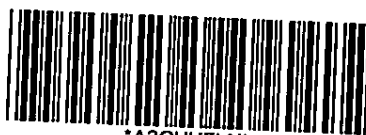


ASSOCIATED BRITISH PORTS HOLDINGS LIMITED AND SUBSIDIARIES

(Company Number 1612178)

ANNUAL REPORT AND ACCOUNTS 2012

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ASSOCIATED BRITISH PORTS HOLDINGS LIMITED AND SUBSIDIARIES

ANNUAL REPORT AND ACCOUNTS 2012

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ASSOCIATED BRITISH PORTS HOLDINGS LIMITED AND SUBSIDIARIES ANNUAL REPORT AND ACCOUNTS 2012

Business review

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 group's principal operating subsidiary is Associated British Ports ("ABP").

The group owns and operates 21 general cargo ports within the UK. In addition, it owns 49 per cent of Southampton Container Terminals Limited ("DPWS"), the second largest container terminal in the UK, and 49 per cent of Associated Global Logistics Limited ("AGL"), an Irish based logistics company. During the year the group sold its 33 per cent share of Tilbury Container Services Limited ("TCS"), a deepsea container terminal located at the Port of Tilbury, to an existing third party investor for a total consideration of £46.6m, representing a profit of £32.1m.

The company's ultimate parent company, ABP (Jersey) Limited, is owned by Borealis International Investments Corporation, GIC Special Investments Pte, GS Infrastructure Partners and Infracapital Partners LP.

1. Group overview

During the year, as set out in note 1.2 to the accounts, the group reviewed and changed its accounting policy for the classification of property assets between investment property and property, plant and equipment. The changed policy has been incorporated into the accounts as a prior year adjustment, with certain comparatives restated as noted from those presented in the 2011 accounts.

Table 1

	2012	2011	Change
	£m	£m	From 2011
Ports & transport revenue	471.7	421.4	+11.9%
Consolidated EBITDA ¹	279.5	263.0	+6.3%
Consolidated EBITDA margin	59%	62%	-3%
Ports & transport underlying operating profit ²	237.1	219.5*	+8.1%
Total tonnage (mt) ³	89.6	89.2	+0.4%
Passenger volumes (000s)	2,967	2,956	+0.4%

¹ Consolidated EBITDA (earnings before interest, tax, depreciation and amortisation) is calculated in accordance with the definitions set out in the credit facilities of the group's parent company – excluding profit from property development and sale of fixed assets.

² Underlying operating profit is defined as operating profit before movement in fair value of investment properties, amortisation of acquisition related adjustments and exceptional items.

³ Excluding volumes where the group generates conservancy income only.

*Restated (see 2.13 of this business review and 1.2 to the accounts).

The operating performance for the year ended 31 December 2012 reflects the following highlights:

- The group's core ports and transport business continued to deliver growth in its operating performance during 2012 underpinned by a predominantly low risk landlord business model, a diversified cargo base, long term contracts with a broad mix of customers and a significant level of guaranteed revenues.
- Ports and transport revenue increased by 11.9% to £471.7m (2011: £421.4m) reflecting growth in certain key cargoes, including coal and import/export vehicles, with increased cruise and property income.

ASSOCIATED BRITISH PORTS HOLDINGS LIMITED AND SUBSIDIARIES ANNUAL REPORT AND ACCOUNTS 2012

1. Group overview (continued)

- Consolidated EBITDA (calculated in accordance with the definitions set out in the group's credit facilities) increased by 6.2% to £279.5m (2011 £263.0m) reflecting the favourable revenue performance partially offset by increased operating and maintenance costs associated with the strong volumes through ABP operated facilities and increased dredging costs undertaken on behalf of a major customer.
- Consolidated EBITDA margin remained strong at 59%, reducing slightly from 2011 levels as a result of the increased low margin dredging undertaken on behalf of a major customer and growth in revenue at ABP operated facilities
- Ports and transport underlying operating profit (before increase in fair value of investment properties, exceptional items and profit on sale of associated undertakings) increased by 8.1% to £237.2m (2011 restated £219.5m)
- During the year, the group disposed of its 33% share of Tilbury Container Services Limited, which operates a deep-sea container terminal located at the Port of Tilbury, for total consideration of £46.6m, generating a profit of £32.1m (not included within underlying operating profit)
- The group continued to progress a number of strategic infrastructure development projects, further details of which can be found in section 3 of this business review

2. Operating and financial review

Table 2

Income Statement	2012 £m	2011 Restated* £m	Change from 2011
Ports and transport revenue	471.7	421.4	+11.9%
Property development revenue	-	2.0	-100%
Revenue	471.7	423.4	+11.4%
Ports and transport operating costs	(234.5)	(201.9)	-16.1%
Property development operating costs	-	(0.2)	+100%
Operating costs	(234.5)	(202.1)	-16.0%
Ports and transport operating profit	237.2	219.5	+8.1%
Property development operating profit	-	1.8	n/a
Underlying operating profit	237.2	221.3	+7.2%
Increase in fair value of investment properties	475.5	8.1	n/a
Profit on disposal of share in joint venture	32.1	-	+100%
Exceptional items	(51.5)	21.2	n/a
Group operating profit	693.3	250.6	+276.7%
Net finance income	28.5	58.1	-50.9%
Share of profit in associated undertakings	0.2	6.2	-96.8%
Profit before taxation	722.0	314.9	+129.3%
Taxation	(116.9)	(59.3)	-197.1%
Profit for the period	605.1	255.6	+136.7%
Consolidated EBITDA	279.5	263.0	+6.3%

* Restated following change to the group's accounting policy in relation to the classification of property assets between investment property and property, plant and equipment (noted in 2.13 of this business review and notes 1 and 10 to the accounts)

2. Operating and financial review (continued)

2.1 Ports & transport

Revenue from the group's core ports and transport activities increased by 11.9% to £471.7m (2011: £421.4m) reflecting growth in certain key cargoes, including coal and import/export vehicles, and increased property and cruise income. Ports and transport operating costs increased by 16.1% to £234.5m (2011: £201.9m) reflecting higher external dredging costs undertaken on behalf of a major customer and increased labour and maintenance costs associated with increased volumes of coal handled at the ABP operated Humber International Terminal at the Port of Immingham. Underlying operating profit from ports and transport activities increased by 8.1% to £237.2m (2011: £219.5m).

2.2 Property development

The group did not undertake any property development transactions during 2012. In 2011 the group generated £2.0m of revenue and £1.8m of operating profit from property development activities mainly relating to the disposal of surplus land at the Port of Garston. The timing and scope of future property disposals is difficult to predict due to the long-term nature of the group's remaining property projects and the protracted and complex planning requirements that need to be satisfied prior to a disposal.

2.3 Increase in fair value of investment properties

The 2012 review of the fair value of the group's investment property portfolio resulted in a gain of £481.0m (2011: £11.6) with £475.5m (2011 restated: £8.1m) of the gain being recognised in the income statement and a gain of £5.5m (2011: £3.5m) being recognised in equity.

The group undertook a review of its investment property accounting and valuation policy during the second half of 2012, which resulted in some reclassification of assets from operating land and buildings to investment property as well as adjustment, where appropriate, to valuation yields that reflect the directors' current view of the most prevalent market consistent comparables. At the same time, the valuation approach now incorporates, if applicable, all income arising from investment property, including that from any integral vessel berthing and third party operated cargo handling equipment.

