the group and parent company statements of recognised income and expense and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union 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). This report, including the opinion, has been prepared for and only for the company's member in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and have been 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 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 other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the directors' report. 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. It also includes an assessment of the significant estimates and judgments 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 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 group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 31 December 2006 and of its profit and cash flows for the year then ended,
- the parent company financial statements give a true and fair view in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 31 December 2006 and cash flows 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



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
20 February 2007

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Group income statement for the year ended 31 December

	Note	2006 £m	2005 £m
Continuing operations			
Group revenue	2	419.1	395.8
Cost of sales		(179.8)	(178.7)
Gross profit		239.3	217.1
Administrative expenses	3	(95.2)	(55.2)
Increase in fair value of investment properties	13	3.3	3.5
Group operating profit	2	147.4	165.4
Analysed between			
Group operating profit before increase in fair value of investment properties and exceptional items		183.3	161.9
Increase in fair value of investment properties	13	3.3	3.5
Exceptional items - administrative expenses	3	(39.2)	-
Interest payable and similar charges	4	(106.7)	(38.6)
Analysed between			
Interest payable and similar charges before exceptional items	4	(41.1)	(38.6)
Exceptional items - interest payable and similar charges	3,4	(65.6)	-
Interest receivable and similar income	4	1.5	0.5
Share of profit in associated undertakings	14	6.9	4.4
Profit before taxation	2,5	49.1	131.7
Analysed between			
Profit before taxation before increase in fair value of investment properties and exceptional items		150.6	128.2
Increase in fair value of investment properties	13	3.3	3.5
Exceptional items - administrative expenses and interest payable and similar charges	3	(104.8)	-
Taxation	7	(20.6)	(34.1)
Profit for the year from continuing operations		28.5	97.6
Discontinued operations			
Profit for the year from discontinued operations	8	8.3	2.3
Analysed between			
Profit from discontinued operations	8	0.8	2.3
Profit on disposal of discontinued operations	8	7.5	-
Profit attributable to equity shareholders	26	36.8	99.9

The company has not presented its own profit and loss account as permitted by Section 230 of the Companies Act 1985. The parent company's loss attributable to equity shareholders amounted to £71.1m (2005 profit of £93.9m).

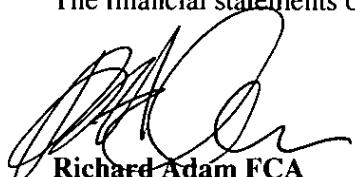
ASSOCIATED BRITISH PORTS HOLDINGS LIMITED ANNUAL REPORT AND ACCOUNTS 2006

Balance sheets as at 31 December

Balance sheet as at 31 December

		Group		Company	
	Note	2006 £m	2005 £m	2006 £m	2005 £m
Assets					
Non-current assets					
Goodwill	10	14.5	14.5	-	-
Intangible assets	11	0.7	1.0	-	-
Property, plant and equipment	12	909.5	947.8	-	-
Investment property	13	589.6	572.6	-	-
Investments	14	46.5	38.8	150.9	144.7
Retirement benefit assets	15	31.9	7.1	-	-
Trade and other receivables	16	1.5	3.5	-	-
Deferred tax asset	23	-	-	-	0.5
		1,594.2	1,585.3	150.9	145.2
Current assets					
Property developments and land held for sale	17	10.2	15.3	-	-
Trade and other receivables	16	86.8	93.5	658.2	744.0
Cash and short-term deposits	18	43.1	6.7	-	-
		140.1	115.5	658.2	744.0
Total assets		1,734.3	1,700.8	809.1	889.2
Liabilities					
Current liabilities					
Financial liabilities - borrowings	19	(1.9)	(7.6)	(1.0)	(6.8)
Trade and other payables	21	(48.5)	(69.1)	(6.0)	(3.4)
Current tax liabilities		(10.5)	(25.0)	-	-
Provisions	22	(8.8)	(1.2)	-	-
		(69.7)	(102.9)	(7.0)	(10.2)
Non-current liabilities					
Financial liabilities - borrowings	19	(561.8)	(560.9)	(560.0)	(554.5)
Retirement benefit obligations	15	(2.9)	(3.2)	-	-
Deferred tax liabilities	23	(85.8)	(77.3)	-	-
Provisions	22	(7.8)	(5.8)	-	-
Other non-current liabilities	24	-	(0.1)	-	-
		(658.3)	(647.3)	(560.0)	(554.5)
Total liabilities		(728.0)	(750.2)	(567.0)	(564.7)
Net assets		1,006.3	950.6	242.1	324.5
Shareholders' equity					
Share capital	25	77.0	75.4	77.0	75.4
Share premium account	26	124.0	95.4	124.0	95.4
Revaluation reserve	26	688.2	684.9	-	-
Other reserves	26	47.8	33.8	40.3	31.2
Retained earnings	26	69.3	61.1	0.8	122.5
Total shareholders' equity		1,006.3	950.6	242.1	324.5

The financial statements on pages 26 to 72 were approved by the board of directors on 20 February 2007


Richard Adam FCA
Group Finance Director

Cash flow statements for the year ended 31 December

		Group		Company	
	Note	2006 £m	2005 £m	2006 £m	2005 £m
Continuing operations					
Cash flows from operating activities					
Cash generated from operations	27	188.7	186.9	119.0	45.6
Interest paid		(110.7)	(40.1)	(111.0)	(38.8)
Interest received		1.0	0.4	0.3	-
Taxation		(19.3)	(29.3)	-	-
Net cash from operating activities		59.7	117.9	8.3	6.8
Cash flows from investing activities					
Sale of subsidiary undertakings - cash proceeds	8	52.8	-	5.3	-
Proceeds from sale of property, plant and equipment		1.6	1.5	-	-
Proceeds from sale of investment property		0.8	-	-	-
Purchase of intangible assets		(0.3)	(0.2)	-	-
Purchase of property, plant and equipment		(64.7)	(106.6)	-	-
Purchase of investment property		(3.4)	(4.3)	-	-
Net cash (outflow)/inflow from investing activities		(13.2)	(109.6)	5.3	-
Cash flows from financing activities					
Dividends paid	9	(47.0)	(49.7)	(47.0)	(49.7)
Decrease/(increase) in short-term deposits		3.7	(3.7)	-	-
Repayment of Eurobonds and bank loans		(551.2)	-	(551.2)	-
Increase in borrowings		560.0	88.0	560.0	88.1
Repayments of obligations under finance leases		(0.1)	(4.0)	-	-
Repurchase of shares		(3.6)	(50.4)	(3.6)	(50.4)
Proceeds from issue of share capital		30.4	4.8	30.4	4.8
Net cash outflow from financing activities		(7.8)	(15.0)	(11.4)	(7.2)
Increase/(decrease) in cash and cash equivalents during the year from continuing operations		38.7	(6.7)	2.2	(0.4)
Discontinued operations					
Increase/(decrease) in cash and cash equivalents during the year from discontinued operations	8	3.7	(0.2)	-	-
Increase/(decrease) in cash and cash equivalents during the year		42.4	(6.9)	2.2	(0.4)
Cash and cash equivalents at 1 January		0.5	7.3	(2.3)	(1.9)
Effect of foreign exchange rate changes		0.2	0.1	0.1	-
Cash and cash equivalents at 31 December	27	43.1	0.5	-	(2.3)

ASSOCIATED BRITISH PORTS HOLDINGS LIMITED ANNUAL REPORT AND ACCOUNTS 2006

Reconciliation of net cash flow to movement in net borrowings for the year ended 31 December

	Note	Group		Company	
		2006 £m	2005 £m	2006 £m	2005 £m
Increase/(decrease) in cash and cash equivalents during the year		42.4	(6 9)	2.2	(0 4)
(Decrease)/increase in short-term deposits		(3.7)	3 7	-	-
Increase in borrowings		(8.8)	(88 0)	(8.8)	(88 1)
Sale of subsidiary undertakings - finance leases		4.1	-	-	-
Repayments of obligations under finance leases		0.1	4 1	-	-
Decrease/(increase) in net borrowings resulting from cash flows		34.1	(87 1)	(6.6)	(88 5)
Change in interest payable		3.1	(4 7)	3.6	(4 5)
Currency translation differences		4.0	(4 0)	3.3	(3 8)
Change in net borrowings during the year		41.2	(95 8)	0.3	(96 8)
Net borrowings at 1 January		(561.8)	(466 0)	(561.3)	(464 5)
Net borrowings at 31 December	19	(520.6)	(561 8)	(561.0)	(561 3)

Statement of recognised income and expense for the year ended 31 December

	Note	Group		Company	
		2006 £m	2005 £m	2006 £m	2005 £m
Actuarial gain/(loss) relating to net retirement benefit assets	15	27.3	(25 1)	-	-
Deferred tax associated with actuarial (gain)/loss relating to net retirement benefit assets	23	(8.2)	7 5	-	-
Share of associated undertakings' actuarial gain/(loss) relating to net retirement benefit liabilities		0.7	(2 1)	-	-
Share of associated undertakings' gain/(loss) in relation to cash flow hedges		0.1	(0 1)	-	-
Currency translation differences on foreign currency net investments	26	(0.9)	1 4	-	-
Surplus arising on revaluation of investment property	26	5.5	-	-	-
Current tax credit on share-based payments	7	6.7	0 4	1.8	-
Deferred tax credit/(charge) on share-based payments	7	0.6	0 7	(0.2)	0 2
Net income and expense recognised directly in equity		31.8	(17 3)	1.6	0 2
Profit/(loss) attributable to equity shareholders		36.8	99 9	(71.1)	93 9
Total recognised income and expense for the year attributable to equity shareholders		68.6	82 6	(69.5)	94 1

Notes to the financial statements

1 Accounting policies

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations as adopted by the EU and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS. The financial statements have been prepared on a going concern basis under the historical cost convention as modified by the revaluation of operational land, investment properties and land at ports held for development.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may ultimately differ from those estimates. Management believes that the most critical accounting policies and the most significant areas of judgement and estimation are revenue and profit recognition, property, plant and equipment, investment property, property developments and land held for sale, taxation and employee benefits.

IFRS 7, Financial Instruments Disclosures, and the complementary Amendment to IAS 1, Presentation of Financial Statements – Capital Disclosures, will be mandatory for the group from 1 January 2007. This may require additional disclosure from the group but will have no impact on the classification and valuation of the group's financial instruments.

Of the standards, amendments and interpretations to published standards that became mandatory for accounting periods on or after 1 January 2006, only IAS 39 and IFRS 4 (Amendment), Financial Guarantee Contracts was relevant to the group's operations. The group has reviewed its accounting for financial guarantee contracts but no adjustments have been required.

The group has reviewed the interpretations of existing standards that have been published and that are mandatory for the group's accounting periods beginning on or after 1 January 2007 or later. None of these are relevant to the group's operations.

Basis of consolidated financial statements

The consolidated financial statements include the accounts of the company, all of its subsidiary undertakings and its share of the results of all of its associated undertakings, which are accounted for under the equity method. The group's associated undertakings prepare their financial statements under IFRS. The results of subsidiary undertakings acquired are included from the date of acquisition, using the acquisition method of accounting. The results of discontinued operations are included up to the date of disposal.

Critical accounting policies

The company's management considers the following to be the most important accounting policies in the context of the group's operations.

Revenue and profit recognition

Revenue comprises the amounts receivable in respect of ports and transport services provided to third parties, income from investment properties and sales of property developments, excluding related sales taxes. Revenue and profit, in relation to the provision of ports and transport services and income from investment property, are recognised when the provision of the service is complete. Revenue and profits or losses arising on the sale of sites or completed developments are recognised when contracts for sale have been exchanged and when all material conditions have been satisfied.

Notes to the financial statements

1. Accounting policies (continued)

Property, plant and equipment

Operational land, pre-1 January 1999, is held at the 31 December 1998 valuation with subsequent additions being stated at cost and transfers from investment property being made at the carrying value at the last balance sheet date. All other property, plant and equipment is carried at cost adjusted for subsequent additions and disposals.