As a consequence of the above, the valuation of the group's investment property increased from £668.3m to £1,420.2m, with £235.2m of this increase being reflected as a prior year adjustment, representing the extent of the increase that arose as a consequence of the change in the group's asset classification policy.

In addition to valuation uplifts arising from the changes in classification and valuation policy, the uplift in investment property valuation included £168m in relation to an increase in the valuation of the Immingham Oil Terminal. This increase results from evidence obtained during legal proceedings brought by ABP to take back the terminal for the purposes of its own business and fix a rent in the interim period from contractual expiry until the leases, under which the Terminal has historically been held, are terminated by statutory process.

2. Operating and financial review (continued)

2.4 Profit on disposal of share in joint venture

The group disposed of its 33% share of Tilbury Container Services Limited ("TCS"), which operates a deep-sea container terminal located at the Port of Tilbury. Total consideration for the shares was £46.6m, of which £36.7m was received in the year and the balance received in January 2013. The profit on disposal amounted to £32.1m.

2.5 Exceptional items

The group recognised a liability of £51.5m at 31 December 2012 reflecting the group's obligation to make payments to fund its share of the funding deficit of the Pilots National Pension Fund ("PNPF") defined benefit pension scheme, a multi employer scheme in respect of which ABP is a participating body (2011 curtailment gain of £21.2m in relation to the ABP Group Pension Scheme).

2.6 Share of profit in associated undertakings

The group's share of profit from associated undertakings for the year to 31 December 2012 was £0.2m (2011 £6.2m). The decrease in the share of profit from associated undertakings reflects the loss of the share in TCS's profit and a decrease in deep-sea container volumes handled by DPWS of 7.1% to 1,447,000 (2011 1,558,000) twenty foot equivalent units (TEUs) reflecting reductions following changes to call patterns of container lines and current weak economic growth.

2.7 Net finance income

Net finance income amounted to £28.5m (2011 £58.1m). Finance income principally relates to interest receivable on intercompany loans to the company's immediate parent, ABP Acquisitions UK Limited.

2.8 Taxation

The overall net tax charge for the year ended 31 December 2012 amounted to £116.9m (2011 restated: £59.3m) and reflected a deferred tax charge of £45.5m (2011 restated credit of £15.1m) principally reflecting the impact of the uplift in investment property valuation.

2.9 Dividends

The company did not pay any dividends during 2012 or 2011.

2.10 Cash flows

Cash flow from operating activities amounted to £34.5m (2011 £146.3m). The decrease in cash flow from operating activities was primarily driven by an increase in the intercompany loan to the company's immediate parent. The group continues to closely monitor and manage its working capital and capital expenditure requirements.

Given the group's commitment to growing the business through investment in its operations, capital expenditure represents one of the more significant uses of its cash flow. Total capital expenditure for the year increased to £73.6m (2011 £44.7m). There are two elements to the group's capital expenditure: infrastructure replacement to maintain the operating capabilities of the assets and

2. Operating and financial review (continued)

2.10 Cash flows (continued)

revenue earning/enhancing capital projects Maintenance expenditure during 2012 amounted to £23.7m (2011 £20.7m). Growth capex for 2012 amounted to £49.9m (2011 £24.0m) and included expenditure associated with the container berth expansion project in Southampton of £14.3m, the Grimsby Riverside ro-ro project of £14.3m, and the development of a fourth multi-storey car park in Southampton of £6.3m

2.11 Balance sheet

The group's balance sheet position as at 31 December 2012 is summarised in table 3 below.

Table 3

Balance sheet	2012 £m	2011 Restated* £m	Change from 2011 £m
Goodwill and intangible assets	14.5	14.5	-
Property, plant and equipment	869.1	874.1	-5.0
Investment property	1,420.3	903.5	+516.8
Investments	36.7	52.7	-16.0
Property developments and land held for sale	3.0	2.8	+0.2
Trade and other receivables	444.3	239.1	+205.2
Cash and cash equivalents	51.2	52.5	-1.3
Trade and other payables	(71.8)	(59.3)	-12.5
Net retirement benefit (liability)/asset	(38.8)	24.8	-63.6
Deferred tax liabilities	(198.2)	(157.2)	-41.0
Other	(17.7)	(22.3)	+4.6
Net liabilities	2,512.6	1,925.2	+587.4

* Restated following change to the group's accounting policy in relation to the classification of property assets between investment property and property, plant and equipment (noted in 2.13 of this business review and notes 1 and 10 to the accounts)

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

The group owns and operates 21 ports around the UK. Consequently, the majority of its capital is invested in port infrastructure and investment property located at its port facilities. During 2012 the group's capital invested in property, plant and equipment increased by £511.8m, largely reflecting an increase in the valuation of the group's investment property following the review of the group's classification and valuation policies in the second half of 2012 as noted in section 2.3.

Retirement benefits

The group's main 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. In 2011, a change to the scheme was introduced whereby members were required to elect either, to remain in the scheme and continue to accrue benefits at a growth rate in pensionable pay capped at 3.5% in the first year and 2% per annum thereafter, or to leave the defined benefits section of the scheme by becoming a deferred member and joining an enhanced defined contribution scheme. The group recorded an exceptional curtailment gain in 2011, in respect of the scheme change, of £21.2m within its operating profit. During 2012, in relation to this scheme, the group recorded £5.4m (2011 £5.7m) for current service cost and recognised net finance income of £7.5m (2011 £6.8m). As a result of the actuarial assumptions not having been borne out

2. Operating and financial review (continued)

2.11 Balance sheet (continued)

during 2012, the group also recognised an actuarial loss of £26.0m (2011: £26.9m) within other comprehensive income. This loss resulted from an increase in liabilities of £23.9m (reflecting the negative impact of a 50 basis point decrease in the discount rate applied being partially offset by the positive impact of changes in the inflation assumption) and an experience loss of £8.2m in respect of changes to membership assumptions being partially offset by the better than expected returns on the scheme's assets of £6.1m. Full details of all of the group's retirement benefit plans are provided in note 12.

During 2012, the group became liable to make payments to fund the share of the deficit of the PNPf which the scheme Trustee has allocated to the group. As permitted by IAS 19, the group has recognised a liability for the present value of its future deficit contributions at 31 December amounting to £51.5m.

2.12 Critical accounting policies, estimates and judgments

The group prepares its financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union. As the group is an infrastructure based provider of services, assets such as plant and equipment, operational land, buildings, dock structures, quays, dredgers and other floating craft 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 industry practice and appropriate within the context of its past experience.

The carrying values for the group's goodwill and other intangible assets are reviewed for impairment on an annual basis. It should be noted that these reviews require an element of judgment in terms of the assumptions applied in relation to future forecasts of cash flows and discount rates. Based on the assumptions adopted, the current reviews indicate that the group's forecast future trading provides adequate levels of headroom to support the carrying value of its intangible assets. Although the directors believe the assumptions applied to be appropriate, there can be no certainty that these will be borne out in the future.