Finance costs directly attributable to the construction of major additions to non-current assets are capitalised as part of the cost of those assets.

Capital investment grants are credited against the carrying cost of the asset to which they relate. Transfers of property, plant and equipment to investment properties are reflected net of any unamortised capital investment grants. Transfers of property from non-current assets to current assets - property developments and land held for sale - are made at the higher of market value on the date of transfer or the carrying value at the last balance sheet date.

Depreciation is provided on a straight-line basis spread over the expected useful economic lives of the various types of asset and having taken account of the estimated residual values. Estimated residual values are reviewed and updated annually. Estimated useful lives extend up to a maximum of 50 years for capital dredging costs, dock structures, roads, quays and buildings, up to 30 years for floating craft and range between two and 30 years for plant and equipment. Freehold land is not depreciated.

Investment property

Investment properties and land held for development are stated at fair value. In accordance with IAS 40 Investment Property, revaluations are conducted annually by the directors and by external valuers at least once every five years. Surpluses or deficits arising on the revaluation of investment property are recognised in the income statement. Obligations in relation to leasehold properties classified as investment property are recorded as finance leases.

Property developments and land held for sale

Property developments and land held for sale are stated at the lower of cost (or transfer value, if transferred from non-current assets) and fair value less costs to sell.

Transfers of property from property developments and land held for sale to non-current assets are made at the lower of cost and estimated fair value less costs to sell as at the date of transfer.

Taxation

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised in respect of all temporary differences, except to the extent that the deferred tax liability arises from (a) the initial recognition of goodwill, (b) goodwill for which amortisation is not deductible for tax purposes, or (c) the initial recognition of an asset or liability in a transaction which is not a business combination and which at the time of the transaction affects neither accounting profit nor taxable profit.

Temporary differences are differences between the tax base value of assets and liabilities and their carrying amount as stated in the financial statements. These arise from differences between the valuation, recognition and amortisation bases used in tax computations compared with those used in the preparation of financial statements under IFRS.

Notes to the financial statements

1 Accounting policies (continued)

Taxation (continued)

Deferred tax liabilities are measured at the average tax rates that are expected to apply in the periods in which the temporary differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. The group's deferred tax provision is measured on an undiscounted basis. No provision is made for unremitted earnings of foreign subsidiaries or for temporary differences relating to investments in subsidiaries, since the realisation of such differences can be controlled and is not probable in the foreseeable future. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available to facilitate the realisation of such assets.

Employee benefits

The group accounts for pensions and similar benefits under IAS 19 Employee Benefits. In respect of defined benefit plans, obligations are measured at their discounted present value using the projected unit cost method, while benefit plan assets are recorded at fair value. The operating and financing costs of such benefit plans are recognised as staff costs in the income statement, service costs are spread systematically over the expected service lives of employees and financing costs are recognised in the periods in which they arise. Actuarial gains and losses are recognised immediately in the statement of recognised income and expense.

Payments to defined contribution schemes are charged as an expense as they fall due.

Other accounting policies

Business combinations and goodwill

Purchased goodwill arising on consolidation, representing the excess of the purchase price over the fair value of the identifiable assets less liabilities and contingent liabilities acquired, is capitalised in the year in which it arises and is thereafter subject to impairment reviews annually and when there are indications that the carrying value may not be recoverable.

Other intangible assets

Purchased intangible assets, primarily computer software, are capitalised at cost and amortised on a straight-line basis over their useful economic lives, which normally do not exceed five years. Development costs incurred on internal projects are only capitalised where the future economic benefit can reasonably be assessed as assured.

Share-based payment

The fair value of share-based payment awards is calculated using an option pricing model. In accordance with IFRS 2 Share-based Payment, the resulting cost is charged as employee costs to the income statement over the vesting period of the relevant award. This charge is amended to take into account changes in the number of equity instruments expected to vest as a consequence of the changes in expectation as to the attainment of any performance-related conditions. No changes to the charge are made when the expected or actual level of awards vesting differs from the original estimate due to non-attainment of market conditions, e.g., non-attainment of the appropriate total shareholder return. Cancelled awards are deemed to have vested upon cancellation. Any unamortised expense associated with such awards is charged to the income statement immediately.

Foreign currencies

The functional and presentational currency of the group is sterling. Transactions of UK companies denominated in foreign currencies are translated into sterling at the rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates of exchange ruling at that date. Translation differences arising as a result of changes in exchange rates between the transaction and balance sheet date are recognised in the income statement.

Notes to the financial statements

1 Accounting policies (continued)

Foreign currencies (continued)

The income statements of foreign subsidiary undertakings are translated into sterling at average rates for the relevant period, balance sheets are translated into sterling at the rates of exchange ruling at the balance sheet date

All exchange differences arising on consolidation are taken directly to equity. All other translation differences are taken to the income statement.

Leased assets

At the inception of a finance lease, the capital cost of the asset is included in the financial statements at fair value both as a tangible operating asset and as an obligation to pay future rentals. Assets acquired under finance leases are depreciated over the shorter of the lease term or their useful life. The obligations related to finance leases, net of finance charges in respect of future periods, are included, as appropriate, under current liabilities or non-current liabilities. The interest element of the rental obligation is allocated to accounting periods during the lease term to reflect a constant rate of interest on the remaining balance of the obligation for each accounting period.

Amounts payable in respect of operating leases are charged to the income statement on a straight-line basis over the term of the lease.

Provisions

Provisions are recognised when the group has an obligation in respect of a past event, it is more likely than not that payment (or a non cash settlement) will be required to settle the obligation and where the amount can reliably be estimated. Provisions are discounted when the time value of money is considered material.

Cash and cash equivalents

The group defines these as short-term highly liquid investments readily convertible into known amounts of cash. They are normally represented by bank deposits with a maturity of less than three months at the date of acquisition less borrowings that are repayable on demand.

Exceptional items

Exceptional items are those significant items which are separately disclosed by virtue of their size or incidence to enable a full understanding of the group's financial performance.

Financial instruments

Treasury matters throughout the group are controlled centrally and carried out in compliance with policies approved by the board. The group's main financial risks are liquidity, interest rate, foreign exchange and credit risk. The group aims to manage these risks to an acceptable level. It does not trade in financial instruments.

Liquidity and interest rate risk

The group's liquidity and interest rate risks are managed by its parent company, Admiral Acquisitions UK Limited.

Foreign exchange risk

The group principally invoices its customers and settles its expenses in sterling. Accordingly, currency exposure arising from transactions being settled in other currencies tends to represent the exception rather than the rule. Where such exceptions are significant, any related exposure is managed through forward currency contracts.

Notes to the financial statements

1 Accounting policies (continued)

Financial instruments (continued)

Credit risk

In common with other companies, the group is exposed to credit-related losses in the event of non-performance by counterparties to financial instruments. The group mitigates this risk by ensuring that its counterparties do not represent excessive credit risk prior to the agreement of any transaction. Exposure to counterparties is also reviewed on a regular basis to avoid any excessive reliance on a single counterparty.

Non-interest bearing trade and other receivables are recorded at fair value and subsequently reviewed for impairment. Interest-bearing trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, less any provision for impairment.

Fixed deposits, comprising principally of funds held with banks and other financial institutions, short-term borrowings and overdrafts are classified as loans and receivables and held at amortised cost.

Non-interest bearing trade and other payables are recorded at fair value and subsequently reviewed for impairment. Interest-bearing trade and other payables are recognised initially at fair value and subsequently measured at amortised cost.

Borrowings are initially recognised at fair value, net of transaction costs incurred and are held at amortised cost. Any difference between the amount initially recognised and the redemption amount is recognised in the income statement over the period of the loan, using the effective interest method.

Derivative financial instruments utilised by the group comprise interest rate swaps and forward foreign exchange contracts. All such instruments are used for hedging purposes to manage the risk profile of an existing underlying exposure of the group in line with the group's risk management policies. All derivative instruments are recorded in the balance sheet at fair value. Recognition of gains or losses on derivative instruments depends on whether the instrument is designated as a hedge and the type of exposure it is designed to hedge.

Gains or losses, for qualifying derivative instruments designated as fair value hedges, are recorded in the income statement together with the changes in the fair value of the item being hedged.

The effective part of gains or losses on qualifying cash flow hedges is deferred in equity until the impact from the hedged item is recognised in the income statement. The ineffective portion of such gains or losses is recognised in the income statement immediately.

Gains or losses on the qualifying part of net investment hedges are recognised in equity, the ineffective portion of such gains or losses is recognised in the income statement.

Gains and losses on derivative instruments not qualifying for hedge accounts are taken to the income statement.

Notes to the financial statements

2 Segmental analysis

The group is a leading provider to ship and cargo owners of innovative and high-quality port facilities and services. The group is organised into three principal business segments, which provide the basis on which the group reports its primary segmental information.

- a Ports & transport - port-related activities
- b Property investment - rental income from tenants on port estates not using port facilities
- c Property development - sales of surplus non-operational land and property

Secondary segmental information is based on geographic location, being activities in the UK and USA.

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other segments.

A geographical segment is engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments.

There are immaterial sales between business segments. Segment assets include intangible assets, property, plant and equipment, investment property, investments, trade and other receivables and property developments and land held for sale. Segment liabilities include trade and other payables and provisions.

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Notes to the financial statements

2 Segmental analysis (continued)

Capital expenditure comprises the balance sheet additions for property, plant and equipment, investment property and intangible assets

	2006			2005		
	UK £m	USA £m	Total £m	UK £m	USA £m	Total £m
Continuing operations						
Group revenue						
Ports & transport	386.0	-	386.0	373.9	-	373.9
Property investment	6.5	-	6.5	6.2	-	6.2
Property development	26.6	-	26.6	15.7	-	15.7
Group revenue	419.1	-	419.1	395.8	-	395.8
Group operating profit						
Ports & transport	162.6	-	162.6	151.3	-	151.3
Property investment	4.3	-	4.3	3.9	-	3.9
Property development	16.4	-	16.4	6.7	-	6.7
Group underlying operating profit	183.3	-	183.3	161.9	-	161.9
Increase in fair value of investment properties ¹	3.3	-	3.3	3.5	-	3.5
Exceptional items - administrative expenses (note 3) ²	(39.2)	-	(39.2)	-	-	-
Group operating profit	147.4	-	147.4	165.4	-	165.4
Net interest payable			(39.6)			(38.1)
Exceptional items - interest payable and similar charges (note 3) ³			(65.6)			-
Share of profit in associated undertakings ⁴			6.9			4.4
Profit before taxation			49.1			131.7
Taxation			(20.6)			(34.1)
Profit for the year from continuing operations			28.5			97.6
Discontinued operations ⁵						
Profit for the year from discontinued operations	7.5	0.8	8.3	-	2.3	2.3
Analysed between						
Share of profit from discontinued operations	-	0.8	0.8	-	2.3	2.3
Profit on disposal of discontinued operations	7.5	-	7.5	-	-	-
Profit attributable to equity shareholders			36.8			99.9

¹ Increase in fair value of investment properties comprised £1.7m (2005: £3.2m) in relation to the group's ports and transport segment, £1.6m (2005: £0.2m) in relation to the group's property investment segment and £nil (2005: £0.1m) in relation to the group's property development segment

² Exceptional items - administrative expenses comprise £24.5m in respect of the group's UK ports & transport segment, £4.9m in respect of the group's UK property investment segment and £9.8m in respect of the group's UK property development segment

³ Exceptional items - interest payable and similar charges comprise £41.0m in respect of the group's UK ports & transport segment, £8.2m in respect of the group's UK property investment segment and £16.4m in respect of the group's UK property development segment

⁴ Share of profit in associated undertakings relates to the group's UK ports and transport segment

⁵ Profit from discontinued operations relates to the group's entire activities in the USA

Notes to the financial statements

2 Segmental analysis (continued)

	31 December 2006			31 December 2005		
	UK £m	USA £m	Total £m	UK £m	USA £m	Total £m
Segment assets						
Total operating assets						
Ports & transport	1,530.3	-	1,530.3	1,486.9	54.3	1,541.2
Property investment	55.4	-	55.4	58.6	11.8	70.4
Property development	12.6	-	12.6	22.1	-	22.1
Share of associated undertakings ¹	46.5	-	46.5	38.8	-	38.8
	1,644.8	-	1,644.8	1,606.4	66.1	1,672.5
Segment liabilities						
Total operating liabilities						
Ports & transport	(61.1)	-	(61.1)	(64.3)	(5.0)	(69.3)
Property investment	-	-	-	(0.4)	-	(0.4)
Property development	(4.0)	-	(4.0)	(6.4)	-	(6.4)
	(65.1)	-	(65.1)	(71.1)	(5.0)	(76.1)
Net operating assets before group items	1,579.7	-	1,579.7	1,535.3	61.1	1,596.4
Group items						
Goodwill			14.5			14.5
Net borrowings			(520.6)			(561.8)
Retirement benefit assets			31.9			7.1
Retirement benefit obligations			(2.9)			(3.2)
Net liabilities			(96.3)			(102.4)
Net assets			1,006.3			950.6
Total capital expenditure ²						
Ports & transport	62.4	0.1	62.5	116.4	2.8	119.2
Total depreciation and amortisation ²						
Ports & transport	34.0	0.8	34.8	29.2	2.2	31.4

¹ Share of associated undertakings relates to the group's ports and transport segment

² Continuing and discontinued operations

Notes to the financial statements

3 Exceptional items

Exceptional items, included within administrative expenses, totalling £39.2m (2005 nil), relate to the costs associated with the acquisition of the group by Admiral Acquisitions (UK) Limited. Some of these costs were borne on behalf of other subsidiary undertakings.

Exceptional items included within interest payable and similar charges totalled £65.6m (2005 £nil). As a result of the group's acquisition by Admiral Acquisitions (UK) Limited it incurred costs of £64.5m in relation to the early repayment of its Eurobonds and expensed previously capitalised fees of £1.1m following the early refinancing of borrowing facilities.

The exceptional tax credit arising from the above items totalled £23.9m (2005 nil), comprising a £4.2m credit in respect of the acquisition costs and a £19.7m credit following the early refinancing of borrowing facilities. Also included within exceptional tax is a charge of £6.3m relating to advance corporation tax no longer expected to be recoverable.

4 Net interest payable

	Continuing operations		Discontinued operations		Total	
	2006 £m	2005 £m	2006 £m	2005 £m	2006 £m	2005 £m
Eurobonds	23.4	28.0	-	-	23.4	28.0
Bank loans and overdrafts	8.6	10.7	-	-	8.6	10.7
Finance leases	0.3	0.5	0.2	0.4	0.5	0.9
Amortisation of borrowing costs	0.3	0.4	-	-	0.3	0.4
Loan from parent undertaking	9.9	-	-	-	9.9	-
Other	0.1	0.5	0.7	1.2	0.8	1.7
Less finance costs capitalised on payments for fixed assets (note 12)	(1.5)	(1.5)	-	-	(1.5)	(1.5)
Interest payable and similar charges	41.1	38.6	0.9	1.6	42.0	40.2
Interest receivable and similar income	(1.5)	(0.5)	-	-	(1.5)	(0.5)
Net interest payable before exceptional items	39.6	38.1	0.9	1.6	40.5	39.7
Interest payable and similar charges - exceptional items	65.6	-	-	-	65.6	-
Net interest payable	105.2	38.1	0.9	1.6	106.1	39.7

The Bank of England base rate is used as the basis for calculating finance costs capitalised on payments for non-current assets. These finance costs are capitalised as they are directly attributable to the construction of certain major additions to non-current assets.

Notes to the financial statements

5 Profit before taxation

Profit before taxation is after charging/(crediting)

	Continuing operations		Discontinued operations		Total	
	2006	2005	2006	2005	2006	2005
	£m	£m	£m	£m	£m	£m
<i>Depreciation (note 12)</i>						
Owned property, plant and equipment	33.4	28.8	0.8	0.4	34.2	29.2
Leased property, plant and equipment	0.3	2.0	-	-	0.3	2.0
Amortisation of intangible assets	0.3	0.2	-	-	0.3	0.2
Profit on disposal of non-current assets	(0.9)	(0.6)	-	-	(0.9)	(0.6)
<i>Other operating lease rentals payable</i>						
Plant and equipment	2.8	3.4	0.1	0.2	2.9	3.6
Property	2.1	2.4	1.2	3.4	3.3	5.8
Repairs and maintenance expenditure on property, plant and equipment	11.1	12.6	0.3	0.7	11.4	13.3
Trade receivables impairment	1.1	0.7	-	-	1.1	0.7
Net exchange difference on foreign currency borrowings less cash and short-term deposits	-	0.2	-	-	-	0.2
<i>Auditors' remuneration</i>						
Audit services – statutory audit	0.3	0.4	-	-	0.3	0.4
Audit - related to regulatory reporting	-	0.1	-	-	-	0.1
Tax services - advisory services	0.1	0.1	-	-	0.1	0.1
Services relating to corporate finance transactions	0.6	-	0.1	-	0.7	-

Included in auditors' remuneration above is £57,000 (2005 £56,000) in respect of the audit of the company. In addition to the above services, PricewaterhouseCoopers LLP acted as auditor to the group's main defined benefits scheme - The Associated British Ports Group Pension Scheme. The appointment of auditors to the group's pension schemes and the fees paid in respect of those audits are agreed by the trustees of each scheme, who act independently from the management of the group. The aggregate fees paid to the group's auditors for audit services to the pension schemes during the year were £30,000 (2005 £29,000).

Profit before taxation is stated after charging £nil (2005 £0.1m) for breaches of Section 3 of the Health and Safety at Work, etc. Act 1974.

Notes to the financial statements

6 Directors and employees

Staff costs are analysed as follows	Continuing operations		Discontinued operations		Total	
	2006	2005	2006	2005	2006	2005
	£m	£m	£m	£m	£m	£m
Staff costs						
Wages and salaries	73.5	71.4	4.2	11.6	77.7	83.0
Social security costs	6.9	6.7	0.5	1.0	7.4	7.7
Pension costs (note 15)	4.4	3.9	0.1	0.6	4.5	4.5
	84.8	82.0	4.8	13.2	89.6	95.2

Employees by business segment are analysed as follows	Continuing operations		Discontinued operations		Total	
	2006	2005	2006	2006	2005	2005
	Number	Number	Number*	Number	Number	Number
UK monthly average number of persons employed	2,483	2,490	-	-	2,483	2,490
USA monthly average number of persons employed	-	-	217	540	217	540
Total monthly average number of persons employed	2,483	2,490	217	540	2,700	3,030

*Average number of employees for discontinued operations (all ports and transport segment) prior to disposal on 23 May 2006 was 520

In relation to the continuing operations, the monthly average number of persons employed in the ports and transport segment was 2,461 (2005 2,468), in the property investment segment was 13 (2005 13) and in the property development segment was 9 (2005 9)

Key management compensation is analysed as follows	Continuing operations		Discontinued operations		Total	
	2006	2005	2006	2005	2006	2005
	£m	£m	£m	£m	£m	£m
Key management compensation						
Salaries and short-term employee benefits	3.3	2.7	0.3	0.3	3.6	3.0
Post-employment benefits	0.5	0.4	-	-	0.5	0.4
Termination benefits	0.1	0.3	-	-	0.1	0.3
Share-based payments	2.4	0.5	-	-	2.4	0.5
	6.3	3.9	0.3	0.3	6.6	4.2

Key management includes the boards of directors of the company, the group's principal subsidiary, Associated British Ports, and its USA-based subsidiary, AMPORTS Inc, prior to its disposal on 25 May 2006

Notes to the financial statements

6 Directors and employees (continued)

	2006 £m	2005 £m
Highest paid director – continuing operations		
Emoluments	1.0	0.7
Pension contributions	0.2	0.1

The directors of the company received total emoluments of £1.9m (2005: £1.8m), and £0.4m (2005: £0.2m) related to pension contributions. One director is a member of the group's defined benefit scheme. During the year three (2005: two) directors exercised options over shares in the company.

7 Taxation

	Underlying activities 2006 £m	Exceptional items 2006 £m	2006 £m	Total 2005 £m
Analysis of charge in year				
Current tax				
Continuing operations	34.9	(24.8)	10.1	32.2
Deferred tax				
Continuing operations	3.3	7.2	10.5	1.9
Taxation – continuing operations	38.2	(17.6)	20.6	34.1

Current tax charge for 2006 included £nil (2005: £nil) in relation to prior year items.

	2006 £m	2005 £m
Tax on items charged to equity		
Current tax credit on share-based payments	6.7	0.4
Deferred tax credit on share-based payments	0.6	0.7
Deferred tax (charge) / credit on actuarial (gain) / loss	(8.2)	7.5

Taxation for the year is lower (2005: lower) than the standard rate of taxation in the UK (30.0%). The differences are explained below.

	2006 £m	2005 £m
Profit before taxation – continuing operations	49.1	131.7
Profit before taxation multiplied by standard rate of corporation tax in the UK of 30.0% (2005: 30.0%)	14.7	39.5
Effects of		
Impact of exceptional items	13.8	-
Permanent differences	0.5	0.3
Share of profit in associated undertakings	(2.1)	(1.3)
Property disposals	(5.7)	(3.3)
Other	(0.6)	(1.1)
Total tax charge for the group	20.6	34.1

Notes to the financial statements

8 Discontinued operations

On 25 May 2006, the group sold its entire USA operations, AMPORTS Inc, to an affiliate of Lincolnshire Equity Fund III, L P, for a consideration of £57.2m, comprising £53.1m in cash together with £4.1m relating to the assumption of certain finance leases by the purchaser. Between 25 May 2006 and 31 December 2006 £0.3m of costs in connection with this sale were incurred.

The disposal of AMPORTS Inc resulted in a profit of £7.5m, after incurring a tax charge of £1.6m.

The results of AMPORTS Inc for the period to 25 May 2006 and the year ended 31 December 2005 were as follows

	2006 £m	2005 £m
Revenue	17.5	39.1
Cost of sales	(14.4)	(31.5)
Gross profit	3.1	7.6
Administrative expenses	(0.8)	(1.9)
Operating profit	2.3	5.7
Analysed between		
Operating profit before increase in fair value of investment properties and exceptional items	2.3	5.7
Increase in fair value of investment properties	-	-
Exceptional items - administrative expenses	-	-
Interest payable and similar charges	(0.9)	(1.6)
Profit before taxation	1.4	4.1
Analysed between		
Profit before taxation before increase in fair value of investment properties and exceptional items	1.4	4.1
Increase in fair value of investment properties	-	-
Exceptional items - administrative expenses	-	-
Taxation	(0.6)	(1.8)
Profit for the year from discontinued operations	0.8	2.3

The cash flows attributable to AMPORTS Inc for the period to 25 May 2006 and the year ended 31 December 2005 were as follows

	2006 £m	2005 £m
Net cash (outflow)/inflow from operating activities	(0.1)	2.0
Net cash outflow from investing activities	(0.7)	(2.1)
Net cash inflow/(outflow) from financing activities	4.5	(0.1)
Increase/(decrease) in cash and cash equivalents during the year from discontinued operations	3.7	(0.2)

There were no cash and cash equivalents held by AMPORTS Inc at the time of disposal.