The group's investment property portfolio is its largest asset by value. The group's policy is to undertake internal valuations annually and independent external valuations at least once every five years. During the year, the group reviewed its accounting policy in relation to the classification of property assets between property, plant and equipment and investment property. The group had previously classified property as investment property if the property was subject to legal exclusive use or sole effective use by a tenant or other port user. The group has changed its policy to remove the requirement for exclusive use and to classify properties as investment properties if:

- for a defined area (land, buildings, jetties and other fixed structures), one or more users pay an amount for use of that area for a period of one or more years, and
- any "ancillary services" provided by the group at the property are insignificant to the arrangements as a whole

The changes above have resulted in the reclassification of a number of assets from property, plant and equipment to investment property resulting in around a 6% increase in the overall number of investment properties, which has been incorporated into the accounts as a prior year adjustment. The impact of the prior year adjustment on the valuation of investment property can be found in note 10 to the financial statements.

2. Operating and financial review (continued)

2.12 Critical accounting policies, estimates and judgments (continued)

The investment property portfolio was valued internally at £1,420.3m (2011: £903.5m after adjusting for the change in the group's classification policy) at 31 December 2012. The last external valuation took place at 31 December 2008. Further details are set out in note 10 to the financial statements.

A full actuarial valuation of the group's main defined benefit pension scheme was carried out as at 31 December 2009. As at 31 December 2012, 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 £12.7m at the end of 2012 (2011: £24.8m). The valuation of retirement benefit schemes requires an element of judgment 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. Further details are shown in note 12 to the financial statements.

The group is a participating body of three multi-employer defined benefit pension schemes, the Pilots National Pension Fund (PNPF), the Former Registered Dockworkers Pension Fund and the Merchant Navy Officers Pension Fund (MNOF). The group is unable to establish the group's share of these schemes on a consistent and reliable basis and therefore continues to account for these schemes on a defined contribution basis, ie expensing regular contributions to profit and loss. Further details of these multi-employer schemes are shown in note 12 to the financial statements.

The group provides for deferred tax liabilities in respect of all temporary differences in accordance with the requirements of IAS 12 – Income Taxes. The calculation of deferred tax requires an estimation of future tax rates and the timing of reversals of temporary differences. Further details are shown in note 19 to the financial statements.

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 in line with the provision of the service. The recognition of revenue is not subject to a significant level of estimation or judgment. Where judgment is necessary, the group takes a prudent approach and applies relevant IFRSs. 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.

2.13 Treasury policies and liquidity

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

Liquidity risk

Liquidity risk is managed by maintaining borrowing facilities at a level that is forecast to provide reasonable surplus beyond the future needs of the group. As at 31 December 2012, the group's immediate parent undertaking, ABP Acquisitions UK Limited, had access to £325.0m of committed and undrawn borrowing facilities which are available for a period of approximately four years and a further £135.0m of facilities available to 16 December 2013.

2. Operating and financial review (continued)

2.13 Treasury policies and liquidity (continued)

Management monitors rolling forecasts of the group's liquidity reserve (comprised of undrawn borrowing facilities and cash and cash equivalents) on the basis of expected cash flows.

Interest rate risk

Risks arising from changes in interest rates are managed by maintaining an appropriate balance between fixed and floating rate debt. At 31 December 2012, the group had no bank debt

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 arise infrequently. Where such exceptions are significant, any related exposure is managed through forward currency contracts.

Capital risk

The group finances itself with a mixture of retained earnings £907.0m (2011 restated: £800.7m) and finance leases £nil (2011 £0.5m). The group's immediate parent undertaking, ABP Acquisitions UK Limited, also has committed but unutilised facilities totalling £460m (2011: £460m). The group keeps its funding structure under review with a view to maximising shareholder value and to ensure that it has the resources and the capacity to meet its operational requirements and to facilitate the execution of its strategy.

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 entering into new agreements. Exposure to counterparties is also reviewed on a regular basis to avoid any excessive reliance on a single counterparty. The group's credit risk policies are discussed further in note 13.

3. Strategy update

Our strategy is to invest in long-term projects in partnership with quality customers that can generate attractive rates of return. In this regard, the group continues to pursue a number of major developments, which have the potential to contribute significant growth during the coming years. Further information on these investments is provided below.

3.1 Southampton Container Expansion

The container terminal at Southampton is the second largest deep-sea container terminal in the UK and the group remains committed to ensuring that it remains one of the leading container ports in the country. The redevelopment of berths 201/2, which is expected to be operational in early 2014, will increase the terminal's capability to handle ultra-large container vessels. In April 2012, ABP received consent from the Marine Management Organisation to carry out the civil construction works for the berth. The contract has been awarded to VolkerStevin and works are substantially underway. A contract to manufacture four new ship-to-shore cranes to service the new berths has been awarded to Liebherr. In November 2012, ABP received the necessary marine licence to carry out a proposed dredging programme, further improving marine access for large container vessels. The capital expenditure associated with the berth works, the acquisition of the cranes and the

3. Strategy update (continued)

3.1 Southampton Container Expansion (continued)

dredging works is not expected to exceed £90m. Approval was received in February 2013 for additional dredging, which could require capital expenditure of up to a further £60m within the 5-year lifetime of the consent, with works anticipated to cost £30m to £35m expected to commence in 2013.

3.2 Grimsby River Terminal

In May 2012, the group commenced construction of the two berth riverside ro-ro facility at Grimsby, which will be used for the import and export of new vehicles. The new terminal is located outside the river entrance to Grimsby Royal Dock. The development of the terminal is being supported by a new long-term agreement with Volkswagen Group United Kingdom Ltd. The new facility is expected to cost c £25m and be operational in Q3 2013.

3.3 Green Port Hull

In June 2012, the Marine Management Organisation granted planning permissions for the development of the 134 acre site at Alexandra Dock, Hull, on which Siemens plans to establish an offshore wind turbine facility with a riverside berth export capability. The development, which is expected to include an investment by the group of in excess of £100m spread over a number of years, is subject to finalisation of long-term contractual arrangements with Siemens. Meanwhile, the parties are progressing the project under a Memorandum of Understanding.

3.4 Immingham Renewable Fuels Terminal

Towards the end of 2012, ABP commenced a tender process for the construction of facilities for the handling and storage of biomass at its Humber International Terminal. The project is expected to cost c £75m and is subject to finalisation of the tender process and the signing of a long term customer agreement. The works are expected to commence in 2013 and complete in 2014.

4. 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 overseen 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 its findings to the audit committee. The group has in place an embedded risk management process, which aims to manage and monitor 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.

Economic outlook

The UK's ports represent the primary gateway for the country's international trade flows. As such, ABP's business is not immune from the impacts of changes in global economic activity levels. The economic outlook continues to remain uncertain and any downturn could impact the group's

4. Risks and uncertainties (continued)

performance. It should also be noted that whilst the wider group continues to trade comfortably within its financial covenant limits and manage its refinancing risk, significant future deteriorations in the wider economic climate impacting the group's trading performance could adversely impact the group's current and future financing arrangements. In mitigation of the above risks, the group has the benefit of a strong and supportive shareholder group, has many long-term contracts with a broad mix of customers and maintains a strong focus on cost control and effective management of working capital and capital expenditure.

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. The group's fuel, utilities and dredging costs can fluctuate in response to external factors and future increases in these costs over and above those anticipated in the group's plans could impact on its future operating performance.

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. A full actuarial valuation of this scheme was carried out at 31 December 2009 and indicated a funding deficit of £74.0m. As a consequence of this funding deficit the group increased its contributions to the scheme. However, significant deterioration in the funding levels of this scheme could lead to the need for additional contributions. See note 12 for further details.

The group also makes contributions to three industry-wide defined benefit schemes, which have various funding levels and liabilities which either have or may in the future be allocated to participating employers (see sections 2.5 and 2.11 above and note 12 to the financial statements). 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.

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. The group remains focused on developing its facilities to meet the needs of its customers and during 2012 invested £49.9m (2011: £24.0m) in customer related growth projects.

Availability of planning approvals for future developments

The success of the group's future strategy of developing its core ports and transport business largely through organic investment is partly dependent upon the timely 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 group's senior management closely manage all planning applications, including those related to projects described in the strategy update above.

4. Risks and uncertainties (continued)

Capital expenditure projects

The efficient management of the group's projected capital expenditure will impact on the value the group is able to deliver to its stakeholders in the medium and long-term. The group has experience of having completed a number of major projects during recent years and has access to appropriate resources to undertake its major developments planned for the future.

Potential impacts from terrorist incidents or other accidents

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

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 present a continuous risk. Effective management of health and safety matters can prevent serious injury, damage to infrastructure and can limit social and financial impacts. Further, the group is legally obliged to ensure the implementation of 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, well-developed policies and targets on training and education, clear procedures for dealing with contractors, strict enforcement and independent review and monitoring of policies and procedures 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 2012 will be included in the group's annual Corporate Responsibility (CR) report.

Progress against the group's primary health and safety performance indicators is detailed in table 4 below.

Table 4

	2012	2011	Change from 2011
Fatal accidents to employees	-	-	-
Reportable injuries per thousand employees	3.6	5.7	-36.8%
Percentage of employees provided with accredited training	94.0	96.0	-2.1%

The group remains committed to continuous improvement in its health and safety performance. The incidence rate for reportable injuries for the year decreased to 3.6 per thousand employees (2011: 5.7). Our 2012 performance continues to compare favourably with the average rate of incidence for the UK ports industry. We continue to review the circumstances surrounding all incidents to assess what, if any, lessons can be learnt to improve our future performance.

4. Risks and uncertainties (continued)

The group also continues to provide appropriate accredited health and safety training to all of its employees. At the end of the year the group had marginally missed its target of ensuring 95 per cent of employees are provided with accredited training. 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 seabed and land. The group's obligations in relation to environmental stewardship have the potential to be 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 2012 CR report.

Table 5 below provides details of the group's progress during 2012 against its more significant environmental indicators.

Table 5

	2012	2011	Change from 2011
CO ₂ emissions (tonnes)*	79,752	83,485	-4.5%
Electricity consumption (million kWh)	72.4	76.5	-5.4%
Water consumption (million litres)**	1,493.8	1,705.0	-12.4%

**The group's target for CO₂ emissions was to reduce absolute carbon emissions versus prior year levels and reduce like-for-like carbon emissions compared with revenue by 3% per annum against prior year*

***The group's target for water consumption was to reduce absolute consumption and reduce like-for-like consumption compared with revenue by 3% per annum against prior year*

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 it achieved an absolute reduction in CO₂ emissions of 4.5 per cent. Water consumption decreased by 12.4 per cent, exceeding the target set of a reduction of 3%. In addition, the environment team continue to make good progress on a range of other initiatives against which we had set targets at the beginning of 2012, further details of which will be provided in the group's 2012 CR report.

Management of social and community issues

The group remains committed to ensuring that its business units have a positive influence on their local communities. Social and community matters are managed proactively on a business unit and corporate basis and community integration remains an important matter for all business units. The group's social and community initiatives are focused on education, charities, arts sponsorship, engagement with civic organisations and the provision of free access to its facilities where practical and appropriate. Cash and in-kind contributions increased during the year by 2.1 per cent.

4. Risks and uncertainties (continued)

Table 6 below provides details of the group's 2012 performance in relation to social and community matters

Table 6

	2012	2011	Change from 2011
Total cash and in-kind contributions	£284,365	£278,400	+2.1%

Further details on social and community related initiatives and investment will be included in the group's 2012 CR report

5. Resources and key relationships

The group generated all of its revenue and operating profit in 2012 from its core ports and transport business. The group believes that its core business benefits from many characteristics that position it to deliver sustained improvement in its future financial performance. Key factors that could influence the group's future performance are discussed below

Market leading, diversified business, supported by strong asset base

With 21 ports located around the UK the group's core business is the number one operator by tonnage 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. Furthermore the group's market position is supported by a very strong asset base. At the end of 2012, the group's tangible fixed assets amounted to £2,289.4m (2011 restated £1,777.6m)

Customers and suppliers

Like all businesses the group's future success is dependent upon the management and development of its relations with current and potential customers. 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 its infrastructure on the back of secure and predictable future revenue streams but also provide our customers with long-term security over the availability of the associated facilities. During 2012 we invested £49.9m in customer demand driven growth projects.

The group works closely with its customers to develop new facilities and services to meet their requirements and senior management at both corporate and business unit level maintain regular contact with the group's key customers.

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

5. Resources and key relationships (continued)

Our people

During 2012, the monthly average number of persons employed in the business was 1,953 (2011 1,926). 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 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. 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 including in respect of financial and economic factors affecting the performance of the group, 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 7 below sets out the group's performance in relation to the management of its employees during 2012.

Table 7

	2012	2011	Change from 2011
Sickness and absenteeism rate	2.8%	3.4%	-0.6%
	6.4 days per employee	7.7 days per employee	-16.9%
Annual appointments as a percentage of headcount	9.6%	9.4%	+0.2%
Annual leavers as a percentage of headcount	9.7%	7.4%	+2.3%
Annual compulsory redundancies as a percentage of headcount	0.3%	0.3%	-
Female employees as a percentage of headcount	12.3%	11.9%	+0.4%

The group's objective is to monitor and benchmark the above data to ensure that it is in line with industry norms, exceptions are identified and addressed through the implementation of specific initiatives to promote good 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.

The group is also 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 assess opportunities for career development and promotion and to ensure that, wherever possible, the person can either continue in their present role or retrain for a different role. Further details on the group's employee development initiatives will be reported in its annual CR Report.

5. Resources and key relationships (continued)

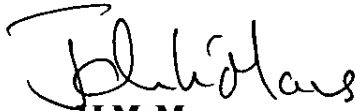
Committed long-term shareholders

The group's investors represent some of the world's leading and most reputable infrastructure funds. These investors provide the group with ready access to capital markets as well as external expertise in management and development of infrastructure projects and services. The group's investors are also committed to the long-term development of the business for the benefit of all stakeholders.

6. Outlook

The group's performance in 2012 was driven by strong coal volumes, increased property income and growth in vehicles and cruise. The year has seen falling volumes across the majority of other commodities, although the impact on earnings has been offset by cost savings in areas of low activity. Low economic growth expectations for 2013 suggest that the overall volume in cargoes through the group's ports is unlikely to grow materially. The group, however, continues to benefit from a wide-ranging mix of cargoes handled for a diversified customer base, many of whom operate under long-term contracts. These characteristics are expected to provide the group with continued resilience to potential volume fluctuations in 2013.

By Order of the Board



JJ McManus
Director



GSM Bull
Chief Financial Officer

25 April 2013

Directors' report

The directors present their report and the audited accounts for the year ended 31 December 2012

Principal activities

The principal activity of the company is as an intermediate holding company. A review of the group's activities and principal risk and uncertainties is set out within the business review.