Notes to the financial statements

9 Dividends

	2006 £m	2005 £m
Amounts recognised in equity as distributions to equity holders in the year:		
Final dividend paid for the year ended 31 December 2005 of 9.75p (2004 9.00p) per ordinary 25p share	29.4	27.7
First interim dividend paid for the year ended 31 December 2006 of 2.79p (2005 7.25p) per ordinary 25p share	8.6	22.0
Second interim dividend paid for the year ended 31 December 2006 of 2.92p (2005 nil) per ordinary 25p share	9.0	-
Total amounts recognised as equity distributions during the year	47.0	49.7

No final dividend for the year ended 31 December 2006 was paid

10 Goodwill

	2006 £m	2005 £m
Cost and net book value		
At 1 January	14.5	14.5
At 31 December	14.5	14.5

The group's goodwill balance relates to its ports and transport activities and is reviewed for impairment annually on a value in use basis. The group assesses impairment by reference to a comparison between the present value of forecast future cash flows and the carrying value (including goodwill) of the relevant business unit. Forecast cash flows are based on the business unit's three year plan and are projected forward for a further 27 years using a growth rate of between 2 and 5 per cent. The group expects its business units to remain operational for at least the duration of the projection period used. The discount rate applied to future cash flows was 7.1% (2005 7.3%).

11 Intangible assets

	2006 £m	2005 £m
Group acquired intangible assets		
Cost		
At 1 January	3.6	3.5
Additions	0.3	-
Disposal of subsidiary (note 8)	(0.2)	-
Exchange adjustments	(0.1)	0.1
At 31 December	3.6	3.6
Amortisation		
At 1 January	2.6	2.3
Charge for the year	0.3	0.2
Exchange adjustments	-	0.1
At 31 December	2.9	2.6
Net book value		
At 1 January	1.0	1.2
At 31 December	0.7	1.0

All intangible assets above relate to purchased computer software. They have finite lives and are being amortised over periods between 3 years and 5 years on a straight-line basis. £0.1m (2005 £nil) of the amortisation is charged to cost of sales and £0.2m (2005 £0.2m) is charged to administrative expenses.

Notes to the financial statements

12 Property, plant & equipment

	Operational land £m	Buildings £m	Dock structures, quays and dredging £m	Floating craft £m	Plant and equipment £m	Assets in the course of construction £m	Total £m
2006							
Cost or valuation							
At 1 January 2006	379.3	134.8	397.4	47.8	181.0	101.9	1,242.2
Additions	0.2	4.5	22.7	1.4	14.1	16.1	59.0
Transfers and adjustments within property, plant and equipment	3.2	9.7	43.5	1.6	34.6	(78.2)	14.4
Transfers from property developments and land held for sale	0.4	-	-	-	-	-	0.4
Transfer from/(to) investment property (note 13)	1.6	(1.7)	(2.3)	-	-	(16.3)	(18.7)
Disposals	-	(1.5)	(0.1)	(0.4)	(1.6)	-	(3.6)
Disposal of subsidiary (note 8)	(13.1)	(17.5)	(21.4)	-	(3.0)	(3.1)	(58.1)
Exchange adjustments	(1.3)	(1.7)	(2.1)	-	(0.3)	(0.3)	(5.7)
At 31 December 2006	370.3	126.6	437.7	50.4	224.8	20.1	1,229.9
Depreciation							
At 1 January 2006	-	34.7	134.0	27.5	98.2	-	294.4
Transfers and adjustments within property plant and equipment	-	6.8	0.1	-	7.5	-	14.4
Transfer from/(to) investment property (note 13)	-	(0.5)	(0.6)	-	-	-	(1.1)
Charge for year	-	5.4	13.5	3.1	12.5	-	34.5
Disposals	-	(0.7)	(0.1)	(0.4)	(1.4)	-	(2.6)
Disposal of subsidiary (note 8)	-	(6.6)	(8.5)	-	(2.3)	-	(17.4)
Exchange adjustments	-	(0.7)	(0.9)	-	(0.2)	-	(1.8)
At 31 December 2006	-	38.4	137.5	30.2	114.3	-	320.4
Net book value							
At 31 December 2005	379.3	100.1	263.4	20.3	82.8	101.9	947.8
At 31 December 2006	370.3	88.2	300.2	20.2	110.5	20.1	909.5

Notes to the financial statements

12 Property, plant & equipment (continued)

	Operational land £m	Buildings £m	Dock structures, quays and dredging £m	Floating craft £m	Plant and equipment £m	Assets in the course of construction £m	Total £m
2005							
Cost or valuation							
At 1 January 2005	367.7	122.6	369.7	46.4	171.8	46.8	1,125.0
Additions	-	7.2	14.2	1.1	10.2	82.3	115.0
Transfers within property, plant and equipment	0.1	5.9	18.2	0.3	2.7	(27.2)	-
Transfers from property developments and land held for sale	7.9	-	-	-	-	-	7.9
Transfer from/(to) investment property (note 13)	2.1	(2.8)	-	-	-	(0.3)	(1.0)
Disposals	-	-	(7.1)	-	(4.0)	-	(11.1)
Exchange adjustments	1.5	1.9	2.4	-	0.3	0.3	6.4
At 31 December 2005	379.3	134.8	397.4	47.8	181.0	101.9	1,242.2
Depreciation							
At 1 January 2005	-	29.2	127.4	24.5	91.7	-	272.8
Transfers within property, plant and equipment	-	(0.3)	0.1	0.1	0.1	-	-
Transfer from/(to) investment property (note 13)	-	(0.5)	-	-	-	-	(0.5)
Charge for year	-	5.5	12.7	2.9	10.1	-	31.2
Disposals	-	-	(7.1)	-	(3.8)	-	(10.9)
Exchange adjustments	-	0.8	0.9	-	0.1	-	1.8
At 31 December 2005	-	34.7	134.0	27.5	98.2	-	294.4
Net book value							
At 31 December 2004	367.7	93.4	242.3	21.9	80.1	46.8	852.2
At 31 December 2005	379.3	100.1	263.4	20.3	82.8	101.9	947.8

All property, plant and equipment is stated at cost with the exception of operational land. Operational land is included at valuation as at 31 December 1998, as permitted under IFRS 1 First Time Adoption of International Financial Reporting Standards, or, if transferred from property assets after 31 December 1998, at the carrying value at the last balance sheet date prior to transfer. The group's operational land and buildings held at 31 December 1998 were valued as at that date on the basis of existing-use value in accordance with the Appraisal and Valuation Manual issued by The Royal Institution of Chartered Surveyors. The valuations were carried out by independent valuers Healey & Baker, International Real Estate Consultants. The total valuation amounted to £507.5m, of which £326.7m was apportioned to land, representing an excess of £291.2m over its historical book cost at that date. The net book values for property, plant and equipment are reported net of government grants received of £11.0m (2005 £10.6m).

Operational land, buildings and dock structures are held freehold with the exception of short leasehold properties with an historic net book value of £nil (2005 £1.9m).

Notes to the financial statements

12 Property, plant & equipment (continued)

The depreciation charge for the year included £nil (2005 £1.7m) in respect of floating craft assets held under finance leases

Plant and equipment includes assets held under finance leases with a book cost and accumulated depreciation at 31 December 2006 totalling £3.1m (2005 £3.1m) and £1.5m (2005 £1.3m), respectively. The depreciation charge for the year includes £0.2m (2005 £0.3m) in respect of these assets. Such assets include marine vessels operated by the group's UK ports and transport business and, prior to its disposal, improvements to certain facilities operated by the group's US subsidiary. The remaining terms for these leases range from 2 to 6 years.

The cost of property, plant and equipment includes £6.1m (2005 £5.5m) of cumulative finance costs capitalised. The capitalisation rate used is the group's marginal borrowing cost, which is linked to the Bank of England's base rate.

Notes to the financial statements

13 Investment property

	Port-related investment properties £m	Other investment properties £m	Land at ports held for development £m	Total £m
2006				
At valuation				
At 1 January 2006	501.6	53.0	18.0	572.6
Additions	3.2	-	-	3.2
Transfers within investment property	1.0	(0.8)	(0.2)	-
Transfers from/(to) property developments and land held for sale	1.0	(2.8)	1.4	(0.4)
Transfers from/(to) property, plant and equipment (note 12)	21.6	(3.8)	(0.2)	17.6
Disposals	(0.4)	-	-	(0.4)
Disposal of subsidiary (note 8)	(0.4)	(7.9)	(2.5)	(10.8)
Exchange adjustments	-	(0.8)	(0.2)	(1.0)
	527.6	36.9	16.3	580.8
Surplus on revaluation (note 26)	6.8	1.3	0.7	8.8
At 31 December 2006	534.4	38.2	17.0	589.6
Historic cost at 31 December 2006	221.4	14.6	5.1	241.1
2005				
At 1 January 2005	496.1	52.0	18.2	566.3
Additions	3.2	-	1.0	4.2
Transfers within investment property	0.1	-	(0.1)	-
Transfers to property developments and land held for sale	(1.3)	(0.4)	(0.8)	(2.5)
Transfers from/(to) property, plant and equipment (note 12)	1.0	0.2	(0.7)	0.5
Disposals	(0.7)	(0.1)	-	(0.8)
Exchange adjustments	-	1.1	0.3	1.4
	498.4	52.8	17.9	569.1
Surplus on revaluation (note 26)	3.2	0.2	0.1	3.5
At 31 December 2005	501.6	53.0	18.0	572.6
Historic cost at 31 December 2005	196.4	24.3	7.5	228.2

Investment properties, other than those in the course of construction, have been valued on the basis of market value in accordance with the Appraisal and Valuation Standards issued by The Royal Institution of Chartered Surveyors. The valuations were carried out as at 31 December 2006 by Phillip Williams FRICS, Group Property Director, Associated British Ports. The open market valuation adopted represents the fair value of the group's investment property portfolio and takes into account the condition of each property, the strength of covenant and the term of any lease agreement. Investment properties in the course of construction are stated at cost, including interest and other net outgoings, with the exception of underlying land, which is included at carrying value before construction commenced. Costs of £0.2m (2005: £nil) in respect of these properties are included in the carrying value of port-related investment properties. The cost of investment property assets includes £1.2m (2005: £0.3m) of cumulative finance costs capitalised.

Notes to the financial statements

13. Investment property (continued)

Of the surplus on revaluation during the year of £8.8m (2005 £3.5m), £3.3m (2005 £3.5m) was included within the income statement as an increase in the fair value of investment property with the balance of £5.5m (2005 £nil) being credited directly to the revaluation reserve, as it related to the revaluation of properties transferred from property, plant and equipment to investment property during the year

Rental income generated from the group's investment property portfolio amounted to £52.9m, £51.6m of which was from continuing operations (2005 £55.2m, £51.9m of which was from continuing operations) and related operating expenses amounted to £4.9m, £4.7m of which was from continuing operations (2005 £5.7m, £5.4m of which was from continuing operations). Direct operating expenses relating to vacant property are considered to be immaterial

The group leases various areas of land, buildings and other operational assets across its port facilities. The leases have various terms and renewal rights.

The future minimum lease payments receivable under non-cancelable operating leases are as follows:

	Group		Company	
	2006	2005	2006	2005
	£m	£m	£m	£m
Not later than one year	53.2	52.4	-	-
More than one year but not more than five years	145.4	132.9	-	-
More than five years	477.5	544.4	-	-
	676.1	729.7	-	-

14 Investments

	Group	Company
	2006	2006
	Interest in associated undertakings	Interest in subsidiary undertakings
	£m	£m
At 1 January 2006	38.8	144.7
Share of profit for the year	6.9	-
Actuarial gain relating to group's share of net pension liabilities of associated undertakings	0.7	-
Gain on cash flow hedge taken directly to equity in associated undertakings	0.1	-
Investment in subsidiary undertakings	-	6.2
At 31 December 2006	46.5	150.9

Investments in group undertakings are stated at cost. Associated undertakings are accounted for under the equity method of accounting. A list of the company's principal subsidiary and associated undertakings is set out in note 31.