Dividends

The directors do not recommend the payment of a dividend (2011: £nil).

Future outlook

The directors do not foresee any material changes in the principal activity of the company.

Board of directors and governance

The board comprises nine non-executive directors who have been appointed as representatives of the group's shareholders together with Messrs Peter Jones, Chief Executive (and chair of meetings of the board), Sebastian Bull, Chief Financial Officer, and Doug Morrison, Executive Director. Associated British Ports Holdings Limited is the immediate holding company for Associated British Ports, which is the group's main trading subsidiary. The following table lists the directors who served during the year and up to the date of these accounts, and lists the organisations that the non-executive directors represent.

Director	Appointed by
Mr Sebastian Bull	
Mr Philippe Busslinger ¹	Borealis International Investments Corporation
Mr Philippe Camu ²	GS Infrastructure Partners
Mr Edward Clarke	Infracapital Partners LP (appointed 2 January 2013)
Mr James Cooper ^{1,2}	Infracapital Partners LP (resigned 2 January 2013)
Mr Peter Jones	
Mr George Kay ²	GIC Special Investments Pte
Mr David Kerr ¹	GIC Special Investments Pte
Mr Peter Lynham ¹	GS Infrastructure Partners
Mr John McManus	Borealis International Investments Corporation (appointed 2 January 2013)
Mr John Morea	Borealis International Investments Corporation
Mr Doug Morrison	
Mr Michael Rolland ²	Borealis International Investments Corporation (resigned 2 January 2013)
Mr Robert Walvis	GIC Special Investments Pte

¹ Member of audit committee for the year to 31 December 2012

² Member of remuneration and nomination committee for the year to 31 December 2012

On 2 January 2013, Messrs Busslinger and Cooper resigned as members of the Audit Committee and were replaced by Messrs Clarke and McManus.

On 2 January 2013, Messrs Cooper and Rolland resigned as members of the remuneration and nomination committee and were replaced by Messrs Busslinger and Clarke.

In addition, the following served as Alternate Directors during the year and up to the date of these accounts:

Mr Kenton Bradbury
Mr Tom Ferguson

Directors' report (continued)

Mr John McManus	(resigned as Alternate 2 January 2013)
Mr Michael Rolland	(resigned as Alternate 2 January 2013)

On 5 November 2012, it was announced that Mr Peter Jones would be retiring as Director and Chief Executive of ABPH with effect from the end of March 2013. Mr Jones will be succeeded as Director and Chief Executive by Mr James Cooper with effect from 1 April 2013.

With effect from 2 April 2013 Mr Robert Walvis was appointed Non-Executive Chairman of the company. Mr Walvis remains as a Director but has resigned as a GIC representative on the board.

Biographies of the current board of directors can be found on the group's external website www.abports.co.uk

The board meets five (2011: six) times a year and has a specific schedule of matters reserved for its consideration. Appointments to the board of the company are governed by a shareholders' agreement and are considered by the group's remuneration and nomination committee which is chaired by Mr George Kay. Appointments to the remuneration and nomination committee are made by the board and this committee is responsible for keeping under review the remuneration arrangements for the directors of the company and other senior managers within the group.

The group's audit committee was chaired throughout 2012 by Mr James Cooper. On 2 January 2013, Mr McManus replaced Mr Cooper as Chairman of the Audit Committee. The audit committee meets at least twice a year and is responsible for the appointment of the group's auditors and for keeping under review the group's internal controls and risk management systems. The committee also reviews the group's results prior to their approval and publication and amongst other things is responsible for ensuring that the group continues to comply with the relevant accounting standards and regulations.

Directors' indemnities

The company's ultimate parent undertaking, ABP (Jersey) Limited, maintains directors' and officers' liability insurance and pension fund trustees' liability insurance which give appropriate cover for any legal action brought against the directors and officers of the company. In addition, the Articles of Association of the company permit the directors and officers of the company to be indemnified in respect of liabilities incurred as a result of their office. Qualifying third party indemnity provisions (as defined by s234 of the Companies Act 2006) for the benefit of directors and officers were in force during the year for all directors and officers and remain in force in relation to certain losses and liabilities which directors and officers may incur (or have incurred) in connection with their duties, powers or office.

Supplier payment policy

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

At 31 December 2012, the group owed the equivalent of 43 days of purchases (2011: 35 days) to trade creditors, based on the average daily amount invoiced by suppliers during the year.

Charitable donations

The group donated £67,637 (2011: £88,923) to charities during the year.

Directors' report (continued)

Annual general meeting

In accordance with s303 of the Companies Act 2006, the members have not required the directors to call an annual general meeting of the company

Auditor re-appointment

In accordance with s487 of the Companies Act 2006, the auditor is deemed to have been re-appointed and Ernst & Young LLP will therefore continue as auditor to the company

Audit information

The directors of the company at the time of approving the directors' report are listed above. Having made enquiries of fellow directors and the company's auditor, each of these directors confirms that:

- so far as each director is aware, there is no relevant audit information (that is, information needed by the company's auditor in connection with preparing his report) of which the company's auditor is unaware, and
- each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information

By Order of the Board



AC Garner
Company Secretary
Aldwych House
71-91 Aldwych
London WC2B 4HN
25 April 2013

Statement of directors' responsibilities in respect of the preparation of the annual report and accounts

The directors are responsible for preparing the annual report and accounts in accordance with applicable law and regulations.

Company law requires the directors to prepare accounts for each financial year. Under that law the directors have elected to prepare the group and parent company accounts in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union. Under company law, the directors must not approve accounts unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the company and of the group and of profit or loss of the group. In preparing those accounts, the directors are required to.

- present fairly the financial position, financial performance and cashflows of the company;
- select suitable accounting policies in accordance with IAS 8 Accounting policies, changes in accounting estimates and errors and then apply them consistently,
- make judgments that are reasonable,
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs as adopted by the European Union is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the company's financial position and financial performance; and
- state that the company has complied with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the accounts.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and the company's transactions, to disclose with reasonable accuracy, at any time, the financial position of the group and company at that time and to enable them to ensure that the group and company accounts comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By Order of the Board



AC Garner
Company Secretary
Aldwych House
71-91 Aldwych
London WC2B 4HN
25 April 2013

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ASSOCIATED BRITISH PORTS HOLDINGS LIMITED

We have audited the financial statements of Associated British Ports Holdings Limited for the year ended 31 December 2012 which comprise the Group Income Statement, the Group Statement of Comprehensive Income, the Group Balance Sheet, the Group Statement of Cash Flows, the Group Statement of Changes in Equity and the related notes 1 to 28. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRSs") as adopted by the European Union

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 19, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report and accounts to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion

- the financial statements give a true and fair view of the state of the group's affairs as at 31 December 2012 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ASSOCIATED BRITISH PORTS HOLDINGS LIMITED (continued)

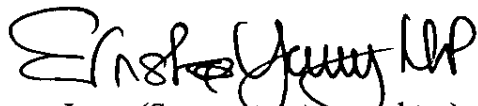
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with these financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' benefits specified by law are not made, or
- we have not received all the information and explanations we require for our audit.