Notes to the financial statements

14 Investments (continued)

Summarised information in respect of the group's associated undertakings is set out below

	2006 £m	2005 £m
Continuing operations		
Revenue	60.6	53.0
Expenses	(50.2)	(46.5)
Share of operating profit in associated undertakings	10.4	6.5
Share of net interest costs in associated undertakings	(0.3)	(0.5)
Share of taxation in associated undertakings	(3.2)	(1.6)
Share of profit in associated undertakings	6.9	4.4
Non-current assets	134.4	132.7
Current assets	41.5	24.2
Current liabilities	(24.8)	(40.6)
Non-current liabilities	(43.4)	(32.1)
Net assets	107.7	84.2
Share of net assets in associated undertakings	46.5	38.8

15 Pension commitments

A. Description of plans

The group participates in a number of pension schemes, principally in the UK. The major scheme is a funded defined benefits scheme - The Associated British Ports Group Pension Scheme. The defined benefits section of this scheme was closed to new members with effect from 6 April 2002. New members joining this scheme from 6 April 2002 are offered membership of a defined contributions section, which at 31 December 2006 constituted less than 2 per cent of the total asset value. The group also provides defined contribution arrangements, makes contributions to three industry-wide defined benefit schemes and has unfunded retirement benefit arrangements in respect of former employees. Except for unfunded retirement benefit arrangements, the assets of the group's pension schemes are held in trust funds independent of its finances.

B. Summary

(i) Income statement

The total pension charge included in the group income statement was as follows

	Continuing operations		Discontinued operations		Total	
	2006 £m	2005 £m	2006 £m	2005 £m	2006 £m	2005 £m
Defined benefits scheme and unfunded retirement benefit arrangements (note 15C)	9.5	8.1	-	-	9.5	8.1
Defined contribution arrangements (note 15D)	1.2	0.8	0.1	0.6	1.3	1.4
Industry-wide schemes (note 15E)	0.4	0.3	-	-	0.4	0.3
Gross pension costs	11.1	9.2	0.1	0.6	11.2	9.8
Finance income	(6.7)	(5.3)	-	-	(6.7)	(5.3)
Net pension charge recognised within operating profit (note 6)	4.4	3.9	0.1	0.6	4.5	4.5

Notes to the financial statements

15 Pension commitments (continued)

(ii) Balance sheet

The retirement benefit assets and obligations as at 31 December were

	2006 £m	2005 £m
Retirement benefit assets	31.9	7.1
Retirement benefit liabilities	(2.9)	(3.2)
Net retirement benefit asset	29.0	3.9

C. Defined benefits scheme and unfunded retirement benefit arrangements

The most recent formal valuation of the Associated British Ports Group Pension Scheme was carried out as at 31 December 2003. The valuation of the liabilities detailed below has been derived by projecting forward the position as at 31 December 2003. It was performed by an independent actuary, Hewitt, Bacon & Woodrow. The present value of the defined benefit obligations and the related current service cost were measured using the Projected Unit Credit method. In accordance with IAS 19, the present value of pension liabilities has been determined by discounting pension commitments (including an allowance for salary growth) using a AA corporate bond yield.

The liability associated with the unfunded retirement benefit arrangement has also been determined by the actuary, Hewitt, Bacon & Woodrow, using the same assumptions as those used to calculate the Associated British Ports Group Pension Scheme liabilities.

(i) Assumptions

The major financial assumptions used by the actuary as at 31 December were as follows

	2006 %	2005 %
Inflation	3.00	2.75
Rate of increase in pensionable salaries	4.00	4.25
Rate of increase for pensions in payment	3.00	2.75
Rate of increase for deferred pensions	3.00	2.75
Discount rate	5.10	4.70
Expected return on plan assets	6.60	6.10

The mortality assumption used in determining the group's expected pension liabilities is based on the standard actuarial tables PA 92, projected forward to 2025 with the "Medium Cohort" adjustment applied. Based on these tables, life expectancies from age 65 are estimated as being 20 years for males and 23 years for females. Mortality rates applied have been increased by 35 per cent to reflect the nature of the scheme's membership and its past experience.

Expected return on assets is a blended average of projected long-term returns for various asset classes.

Assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions, which, due to the timescales covered, may not necessarily be borne out.

Notes to the financial statements

15 Pension commitments (continued)

(ii) Operating profit

The amounts recognised in the income statement during the year were as follows

	2006 £m	2005 £m
Current service cost	(9.5)	(8.1)
Expected return on scheme assets	28.5	25.9
Interest cost on scheme liabilities	(21.6)	(20.4)
Interest cost on unfunded retirement benefit liabilities	(0.2)	(0.2)
Net pension charge recognised within operating profit	(2.8)	(2.8)

The current service cost of £9.5m (2005 £8.1m) represented 32.9% (2005 26.8%) of the applicable pensionable payroll. The group recognised £2.2m (2005 £2.1m) of its net pension charge for 2005 within cost of sales and £0.6m (2005 £0.7m) within administrative expenses.

The group made total contributions of £1.5m (2005 £1.4m) towards funded and unfunded schemes. The group expects its level of contribution into the scheme to be similar in 2007. Returns on assets and interest on liabilities are determined by reference to the actuarial assumptions adopted at the beginning of each financial year. The actual return on assets for 2006 was £24.9m (2005 £67.0m).

(iii) Balance sheet

The amounts recognised in the balance sheet as at 31 December were as follows

	2006 £m	2005 £m
Fair value of scheme assets	482.4	476.5
Present value of funded obligations	(450.5)	(469.4)
Present value of unfunded obligations	(2.9)	(3.2)
Net assets recognised in the balance sheet	29.0	3.9

As at 31 December 2006, approximately 54 per cent of the scheme's assets were represented by investments in equities, 41 per cent by bonds and 5 per cent by property.

(iv) Changes in fair value of scheme assets are as follows:

	2006 £m	2005 £m
Fair value of scheme assets at 1 January	476.5	425.7
Expected return	28.5	25.9
Actuarial (loss)/gain	(3.6)	41.1
Contributions to defined contribution section	(0.9)	(0.8)
Contributions by employees	0.6	0.9
Contributions by employer	1.5	1.4
Benefits paid	(20.2)	(17.7)
Fair value of scheme assets at 31 December	482.4	476.5

Notes to the financial statements

15 Pension commitments (continued)

(v) Changes in fair value of scheme liabilities are as follows:

	2006 £m	2005 £m
Fair value of scheme liabilities at 1 January	(472.6)	(394.5)
Current service cost	(9.5)	(8.1)
Interest cost	(21.8)	(20.6)
Actuarial gain/(loss)	30.9	(66.2)
Contributions by employees	(0.6)	(0.9)
Benefits paid	20.2	17.7
Fair value of scheme liabilities at 31 December	(453.4)	(472.6)

(vi) Analysis of the movement in net assets recognised in the balance sheet

	2006 £m	2005 £m
At 1 January	3.9	31.2
Net pension charge	(2.8)	(2.8)
Employer contribution	1.5	1.4
Contributions to defined contribution section	(0.9)	(0.8)
Actuarial gains/(losses) relating to net retirement benefit assets recognised in the statement of recognised income and expense	27.3	(25.1)
At 31 December	29.0	3.9

As at 31 December 2006, cumulative actuarial gains recognised in the group's statement of recognised income and expense, since 1 January 2004, amounted to £0.8m (2005 £26.5m). The 2006 actuarial gain of £27.3m arose as the assumptions underlying the calculation of the liabilities changed (in particular the yield on AA-rated corporate bonds increased, partly offset by the increase in the long-term outlook for inflation). Overall, the change in assumptions resulted in a liability gain of £22.3m. Together with experience gains on schemes liabilities of £8.6m, this more than offset experience losses on scheme assets of £3.6m.

(vii) Historical record

	2006 £m	2005 £m	2004 £m
Amounts for current and previous periods are as follows			
Fair value of scheme assets	482.4	476.5	425.7
Present value of funded scheme obligations	(450.5)	(469.4)	(391.3)
Present value of unfunded obligations	(2.9)	(3.2)	(3.2)
Net assets recognised in the balance sheet	29.0	3.9	31.2
Actuarial gain/(loss) due to changes in assumptions	22.3	(66.2)	(20.3)
Experience gains on scheme liabilities	8.6	-	15.6
Experience (losses)/gains on scheme assets	(3.6)	41.1	3.3
Actuarial gain/(loss) relating to net retirement benefit assets recognised in the statement of recognised income and expense	27.3	(25.1)	(1.4)

Notes to the financial statements**15 Pension commitments (continued)****D. Defined contribution arrangements**

The group incurred costs of £1.2m (2005: £0.8m) in relation to defined contribution arrangements provided by Associated British Ports and £0.1m (2005: £0.6m) in relation to defined contributions arrangements provided by its USA subsidiary AMPORTS Inc, prior to its disposal on 25 May 2006. At 31 December 2006, there were no amounts outstanding as being due to these arrangements from the group (2005: nil).

E. Industry-wide schemes**(i) The Pilots National Pension Fund (PNPF)**

The PNPF is an industry-wide defined benefits scheme. As at 31 December 2004, the date of the most recent full triennial valuation carried out by an independent actuary, the scheme had assets with a market value of £339m, representing 76 per cent of the benefits accruing to members after allowing for future increases. As at that date, the funding level continued to exceed the minimum funding requirements. The scheme actuary has estimated the IAS 19 deficit as at 31 December 2006 as being £85m. Approximately 32 per cent of the scheme's assets were invested in equities, 42 per cent in bonds, 25 per cent in hedge funds and 1 per cent in cash. The IAS 19 valuation assumptions adopted by the actuary were as follows:

	%
Inflation	3.00
Rate of increase in pensionable salaries	4.00
Rate of increase for pensions in payment	3.00
Rate of increase for deferred pensions	3.00
Discount rate	5.10
Expected return on plan assets	6.45

Following the 31 December 2004 valuation, the participating bodies for this scheme have agreed a voluntary arrangement under which they can make increased contributions in order to reduce the deficit over the next five years. Under this arrangement the group's contributions to this scheme could be expected to increase by £1.2m for the five year period commencing on 1 January 2006. During 2006, the group made contributions of £339,000 (2005: £95,000) to this scheme in relation to its current active members and has recorded those as defined contribution costs within the income statement.

The scheme rules do not provide a mechanism for the allocation of past-service deficits. A number of different legal opinions have been issued concerning this scheme and the group is unable to determine its share of the past-service benefit on a reasonable basis. The potential IAS 19 pre-tax liability that could arise in relation to the past-service deficit for this scheme could range from £0.9m to £24.7m as at 31 December 2006.

In the absence of an agreement on the allocation of the past-service deficit, the group is unable to determine its share of assets and liabilities for this scheme on a consistent and reasonable basis and therefore continues to account for this scheme as a defined contribution scheme.

(ii) The Former Registered Dock Workers Pension Fund (FRDWPF)

The FRDWPF is an industry-wide defined benefits scheme. As at 5 April 2005, the date of the most recent full triennial valuation carried out by an independent actuary, the scheme had assets with a market value of £836m, representing 104 per cent of the benefits accruing to members after allowing for future increases. As at that date, the funding level remained sufficient to exceed the minimum funding requirements and management believes that this scheme remained in surplus on an IAS 19 basis as at 31 December 2006. The group does not have access to more recent scheme data.

Notes to the financial statements**15 Pension commitments (continued)**

As at 5 April 2005, approximately 19 per cent of the scheme's assets were invested in equities, 80 per cent in bonds and 1 per cent in property and cash. The valuation assumptions adopted by the actuary at the time of the last valuation were as follows

	%
Inflation	2.90
Rate of increase in pensionable salaries	3.90
Rate of increase for pensions in payment	3.50
Rate of increase for deferred pensions	3.50
Discount rate	4.70

During 2006, the group made contributions of £49,000 (2005 £56,000) to this scheme in relation to its current active members and has recorded those as defined contribution costs within the income statement.

The scheme rules for the FRDWPF do not provide for the allocation of assets and liabilities to the participating employers and therefore the group accounts for this scheme as a defined contribution scheme.