Steven Lunn (Senior statutory auditor)

For and on behalf of Ernst & Young LLP, Statutory Auditor

London

29 April 2013

ASSOCIATED BRITISH PORTS HOLDINGS LIMITED AND SUBSIDIARIES ANNUAL REPORT AND ACCOUNTS 2012

Group income statement for the year ended 31 December

		2012	2011
	Note	£m	Restated*
			£m
Revenue	2	471.7	423.4
Cost of sales		(184.0)	(167.7)
Gross profit		287.7	255.7
Administrative expenses		(69.9)	(13.2)
Increase in fair value of investment properties	10	475.5	8.1
Operating profit	2, 3	693.3	250.6
Analysed between:			
Group operating profit before the following items		237.2	221.3
Profit on sale of associated undertaking		32.1	-
Increase in fair value of investment properties	10	475.5	8.1
Exceptional items – administrative expenses	12	(51.5)	21.2
Finance costs	5	0.5	(7.6)
Finance income	5	28.0	65.7
Share of profit in associated undertakings	11	0.2	6.2
Profit before taxation	2	722.0	314.9
Taxation	6	(116.9)	(59.3)
Profit attributable to equity shareholder	2, 22	605.1	255.6

*Certain amounts shown for 2011 do not correspond to the 2011 accounts and reflect adjustments made as detailed in note 12

All results are derived from continuing operations in the United Kingdom

The exceptional items of £51.5m expense in 2012 and £21.2m income in 2011 relate to the impact of changes to and the accounting for, the group's pension schemes. See note 12 for further details.

Group statement of comprehensive income for the year ended 31 December

		2012	2011
	Note	£m	Restated*
			£m
Profit attributable to equity shareholder	22	605.1	255.6
Other comprehensive income/(expense):			
Surplus arising on revaluation of investment property	10, 22	5.5	3.5
Share of associated undertakings' actuarial (loss)/gain relating to net retirement benefit liabilities	11, 22	(1.8)	(5.3)
Actuarial loss relating to net retirement benefit assets	12, 22	(26.0)	(26.9)
Fair value loss on forward foreign exchange contract	16, 22	-	(0.1)
Deferred tax associated with actuarial loss relating to net retirement benefit assets	19, 22	2.2	6.7
Deferred tax arising on revaluation of investment property	19, 22	2.3	(0.8)
Other comprehensive income/(expense) for the period, net of tax		(17.8)	(22.9)
Total comprehensive income for the period, net of tax, attributable to equity shareholder		587.3	232.7

*Certain amounts shown for 2011 do not correspond to the 2011 accounts and reflect adjustments made as detailed in note 12

The notes on pages 26 to 71 form part of these accounts

ASSOCIATED BRITISH PORTS HOLDINGS LIMITED AND SUBSIDIARIES ANNUAL REPORT AND ACCOUNTS 2012

Group balance sheet as at 31 December

	Note	2012 £m	2011 Restated* £m	1 January 2011 Restated* £m
Assets				
Non-current assets				
Goodwill	7	14.5	14.5	14.5
Intangible assets	8	5.9	6.2	0.4
Property, plant and equipment	9	869.1	874.1	874.5
Investment property	10	1,420.3	903.5	895.4
Investments in associates	11	36.7	52.7	51.8
Retirement benefit assets	12	15.3	27.1	20.0
Trade and other receivables	13	1.3	1.1	0.8
		2,363.1	1,879.2	1,857.4
Current assets				
Property developments and land held for sale	14	3.0	2.8	2.5
Trade and other receivables	13	444.3	239.1	629.3
Cash and cash equivalents	15	51.2	52.5	20.7
		498.5	294.4	652.5
Total assets	2	2,861.6	2,173.6	2,509.9
Liabilities				
Current liabilities				
Financial liabilities – borrowings	15	-	(0.5)	(0.9)
Trade and other payables	17	(71.8)	(59.3)	(63.7)
Current tax liabilities		-	-	(3.1)
Provisions	18	(14.0)	(20.5)	(14.8)
		(85.8)	(80.3)	(82.5)
Non-current liabilities				
Financial liabilities – borrowings		-	-	(546.8)
Retirement benefit obligations	12	(54.1)	(2.3)	(3.1)
Deferred tax liabilities	19	(198.2)	(157.2)	(178.0)
Provisions	18	(8.2)	(6.3)	(7.8)
Other non-current liabilities	20	(2.7)	(2.3)	-
		(263.2)	(168.1)	(735.7)
Total liabilities	2	(349.0)	(248.4)	(818.2)
Net assets		2,512.6	1,925.2	1,691.7
Shareholder's equity				
Share capital	21, 22	77.5	77.5	77.4
Share premium account	22	130.5	130.4	129.6
Revaluation reserve	22	1,350.8	869.8	857.9
Other reserves	22	46.8	46.8	47.0
Retained earnings	22	907.0	800.7	579.8
Total shareholder's equity		2,512.6	1,925.2	1,691.7

*Certain amounts shown for 2011 do not correspond to the 2011 accounts and reflect adjustments made as detailed in notes 12, 9 and 10

The accounts on pages 22 to 71 were approved by the board of directors on 27 February 2013 and signed on its behalf by


GSM Bull
Director

ASSOCIATED BRITISH PORTS HOLDINGS LIMITED AND SUBSIDIARIES ANNUAL REPORT AND ACCOUNTS 2012

Group statement of cash flows for the year ended 31 December

	Note	2012 £m	2011 £m
Cash flows from operating activities			
Cash generated by operations	23	34.5	146.3
Interest paid		-	(7.8)
Interest received		0.8	0.3
Taxation		0.2	-
Net cash inflow from operating activities		35.5	138.8
Cash flows from investing activities			
Proceeds from sale of associated undertaking		36.7	-
Proceeds from sale of property, plant and equipment		0.5	0.2
Purchase of intangible assets		(0.5)	(6.5)
Purchase of property, plant and equipment		(56.9)	(31.8)
Purchase of investment property		(16.2)	(6.4)
Net cash outflow from investing activities		(36.4)	(44.5)
Cash flows from financing activities			
Senior debt buy-back		-	(55.5)
Working capital facility repayment		-	(7.5)
Repayment of obligations under finance leases		(0.5)	(0.4)
Proceeds from issue of share capital		0.1	0.9
Net cash outflow from financing activities		(0.4)	(62.5)
Change in cash and cash equivalents during the year		(1.3)	31.8
Cash and cash equivalents at 1 January		52.5	20.7
Cash and cash equivalents at 31 December	23	51.2	52.5

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

	Note	2012 £m	2011 £m
Change in cash and cash equivalents during the year		(1.3)	31.8
Decrease in borrowings		-	63.0
Repayment of obligations under finance leases		0.5	0.4
Change in net borrowings resulting from cash flows		(0.8)	95.2
Discount on debt buy-back		-	2.6
Non-cash movement in intercompany loans		-	480.8
Decrease in interest payable liabilities		-	0.4
Change in net borrowings during the year		(0.8)	579.0
Net cash/(borrowings) at 1 January		52.0	(527.0)
Net cash at 31 December	15	51.2	52.0

ASSOCIATED BRITISH PORTS HOLDINGS LIMITED AND SUBSIDIARIES ANNUAL REPORT AND ACCOUNTS 2012

Statements of changes in equity for the year ended 31 December

	Share capital £m	Share premium account £m	Revaluation reserve £m	Hedging reserve £m	Capital redemption reserve £m	Share options reserve £m	Retained earnings £m	Total £m
At 1 January 2012 restated*	77.5	130.4	869.8	-	25.5	21.3	800.7	1,925.2
Profit for the year	-	-	475.5	-	-	-	129.6	605.1
Other comprehensive income/ (expense)	-	-	5.5	-	-	-	(23.3)	(17.8)
Total comprehensive income	-	-	481.0	-	-	-	106.3	587.3
Issue of ordinary shares	-	0.1	-	-	-	-	-	0.1
Share based payments	-	-	-	-	-	-	-	-
At 31 December 2012	77.5	130.5	1,350.8	-	25.5	21.3	907.0	2,512.6

	Share capital £m	Share premium account £m	Revaluation reserve £m	Hedging reserve £m	Capital redemption reserve £m	Share options reserve £m	Retained earnings £m	Total £m
At 1 January 2011 ⁽¹⁾	77.4	129.6	753.6	0.1	25.5	21.4	562.5	1,570.1
Valuation surpluses ⁽²⁾	-	-	104.3	-	-	-	-	104.3
Depreciation reversal ⁽³⁾	-	-	-	-	-	-	50.3	50.3
Change in deferred taxation ⁽⁴⁾	-	-	-	-	-	-	(33.0)	(33.0)
At 1 January 2011 restated*	77.4	129.6	857.9	0.1	25.5	21.4	579.8	1,691.7
Profit for the year ⁽¹⁾	-	-	3.0	-	-	-	245.2	248.2
Valuation surpluses ⁽²⁾	-	-	5.1	-	-	-	-	5.1
Depreciation reversal ⁽³⁾	-	-	-	-	-	-	3.2	3.2
Change in deferred taxation ⁽⁴⁾	-	-	-	-	-	-	(0.9)	(0.9)
Profit for the year restated*	-	-	8.1	-	-	-	247.5	255.6
Other comprehensive income/ expense ⁽¹⁾	-	-	3.8	(0.1)	-	-	(26.3)	(22.6)
Change in deferred taxation ⁽⁴⁾	-	-	-	-	-	-	(0.3)	(0.3)
Other comprehensive income/ expense restated*	-	-	3.8	(0.1)	-	-	(26.6)	(22.9)
Total comprehensive income/ expense ⁽¹⁾	-	-	6.8	(0.1)	-	-	218.9	225.6
Total comprehensive income/ expense restated*	-	-	11.9	(0.1)	-	-	220.9	232.7
Issue of ordinary shares	0.1	0.8	-	-	-	-	-	0.9
Share based payments	-	-	-	-	-	(0.1)	-	(0.1)
At 31 December 2011 ⁽¹⁾	77.5	130.4	760.4	-	25.5	21.3	781.4	1,796.5
At 31 December 2011 restated*	77.5	130.4	869.8	-	25.5	21.3	800.7	1,925.2

*Certain amounts shown for 2011 do not correspond to the 2011 accounts and reflect adjustments made as detailed in note 1.2

⁽¹⁾ As previously stated

⁽²⁾ Valuation surpluses recognised as a result of transfers into investment property

⁽³⁾ Reversal of cumulative depreciation on assets transferred into investment property

⁽⁴⁾ Taxation in relation to transfers into investment property

Notes to the financial statements

1. Accounting policies

1.1 Basis of preparation

Basis of consolidation

The consolidated financial statements include the accounts of the company, all of its subsidiary undertakings (fully consolidated) and its share of the results of all of its associated undertakings (accounted for under the equity method). The group's subsidiary and associated undertakings prepare their financial statements under International Financial Reporting Standards ("IFRSs") as adopted by the European Union or in isolated cases UK GAAP converted to IFRSs for consolidation purposes. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company using consistent accounting policies. All intra-group balances and transactions are eliminated in full. The results of subsidiary undertakings acquired are included from the date of acquisition (being the date control is obtained), using the acquisition method of accounting. The results of discontinued operations are included up to the date of disposal (being the date that control ceases).

Other basis of preparation

These consolidated financial statements have been prepared in accordance with IFRSs as adopted by the European Union and applied in accordance with the Companies Act 2006.

The financial statements have been prepared on a going concern basis under the historic cost convention, except for investment property and land held for development that have been measured at fair value.

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.

The directors believe that the most critical accounting policies and the most significant areas of judgment and estimation are revenue and profit recognition, impairment of assets, investment property classification and valuation, and retirement benefits.

The financial statements are presented in sterling and all values are rounded to the nearest tenth of a million (£m) except where otherwise indicated.

1.2 Changes in accounting policy

With the exception of the group's accounting policy in relation to investment property, as noted below, the group accounting policies are consistent with those of the previous year and reflect new IFRS standards, amendments and interpretations where appropriate.

The group has reviewed IFRS standards, amendments and interpretations that became mandatory for accounting periods beginning 1 January 2012 and considers that none of these have a material impact on its financial statements. The IASB and IFRIC have issued the following standards, amendments and interpretations with an effective date of implementation for accounting periods beginning after the start of the group's current year financial statements. The directors do not

Notes to the financial statements

1. Accounting policies (continued)

1.2 Changes in accounting policy (continued)

anticipate that the adoption of these standards, amendments and interpretations will have a material impact on the group's financial statements in the period of initial application

		Effective for accounting periods beginning on or after
IFRS 1 (amendment)	First time adoption of IFRS (government loans)	01 01 2013
IFRS 7 (amendment)	Offsetting financial assets and liabilities	01 01 2013
IFRS 9	Financial instruments – classification and measurement	01 01 2015
IFRS 10	Consolidated financial statements	01 01 2014
IFRS 11	Joint arrangements	01 01 2014
IFRS 12	Disclosure of interest in other entities	01.01.2014
IAS 27 (revised)	Consolidated and separate financial statements	01 01 2014
IAS 28 (revised)	Investments in associates and joint ventures	01 01.2014
IAS 32 (amendment)	Offsetting financial assets and liabilities	01.01.2014
IFRIC 20	Stripping costs in the production phase of a surface mine	01 01 2013

During 2011, the IASB issued IAS 19 (revised) Employee Benefits which is effective for accounting periods commencing on or after 1 January 2013. The revised standard requires the income statement to be credited (or charged) with the net interest on the net defined benefit asset (or liability) in place of expected returns on scheme assets and interest costs on the scheme liabilities as required by the current standard. The revised standard requires the net interest on the net defined benefit asset (or liability) to be calculated by multiplying the net defined benefit asset (or liability) by the discount rate used to value the scheme liabilities. The application of the revised standard is expected to decrease the expected return on scheme assets credited to the income statement by approximately £6m annually.

Investment property

The group has assessed its accounting policy in relation to the classification of its property between investment property and property, plant and equipment. The group had previously classified property as investment property if it was subject to legal exclusive use or sole effective use by a tenant or other port user. During 2012, the group determined that in order to present a reliable and more relevant view of the group's financial position the existing policy should be amended to remove the requirement for exclusive use and to classify properties as investment properties if

- for a defined area (land, buildings, jetties and other fixed structures), one or more users pay an amount for use of that area for a period of one or more years; and
- any "ancillary services" provided by the group at the property are insignificant to the arrangements as a whole

The changes above have resulted in the reclassification of a number of property assets from property plant and equipment to investment property.