(iii) Merchant Navy Officers Pension Fund (MNOPF)

The MNOPF is an industry-wide defined benefits scheme. The scheme is divided into two sections, the Old Section and the New Section, both of which are closed to new members. The latest valuation for each section was carried out on 31 December 2003. As at 31 December 2003, the Old Section had assets of £1,316m, representing 115 per cent of the benefits accrued to members, whilst the New Section had assets of £1,768m, representing 86 per cent of the benefits accrued to members as at that date. Following this valuation, the trustees undertook court proceedings to determine the allocation of the past-service deficit for the New Section. In 2005, the court established which employers were liable for the past-service deficit and the trustees adopted an allocation consistent with the court ruling. The group's share of the past-service deficit was confirmed as being £169,000. The group settled and expensed this amount as a defined contribution pension cost in its income statement in 2005. In 2006, the group paid and expensed £11,000 (2005 £11,000) of regular contributions to this scheme as defined contribution pension costs.

Given the group's immaterial exposure, the lack of availability of data and the limited influence the group has over the affairs of this scheme, the group intends to continue to account for this scheme as a defined contribution scheme.

Notes to the financial statements

16 Trade and other receivables

	Group		Company	
	2006	2005	2006	2005
	£m	£m	£m	£m
Non-current				
Trade receivables	0.2	-	-	-
Other debtors	-	0.9	-	-
Prepayments and accrued income	1.3	0.9	-	-
Property completions due	-	1.7	-	-
	1.5	3.5	-	-
Current				
Gross trade receivables	55.7	61.2	-	-
Provision for doubtful receivables	(4.6)	(4.2)	-	-
Net trade receivables	51.1	57.0	-	-
Amounts owed by subsidiary undertakings	-	-	653.7	744.0
Amounts owed by parent undertaking	4.5	-	4.5	-
Amounts owed by associated undertakings	6.5	6.2	-	-
Other debtors	10.4	10.8	-	-
Prepayments and accrued income	11.9	15.8	-	-
Property completions due	2.4	3.7	-	-
	86.8	93.5	658.2	744.0

All trade and other receivables are non-interest bearing. Based on the quality and diversity of its customer base, management considers the group's exposure to concentration credit risk to be minimal. The provision for doubtful receivables is made when there is objective evidence that the group will not be able to collect all amounts recorded within the balance sheet. Costs for doubtful receivables are recorded within administrative expenses. The group has provided for known credit risks as part of its normal provision for doubtful receivables.

Other debtors comprise costs incurred recoverable from third parties.

17 Property developments and land held for sale

Property developments and land held for sale are stated at the lower of their cost or transfer value and fair value less costs to sell as determined by the directors at 31 December 2006. The historical cost of property developments and land held for sale totalled £7.3m (2005: £7.9m). These assets relate to surplus property and land, which are held for sale and reported as part of the group's property development activities.

18 Cash and short-term deposits

	Group		Company	
	2006	2005	2006	2005
	£m	£m	£m	£m
Cash at bank and in hand (note 27)	43.1	3.0	-	-
Short-term deposits	-	3.7	-	-
Cash and short-term deposits	43.1	6.7	-	-

Short-term deposits comprise amounts held with banks with maturity dates between three and six months. The effective interest rate on short-term deposits was 4.4% (2005: 4.4%).

Notes to the financial statements

19 Financial liabilities - borrowings

	Group		Company	
	2006	2005	2006	2005
	£m	£m	£m	£m
Current				
Bank overdraft – unsecured (note 27)	-	2.5	-	2.3
Interest payable – accrual	1.6	4.7	1.0	4.5
	1.6	7.2	1.0	6.8
Obligations under finance leases - secured	0.3	0.4	-	-
	1.9	7.6	1.0	6.8
Non-current				
Eurobonds 2008 (6 ^{5/8} %) - unsecured	-	120.0	-	120.0
Eurobonds 2011 (11 ^{7/8} %) - unsecured	-	100.0	-	100.0
Eurobonds 2015 (10 ^{7/8} %) - unsecured	-	75.0	-	75.0
Bank loans - unsecured	-	260.9	-	260.9
Bank loans - secured	560.0	-	560.0	-
Less deferred borrowing costs to be amortised	-	(1.4)	-	(1.4)
	560.0	554.5	560.0	554.5
Obligations under finance leases - secured	1.8	6.4	-	-
	561.8	560.9	560.0	554.5

The US dollar amounts included within the group and company's 2005 borrowings were as follows

	Group		Company	
	2006	2005	2006	2005
	£m	£m	£m	£m
Current				
Obligations under finance leases - secured	-	0.1	-	-
Non-current				
Bank loans - unsecured	-	33.9	-	33.9
Obligations under finance leases - secured	-	4.4	-	-
	-	38.4	-	33.9

The group's 2006 borrowings are all denominated in sterling after the group disposed of its entire US operations in May 2006

Net borrowings

	Group		Company	
	2006	2005	2006	2005
	£m	£m	£m	£m
Current borrowings	1.9	7.6	1.0	6.8
Non-current borrowings	561.8	560.9	560.0	554.5
	563.7	568.5	561.0	561.3
Less cash at bank and in hand	(43.1)	(6.7)	-	-
	520.6	561.8	561.0	561.3

The group's share of net cash of associated undertakings not included above total £0.1m (2005 net borrowings of £6.8m)

An analysis of the maturity of financial liabilities is given in note 20

Notes to the financial statements

19 Financial liabilities – borrowings (continued)

Bank loans and overdrafts are repayable between 2007 and 2013 and bear interest linked to London inter-bank borrowing rates. Details of the group's contingent liabilities in relation to its borrowings are set out in note 30. Obligations under finance leases are secured on related leased assets. As at 31 December 2006, the group's bank loans and overdrafts are exposed to repricing within 12 months of the balance sheet date. The group has not entered into any derivative instruments in relation to financial liabilities.

20 Financial instruments

The group's risks in relation to its financial instruments are managed by its parent undertaking. Numerical disclosures are set out below.

A. Maturity of financial liabilities

The maturity profile of the carrying amount of non-current financial liabilities was as follows:

	2006			Group 2005		
	Debt £m	Finance leases £m	Total £m	Debt £m	Finance leases £m	Total £m
Not later than one year	1.6	0.3	1.9	7.2	0.4	7.6
More than one year but not more than two years	-	0.2	0.2	-	0.4	0.4
More than two years but not more than five years	-	1.1	1.1	119.7	1.5	121.2
More than five years	560.0	0.5	560.5	434.8	4.5	439.3
	561.6	2.1	563.7	561.7	6.8	568.5

	Company	
	2006 £m	2005 £m
Not later than one year	1.0	6.8
More than one year but not more than two years	-	-
More than two years but not more than five years	-	119.7
More than five years	560.0	434.8
	561.0	561.3

Notes to the financial statements

20 Financial instruments (continued)

A. Maturity of financial liabilities (continued)

The maturity profile of the minimum lease payments under finance leases was as follows

	Group	
	2006	2005
	£m	£m
Not later than one year	0.5	1.0
More than one year but not more than five years	1.9	4.1
More than five years	0.6	7.0
	3.0	12.1
Future finance charges on finance leases	(0.9)	(5.3)
Present value of finance lease liabilities	2.1	6.8

B. Undrawn borrowing facilities

The group has the following undrawn borrowing facilities available at 31 December in respect of which all conditions precedent had been met at that date

	Group			
	Floating	Fixed	2006	2005
	rate	rate	Total	Total
	£m	£m	£m	£m
Expiring				
Within one year - uncommitted	-	-	-	32.5
More than five years - committed	350.0	-	350.0	339.1
	350.0	-	350.0	371.6

C. Fair value of financial assets and liabilities

(i) Financial assets

The carrying value for financial assets equates to the estimated fair value both for 2006 and 2005

(ii) Financial liabilities

	Group			
	Book	2006	Book	2005
	value	Fair	value	Fair
	£m	value	£m	value
	£m	£m	£m	£m
Borrowings	561.6	561.6	561.7	634.1
Finance leases	2.1	2.4	6.8	8.9
	563.7	564.0	568.5	643.0

	Company			
	Book	2006	Book	2005
	value	Fair	value	Fair
	£m	value	£m	value
	£m	£m	£m	£m
Borrowings	561.0	561.0	561.3	633.7

Notes to the financial statements**20 Financial instruments (continued)****C. Fair value of financial assets and liabilities (continued)****(ii) Financial liabilities (continued)**

Market values have been used to determine the fair value of all listed instruments. The fair value of other items has been calculated by discounting expected cash flows at prevailing interest rates at the year-end.

D. Fair values of derivative financial instruments

The fair value of derivative financial instruments designated as cash flow hedges at the balance sheet date were

	2006 £m	2005 £m
Share of losses in relation to interest rate swaps held by associated undertakings	-	0.1

At 31 December 2006, the group was not counterparty to any open derivative contracts

21 Trade and other payables

	2006 £m	Group 2005 £m	2006 £m	Company 2005 £m
Trade payables	18.0	30.4	-	-
Amounts owed to associated undertakings	0.2	0.2	-	-
Other creditors	2.9	11.2	-	-
Taxation	2.4	2.2	-	-
Accruals	25.0	25.1	6.0	3.4
	48.5	69.1	6.0	3.4

22 Provisions

	Restructuring £m	Onerous contracts £m	Self insurance £m	Other £m	Total £m
At 1 January 2006	0.4	4.3	-	2.3	7.0
Transfer from other creditors	-	-	7.7	-	7.7
Charged to income statement during the year	-	0.3	3.4	-	3.7
Utilised in year	(0.4)	(0.6)	(0.6)	(0.2)	(1.8)
Amortisation of discounting	-	-	-	-	-
At 31 December 2006	-	4.0	10.5	2.1	16.6

Provisions are analysed between non-current and current as follows

	2006 £m	2005 £m
Current	8.8	1.2
Non-current	7.8	5.8
	16.6	7.0

Notes to the financial statements

22 Provisions (continued)

Onerous contracts

The provision for onerous contracts represents amounts provided in relation to property leases, which the group is committed to until 2016, where the unavoidable costs under the lease exceed the economic benefit. In determining the provision, cash flows have been discounted on a pre-tax basis using a risk-free discount rate. The group expects to utilise £0.5m of this provision within one year.

Self Insurance

The group self-insures various matters relating primarily to property, employer's liabilities and general third party liabilities associated with its business. In determining the provision, cash flows, where appropriate, have been discounted on a pre-tax basis using a risk-free discount rate. The group expects to utilise £7.9m of this provision within one year, with the balance relating to potential liabilities which have been projected forward until 2037. In 2005 this was reported in other creditors and has been reclassified as a provision in the 2006 financial statements following a re-assessment of the timescales attached to the settlement of these liabilities. The group reassesses this liability on an annual basis.

Other

Other provisions primarily relate to obligations from commitments entered into as part of the development of certain port facilities, £0.4m of the balance outstanding at 31 December 2006 is expected to be utilised within one year.

23 Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 30.0% (2005: 30.0%).

The movement on the deferred tax account is shown below:

	2005 £m	Charged to foreign exchange £m	Charged / (credit) to income statement £m	Discontinued operations £m	Credited to retained earnings £m	2006 £m
Accelerated tax depreciation	60.8	-	4.5	-	-	65.3
Revaluation of operational land and investment properties	22.3	-	(0.2)	-	-	22.1
Capital losses	(7.4)	-	(0.1)	-	-	(7.5)
Retirement benefit obligations	1.2	-	(0.7)	-	8.2	8.7
Discontinued operations	9.5	(0.9)	-	(8.6)	-	-
Advanced corporation tax	(6.3)	-	6.3	-	-	-
Other	(2.8)	-	0.6	-	(0.6)	(2.8)
Net deferred tax liability	77.3	(0.9)	10.4	(8.6)	7.6	85.8

No deferred tax asset is recognised in the balance sheet for unused capital losses of £61.4m (2005: £65.5m).

Deferred tax assets and liabilities are set out below:

	2006 £m	2005 £m
Deferred tax liabilities	96.1	93.8
Deferred tax assets	(10.3)	(16.5)
Net deferred tax liability	85.8	77.3

Notes to the financial statements

23 Deferred tax (continued)

The group's deferred tax assets are offset against deferred tax liabilities where there is a legally enforceable right of offset and there is an intention to settle the balances net. Consequently, the group has provided for its deferred tax liabilities at 31 December 2006 of £85.8m (2005 £77.3m) on a net basis. The group does not expect this liability to crystallise within the foreseeable future and has classified the balance as being non-current.

The company's deferred tax asset of £nil (2005 £0.5m) relates to share-based payments. During 2006, £0.3m (2005 £0.1m credited) was charged to the income statement and £0.2m was charged to equity (2005 £0.2m credited), in relation to deferred tax associated with share-based payments.

24 Other non-current liabilities

	Group		Company	
	2006	2005	2006	2005
	£m	£m	£m	£m
Accruals	-	0.1	-	-

25 Share capital

A. Authorised

	2006	2005
	£m	£m
500,000,000 (2005 500,000,000) ordinary shares of 25p each	125.0	125.0

Issued and fully paid

	Shares	2006	Shares	2005
		£m		£m
Ordinary shares of 25p each				
At 1 January	301,504,380	75.4	310,257,308	77.6
Allotted under share option schemes and share incentive plan	7,024,099	1.8	1,466,405	0.4
Repurchase of shares	(571,000)	(0.2)	(10,219,333)	(2.6)
At 31 December	307,957,479	77.0	301,504,380	75.4

During the year, the company repurchased and subsequently cancelled 0.6m shares with a nominal value of £0.2m (2005 10.2m shares with a nominal value of £2.6m). These shares, representing 0.2 per cent of ordinary shares in issue at 31 December 2005, were purchased as part of the group's £205m share repurchase programme announced in 2004. The total cost of the share purchases (including expenses and stamp duty) of £3.6m (2005 £50.4m) was charged to retained earnings.

On 14 August 2006, the entire share capital of the company was purchased by Admiral Acquisitions UK Limited following the implementation of a scheme of arrangement under Section 425 of the Companies Act 1985 which became effective on this date.

Notes to the financial statements

25. Share capital (continued)

B. Potential issue of shares

(i) Outstanding share options

During the year, options exercised under the schemes resulted in the issue of 6,652,462 ordinary shares of 25p each. The company received a total of £30.0m in respect of these shares. A summary of options granted to employees and outstanding at 31 December 2006 under share option schemes is given below.

	Date granted	Price per share	Date option normally exercisable	Number of options outstanding
Savings-related scheme	October 1999	249 0p	until 2007	66,974
Savings-related scheme	October 2000	255 0p	until 2008	75,233
Savings-related scheme	October 2001	327 0p	until 2009	306,744
Savings-related scheme	October 2002	327 0p	until 2010	397,825
Savings-related scheme	October 2003	337 0p	2007 to 2011	588,671
Savings-related scheme	October 2004	354 0p	2008 to 2012	530,293
Savings-related scheme	October 2005	398 0p	2009 to 2013	427,543
				2,393,283

All grants of options made under the Savings-Related Share Option Scheme (SRSOS) were, as permitted by the rules of the scheme, made at a price equal to 80 per cent of the average middle-market quotations as derived from the Daily Official List of the London Stock Exchange for the dealing days specified in rule 6(11) of the scheme. To the extent permitted by the relevant savings contracts, holders of options under the SRSOS were allowed to exercise their options early following the group's acquisition by Admiral Acquisitions UK Limited. Options lapsing due to early exercise were cash compensated by Admiral.

On 26 April 2006 the company granted 804,469 shares under its Executive Share Option Scheme (ESOS). As in previous years, the grants of options under the ESOS were made at the full, undiscounted market price of the shares immediately preceding the date of grant. All options outstanding under the ESOS vested in full as part of the company's acquisition by Admiral Acquisitions UK Limited, including those of the highest paid director.

The grant of options made under the US and Californian Stock Purchase Plans were, as permitted by the rules of those plans, made at a price equal to not less than 85 per cent of the closing market price as derived from the Daily Official List of the London Stock Exchange on the previous dealing day before the date of grant. Options held under these schemes vested partially, in accordance with the scheme rules, following the group's disposal of its USA business on 25 May 2006.

Notes to the financial statements

25. Share capital (continued)

B. Potential issue of shares (continued)

(ii) Changes in share options

A reconciliation of the changes in share options is shown below

	2006		2005	
	Number of shares	Weighted average exercise price (pence)	Number of shares	Weighted average exercise price (pence)
Outstanding at 1 January	9,477,283	388.0	9,552,560	361.6
Granted	804,469	726.0	1,931,027	464.7
Forfeited	(1,236,007)	375.3	(636,397)	381.2
Exercised	(6,652,462)	451.1	(1,369,907)	315.1
Outstanding at 31 December	2,393,283	343.7	9,477,283	388.0
Exercisable at 31 December	-	-	225,487	322.8

There were no option expiries during the current or prior year. Summary data for options outstanding at period end is set out below.

2006					2005			
Range of exercise prices	Weighted average exercise price (pence)	Number of shares	Weighted average remaining life expected (years)	Weighted average remaining life contracted (years)	Weighted average exercise price (pence)	Number of shares	Weighted average remaining life expected (years)	Weighted average remaining life contracted (years)
£2-3	252.2	142,207	7.1	1.3	240.0	883,718	6.4	2.8
£3-4	349.6	2,251,076	5.0	2.8	345.4	3,833,822	4.9	9.9
£4-5	-	-	-	-	426.4	3,658,870	4.4	8.0
£5-6	-	-	-	-	527.1	1,100,873	4.4	10.0

The weighted average share price during the year for options exercised over the year was 872.7p (2005 447.7p). The weighted average fair value for options granted during 2006 was £1.58.

(iii) ABP Share Incentive Plan (SIP)

Subject to the rules and limits set out in the SIP, qualifying employees were permitted to purchase shares of the company out of their pre-tax earnings. These shares were issued at the mid-market price for the dealing day preceding the date of the award. In respect of the SIP, the company received a total of £0.4m (2005 £0.5m) for the 43,789 (2005 96,498) ordinary shares issued.

Following the acquisition of the company on 14 August 2006 the SIP was closed and no further share distributions were made.

Notes to the financial statements

25. Share capital (continued)

B. Potential issue of shares (continued)

(iv) Long Term Incentive Plan (LTIP) and Performance Share Plan (PSP)

Under the company's LTIP and PSP, the three executive directors (including the highest paid director) received annual awards of shares subject to vesting criteria. The vesting of the shares was based on the company's performance in terms of total shareholder return compared to the group of FTSE companies ranked between 51 and 150 by market capitalisation, excluding companies in the financial, IT and telecommunications sectors. Changes in contingent awards of shares made under the company's LTIP and PSP are summarised below.

	Number of shares
At 1 January 2006	377,982
Granted	140,632
Forfeited	(190,766)
Exercised	(327,848)
At 31 December 2006	-

Awards outstanding under the LTIP and PSP vested partially as part of the company's acquisition by Admiral Acquisitions UK Limited. Participants were cash compensated (£1.7m), including the highest paid director (£0.9m), in respect of shares, which did not vest.

C. Share-based payments

(i) Fair values

As permitted by IFRS 2, Share-based Payment, the group has applied the requirements of this standard to all share-based payment awards either unvested at 31 December 2004 or granted after 7 November 2002. Under IFRS 2, Share-based Payment, the cost of each share-based payment is assessed on a fair value basis and is charged to the income statement over the vesting period of the grant. The fair value of each share-based payment is determined at the grant date.

The fair value of share-based payment awards or grants made in 2005 and 2006, at the award or grant date, are set out below.

	Free share plan grants-	SRSOS				US and California stock purchase	LTIP/PSP	Total
	SIP £m	3 year £m	5 year £m	7 year £m	ESOS £m	plans £m	£m	£m
2005	1.1	0.4	0.5	0.1	1.1	-	0.9	4.1
2006	1.2	-	-	-	1.3	-	1.0	3.5

The above fair values are an illustration based on 100 per cent of options granted coming to vest. Based on the observed actual vesting percentages for completed and the expected vesting percentages for ongoing grants under the SRSOS, the following amounts have been charged to the group's income statement in respect of IFRS 2, Share-based Payment.

Notes to the financial statements

25. Share capital (continued)

C. Share-based payments (continued)

	2006 £m	2005 £m
Charge for grants in prior years	1.5	1.3
Charge for grants during 2004	1.2	0.8
Charge for grants during 2005	2.4	0.4
Charge for grants during 2006	3.1	-
Total income statement charge	8.2	2.5

(ii) Fair value assumptions

The fair value of shares and share options granted under the various schemes has been calculated using the Black-Scholes option pricing model. No performance conditions were included in the fair value calculation. The fair value per option granted and the assumptions made for each of the scheme awards for 2006 and 2005 are listed below.

2006	Free share plan grants-SIP* £m	ESOS	PSP
Grant date	n/a	26 April 06	26 April 06
Participants	1,881	74	3
Contractual life (years)	4.0	10.0	3.0
Black-Scholes model assumptions			
Share price (p)	910	726	726
Exercise price (p)	-	726	-
Estimated life (years)	4.0	4.5	3.0
Risk-free interest rate	4.58%	4.58%	4.57%
Dividend yield	2.34%	2.34%	2.34%
Volatility	23.9%	23.9%	20.3%
Basic fair value of option (p)	910	158	726
Options granted/shares awarded	n/a	804,469	140,632
Fair value of share options (£m)	1.2	1.3	1.0
Vesting adjustment factor	100%	85%	71%
Total scheme adjusted fair value (£m)	1.2	1.1	0.7
Performance period (years)	4.0	3.0	3.0
Annual income statement charge which would be applied over the performance period (£m)	0.3	0.4	0.2

*This would have been granted in March 2007, however, following the acquisition of the Company on 14 August 2006 the SIP was closed and no further share distributions were made.

Notes to the financial statements

25. Share capital (continued)

C. Share-based payments (continued)

	Free share plan	Savings-related options			Executive option	US and California stock purchase	LTIP [^]
	grants- SIP	3 year	5 year	7 year	scheme	plans	
2005							
Grant date	31 Mar 06	12 Oct 05	12 Oct 05	12 Oct 05	6 Oct- 1 Nov 05	15 Oct 05	16 Feb- 26 Apr 05
Participants	1,753	525	389	82	77	122	3
Contractual life (years)	4 0	3 0	5 0	7 0	10 0	2 0	3 0
Black-Scholes model assumptions							
Share price (p)	633	516	516	516	527-530	509	472
Exercise price (p)	-	398	398	398	527-530	433	-
Estimated life (years)	4 0	3 3	5 3	7 3	4 5	2 0	3 0
Risk-free interest rate	4 19%	4 17%	4 20%	4 23%	4 20%	4 17%	4 58%
Dividend yield	3 10%	3 10%	3 10%	3 10%	3 10%	3 10%	3 30%
Volatility	24 0%	21 0%	24 0%	25 3%	24 0%	18 1%	21 0%
Basic fair value of option (p)	633	137	154	164	99	96	427
Options granted/shares awarded	173,221	324,784	343,243	89,636	1,129,944	43,222	204,605
Fair value of share options (£m)	1 1	0 4	0 5	0 1	1 1	-	0 9
Vesting adjustment factor	80%	75%	75%	75%	85%	90%	41%
Total scheme adjusted fair value (£m)	0 9	0 3	0 4	0 1	1 0	-	0 4
Performance period (years)	4 0	3 0	5 0	7 0	3 0	2 0	3 0
Annual income statement charge which would be applied over the performance period (£m)	0 2	0 1	0 1	-	0 3	-	0 1

[^]The company made two grants under the LTIP during 2005. Data presented above in relation to these grants represents a weighted average of the factors used to determine their fair value

Expected volatility for the 2006 grants was based on the historic volatility taking into account the expected vesting term for each grant. The risk-free rate has been taken as the yield on UK government treasury bonds with a maturity date approximating to the expected or contracted vesting date of the share or share option as published in the Financial Times on the grant date. For options issued under the Savings-Related Option Scheme, to which no performance criteria apply, the observable historical lapse rate of 25 per cent was applied in determining fair value. For options issued under the Executive Share Option Scheme, the observable historical lapse rate of 15 per cent was applied in determining fair value. For options issued under the US Stock Purchase Plan and California Stock Purchase Plan, to which no performance criteria apply, an expected vesting percentage of 90 per cent was applied. For shares issued under the LTIP, a weighted average expected vesting percentage of 41 per cent was applied after taking into account the probabilities attached to the attainment of the market conditions.

Except in a very limited number of circumstances, options granted under ESOS could only be exercised once the underlying earnings per share target for the company had been achieved. Following the change of control of the company, options granted before 2005 vested in full on change of control and options granted in 2005 and beyond vested in full as the performance conditions were met over the shortened period. Share Incentive Plan shares were allotted to a trustee on a monthly basis and held on trust for a period of five years prior to vesting.

The total charge for the year relating to employee share-based payment plans was £8.2m (2005: £2.5m), all of which related to equity-settled share-based payment transactions. After deferred tax, the net charge to the income statement was £6.0m (2005: £2.1m).

Notes to the financial statements

26 Reserves and statement of changes in shareholder's equity

	Group								
	Other reserves								
	Share capital £m	Share premium account £m	Reval- uation reserve £m	Hedging reserve £m	Capital redemption reserve £m	Share options reserves £m	Trans- lation reserve £m	Retained earnings £m	Total £m
At 1 January 2006	75.4	95.4	684.9	(0.1)	25.3	7.7	0.9	61.1	950.6
Actuarial gain relating to net retirement benefit assets	-	-	-	-	-	-	-	27.3	27.3
Deferred tax associated with actuarial gain relating to net retirement benefit assets	-	-	-	-	-	-	-	(8.2)	(8.2)
Share of associated undertakings' actuarial gain relating to net retirement benefit liabilities	-	-	-	-	-	-	-	0.7	0.7
Share of associated undertakings' gain relating to cash flow hedges	-	-	-	0.1	-	-	-	-	0.1
Currency translation differences on foreign currency net investments	-	-	-	-	-	-	(0.9)	-	(0.9)
Profit for the year	-	-	-	-	-	-	-	36.8	36.8
Dividends paid (note 9)	-	-	-	-	-	-	-	(47.0)	(47.0)
Issue of ordinary shares	1.8	28.6	-	-	-	-	-	-	30.4
Repurchase of shares (note 25)	(0.2)	-	-	-	0.2	-	-	(3.6)	(3.6)
Share-based payments	-	-	-	-	-	14.6	-	-	14.6
Surplus arising on revaluation of investment property (note 13)	-	-	8.8	-	-	-	-	(3.3)	5.5
Realisation of property revaluation surpluses of previous years	-	-	(5.5)	-	-	-	-	5.5	-
At 31 December 2006	77.0	124.0	688.2	-	25.5	22.3	-	69.3	1,006.3

Notes to the financial statements

26 Reserves and statement of changes in shareholder's equity (continued)

	Group								Total £m
	Share capital £m	Share premium account £m	Reval- uation reserve £m	Hedging reserve £m	Other reserves			Retained earnings £m	
					Capital redemption reserve £m	Share options reserves £m	Trans- lation reserve £m		
At 1 January 2005	77.6	91.0	682.3	-	22.7	4.5	(0.5)	83.6	961.2
Actuarial loss relating to net retirement benefit assets	-	-	-	-	-	-	-	(25.1)	(25.1)
Deferred tax associated with actuarial loss relating to net retirement benefit assets	-	-	-	-	-	-	-	7.5	7.5
Share of associated undertakings' actuarial loss relating to net retirement benefit liabilities	-	-	-	-	-	-	-	(2.1)	(2.1)
Share of associated undertakings' loss relating to cash flow hedges	-	-	-	(0.1)	-	-	-	-	(0.1)
Currency translation differences on foreign currency net investments	-	-	-	-	-	-	1.4	-	1.4
Profit for the year	-	-	-	-	-	-	-	99.9	99.9
Dividends paid (note 9)	-	-	-	-	-	-	-	(49.7)	(49.7)
Issue of ordinary shares	0.4	4.4	-	-	-	-	-	-	4.8
Repurchase of shares (note 25)	(2.6)	-	-	-	2.6	-	-	(50.4)	(50.4)
Share-based payments	-	-	-	-	-	3.2	-	-	3.2
Surplus arising on revaluation of investment property (note 13)	-	-	3.5	-	-	-	-	(3.5)	-
Realisation of property revaluation surpluses of previous years	-	-	(0.9)	-	-	-	-	0.9	-
At 31 December 2005	75.4	95.4	684.9	(0.1)	25.3	7.7	0.9	61.1	950.6

At 31 December 2006, cumulative goodwill written off was £20.9m (2005 £20.9m), including £4.2m (2005 £4.2m) in respect of associated undertakings

Notes to the financial statements

28 Related party transactions

The group has interests in two associated undertakings Southampton Container Terminals Limited and Tilbury Container Services Limited The nature of these investments is described more fully in note 31 to the financial statements During the year, the group charged these undertakings a total of £24.3m (2005 £25.1m) in respect of property management and operational services At the year-end, £6.5m (2005 £6.2m) remained owing by these undertakings in respect of these charges

The amounts disclosed in this note as owing by these undertakings at the year end are aggregated with other loans made to or temporary deposits made by these associated undertakings of the group for the purposes of the disclosure of the balances with associated undertakings in notes 16 and 21

The company has an interest bearing loan arrangement with its immediate parent undertaking, Admiral Acquisitions (UK) Limited During the year the company was charged and settled £9.9m in respect of this facility In addition, under this facility, the company loaned £4.5m to Admiral Acquisitions (UK) Limited and this amount remained outstanding as at 31 December 2006

ABP Insurance Limited, a direct subsidiary of Associated British Ports Holdings Limited, acts as the group's captive insurance company It writes both employers' liability and general package policies for group companies and received £3.8m (2005 £3.7m) of premiums during the year

The group's UK retirement benefit schemes are managed by The Associated British Ports Group Pension Scheme (see note 15) During the year, the group charged The Associated British Ports Group Pension Scheme £0.3m (2005 £0.3m) in respect of administrative services At the year-end, £nil (2005 £nil) remained owing to the group by The Associated British Ports Group Pension Scheme in respect of these charges

Doug Morrison, who was appointed as a director of the company on 26 April 2005, was granted an interest-free bridging loan of £51,900 by Associated British Ports during 2005 This loan was granted to assist him with his relocation from the Port of Hull to the Port of Southampton and was repaid on 19 April 2005, prior to his appointment as a director of the company

Key management compensation is disclosed in note 6

Notes to the financial statements

29 Financial commitments

	Group		Company	
	2006	2005	2006	2005
	£m	£m	£m	£m
Group capital expenditure contracted but not provided for	8.8	15.7	-	-

The group's share of the capital commitment of its associated undertakings amounted to £0.1m (2005 £0.2m)

	Group		Company	
	2006	2005	2006	2005
	£m	£m	£m	£m
Total future minimum lease payments under non-cancellable operating leases are as follows				
Not more than one year	2.7	5.8	0.9	0.9
More than one year but not more than five years	8.0	14.1	1.1	2.0
More than five years	17.2	19.0	-	-
	27.9	38.9	2.0	2.9

	Group		Company	
	2006	2005	2006	2005
	£m	£m	£m	£m
Total future minimum lease payments expected to be received under non-cancellable subleases are as follows				
Not more than one year	1.3	0.4	-	-
More than one year but not more than five years	0.5	0.7	-	-
More than five years	-	-	-	-
	1.8	1.1	-	-

The group leases various vehicles and offices under non-cancellable operating lease agreements, which have various terms and renewal rights

30 Contingent liabilities

	Group		Company	
	2006	2005	2006	2005
	£m	£m	£m	£m
Contingent liabilities under claims, indemnities and bank guarantees				
Bank guarantees in respect of parent company borrowings	2,160.0	-	2,160.0	-
Other guarantees and contingencies	0.9	3.8	-	-

The company has provided guarantees in respect of parent company borrowings and facilities totalling £2,720m (2005 nil). Under these facilities £560m (2005 nil) of indebtedness was incurred by the company as at 31 December 2006 (2005 nil) and is included in the company's borrowings as set out in note 19. As part of the security package for these facilities the group has given a legal mortgage over all of its real property, shares with subsidiaries and a fixed and floating charge over various assets including its rights in relation to its principal subsidiary, Associated British Ports.

Other guarantees and contingencies relate primarily to performance bonds.

The group makes contributions to three industry-wide defined benefit pension schemes, which have various funding levels. The group's ability to control these schemes is limited and therefore the impact on the group's future cash flows and cost base from these schemes is uncertain. Further details on these schemes are set out in note 15.

Notes to the financial statements

31 Principal subsidiary and associated undertakings

	% held by Group
Subsidiary undertakings	
Ports and transport	
Associated British Ports	(see below)*
Southampton Free Trade Zone Limited	100
The Teignmouth Quay Company Limited	100
ABP Marine Environmental Research Limited (directly owned)	100
Property	
Grosvenor Waterside (Holdings) Limited	100
ABP Property Development Company Limited	100
Grosvenor Waterside Investments Limited	100
Associated undertakings	
Ports and transport	
Southampton Container Terminals Limited	49
Tilbury Container Services Limited	33†

**Under the Transport Act 1981, the company has powers over Associated British Ports corresponding to the powers of a holding company over a wholly owned subsidiary undertaking*

†Associated British Ports also owns 49 per cent of the issued preference share capital in Tilbury Container Services Limited

All subsidiary and associated undertakings are registered and operate in England and Wales. The group's interest in subsidiary undertakings is represented by ordinary shares. All shares held are of the same class with voting rights in the same proportion to the shareholding. A full list of subsidiary and associated undertakings will be annexed to the company's next annual return.

32 Ultimate parent undertaking

The company is a limited liability company domiciled and incorporated in England and Wales. Its immediate parent undertaking is Admiral Acquisitions UK Limited, who acquired the entire share capital of the company by way of a scheme of arrangement, which became effective on 14 August 2006. The ultimate parent undertaking is Rose Ports (Jersey) Limited (a company controlled by Borealis Investor, GIC Special Investments Pte, Goldman Sachs Infrastructure Fund and Infracapital LP acting by its manager M&G Investment Management Limited), which is registered in Jersey and which produces consolidated financial statements that comply with IFRS and are available from Whiteley Chambers, Don Street, St Helier, Jersey, JE4 9WG.

ASSOCIATED BRITISH PORTS

UNCONSOLIDATED INCOME STATEMENT

For the year ended 31 December

	2006 £m	2005 £m
Revenue	411.2	388.8
Cost of sales	(175.4)	(173.5)
Gross profit	235.8	215.3
Administrative expenses - exceptional items	(5.2)	(7.8)
Administrative expenses - other	(51.6)	(49.7)
Increase in fair value of investment properties	3.3	3.5
Operating profit	182.3	161.3
Analysed between		
Operating profit before increase in fair value of investment properties and exceptional items	184.2	165.6
Increase in fair value of investment properties	3.3	3.5
Exceptional items - administrative expenses	(5.2)	(7.8)
Dividends received from subsidiary companies	-	17.5
Interest payable and similar charges	(47.3)	(26.5)
Interest receivable and similar income	0.9	0.2
Profit before taxation	135.9	152.5
Taxation	(41.8)	(39.1)
Profit attributable to equity shareholders	94.1	113.4

Revenue and profit derive from continuing operations

Approved by the board of directors and signed on its behalf on 20 February 2007



Richard J Adam FCA
Group Finance Director