Notes to financial statements

1 Accounting policies (continued)

1.2 Changes in accounting policy (continued)

Investment property (continued)

As a result of this accounting policy change, the following adjustments were made to amounts stated in previously issued financial statements:

As at 1 January 2011

- Increase in investment property of £228.1m
- Decrease in property, plant and equipment of £73.5m
- Increase in the deferred tax liability of £33.0m
- Increase in opening retained earnings of £17.3m
- Increase in opening revaluation reserve of £104.3m

For the year ended 31 December 2011

- Increase in the value of investment properties of £5.1m
- Reduction in the depreciation of property plant and equipment of £3.2m
- Increase in the taxation charge of £0.9m

As at 31 December 2011

- Increase in investment property of £235.2m
- Decrease in property, plant and equipment of £72.3m
- Increase in the deferred tax liability of £34.2m
- Increase in retained earnings of £19.3m
- Increase in revaluation reserve of £109.4m

The accounting policy change had the following impact in the current year:

For the year ended 31 December 2012

- Increase in the value of investment properties of £75.2m
- Reduction in the depreciation of property plant and equipment of £3.2m
- Increase in the taxation credit of £10.5m

As at 31 December 2012

- Increase in investment property of £310.4m
- Decrease in property, plant and equipment of £72.3m
- Increase in the deferred tax liability of £43.3m
- Increase in retained earnings of £10.2m
- Increase in revaluation reserve of £184.6m

1.3 Critical accounting policies, estimates and judgments

The directors consider the following to be the most important accounting policies in the context of the group's operations. The critical estimates and judgments in applying these policies are described below:

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

Notes to the financial statements

1. Accounting policies (continued)

1.3 Critical accounting policies, estimates and judgments (continued)

Revenue and profit recognition (continued)

related sales taxes. Revenue and profit, in relation to the provision of ports and transport services and income from investment property, are recognised in line with the provision of the service

Certain contracts with customers include minimum volume guarantees, which if not achieved by the customer result in additional revenue to the group to cover the shortfall. These shortfall revenues are recognised at the point that the underperformance on the contract can be reliably measured and the underperformance is reasonably certain, taking into account the period and other terms specified in the contract.

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.

Impairment of assets

The group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use, and is determined for an individual asset unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current markets assessments of the time value of money and the risks specific to the assets.

Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to equity. In this case the impairment is also recognised in equity up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumption used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement unless the asset is carried at the revalued amount, in which case the reversal is treated as a revaluation increase.

The following criteria are also applied in assessing impairment of specific assets

Notes to the financial statements

1. Accounting policies (continued)

1.3 Critical accounting policies, estimates and judgments (continued)

Goodwill

Goodwill is tested for impairment annually as at 31 December and when circumstances indicate that the carrying value may be impaired

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. Where the recoverable amount of the CGU is less than its carrying amount an impairment loss is recognised. Impairment losses relating to goodwill are not reversed in future periods.

Intangible assets

Intangible assets are reviewed for indications of impairment at least annually as at 31 December, either individually or at the CGU level, as appropriate. When circumstances indicate that the carrying value may be impaired an impairment review is carried out as described above

Investment property

Investment property comprises land and buildings within the port estate that are held for long-term income and are not occupied by the group or used by the group for the provision of material operational port services (eg stevedoring)

During the year, the group changed its policy in relation to the classification of its tangible property assets between investment property and property, plant and equipment. The change in policy is described in note 1.2.

Completed investment properties and land held for development are stated at fair value. Investment property in the course of construction is measured at cost (including interest and other appropriate net outgoings) until such time as it is possible to determine fair value, with the exception of underlying land, which is included at carrying value before construction commenced. Valuations 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.

Transfers from investment property to property, plant and equipment are made at the carrying amount of the investment property at the date of transfer.

Properties transferred into investment property from property, plant and equipment are revalued at the date of transfer with resulting gains recognised in other comprehensive income to the extent that they do not reverse previous revaluation losses on the same asset recognised in the income statement. Losses on the initial valuation of properties transferred from property, plant and equipment are recognised in the income statement unless they reverse gains previously recognised in other comprehensive income on the same asset

Obligations in relation to leasehold properties classified as investment property are recorded as finance leases

The main assumptions considered in arriving at the fair value of investment property are the expected future rental values, forecast variable income and prevailing market yields.

Notes to the financial statements

1. Accounting policies (continued)

1.3 Critical accounting policies, estimates and judgments (continued)

Investment property (continued)

The valuations adopt conventional investment valuation methodology by assessing the income from the investment assets and then capitalising against an investment yield. Deductions have been made to reflect the costs that would be incurred by a purchaser of the asset, namely stamp duty, legal and surveyors fees.

The revenue streams for many of the assets are variable, and in some cases unique to their specific use. The group has therefore used historic data and knowledge of its specialist sector to assess the likely sustainable income streams going forward. The nature of the assets and the potential variability or sustainability of income has also led to the application of a range of yields to the income (from 9% to 16% for the majority) reflecting the specific prospects and risks associated with the individual assets.

Income from these assets typically falls into two parts, a core rental for the asset together with income derived, for example, by reference to the volume of goods or equivalent brought across the dock, often subject to a minimum guaranteed volume. This approach to valuation has been adopted for 31 December 2012. In prior years the variable income was typically attributed to the operational income derived from the port as a whole. It is not considered practical to isolate the effect on the investment property value of incorporating integral vessel berthing and third party operated cargo handling equipment income in the valuation methodology.

Retirement 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, operating 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 comprehensive income. Curtailment gains and losses arising as a consequence of either significant amendments to the terms of defined benefit plans or significant reductions in the number of employees covered by the plans, are recognised in the income statement when the curtailment occurs.

The group participates in a number of multi-employer defined benefit pension schemes. Where the group is unable to determine its share of the assets and liabilities on a consistent and reliable basis it accounts for these schemes as defined contribution schemes. Further information on these schemes is contained within note 12.

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

Notes to the financial statements

1. Accounting policies (continued)

1.4 Other accounting policies

Exceptional items

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that the group incurs in connection with the borrowing of funds

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005 in accordance with the transitional requirements of IFRIC 4

Group as a lessee

Finance leases, which transfer to the group substantially all the risks and rewards of ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Finance lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in the income statement

Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term

Operating leases, which do not transfer to the group substantially all the risks and rewards of ownership of the leased item, are not capitalised.

Operating lease payments are charged to the income statement on a straight line basis over the lease term

Group as a lessor

Leases where the group does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Notes to the financial statements

1 Accounting policies (continued)

1.4 Other accounting policies (continued)

Intangible assets

Purchased intangible assets are capitalised at fair value on the date of acquisition if they relate to a business combination and otherwise capitalised at cost. These assets are amortised on a straight-line basis over their useful economic lives, which range from 2 to 30 years. Development costs incurred on internal projects are only capitalised where the future economic benefit can reasonably be assessed as assured.

Property developments and land held for sale

Property developments and land held for sale are surplus property and land which is available for sale as part of the group's property development activities, is being marketed and where there is a realistic expectation of sale within 12 months of the year end.

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 carrying amount and estimated fair value less costs to sell as at the date of transfer.

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 an original maturity of less than three months less borrowings that are repayable on demand.

Business combinations and goodwill

Purchased goodwill arising on consolidation, representing the excess of the cost of acquisition 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.

Investment in associates

The group's investment in associates is accounted for using the equity method of accounting. An associate is an entity in which the group has significant influence.

Under the equity method, the investment in the associate is carried in the balance sheet at cost plus post acquisition changes in the group's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is not amortised or separately tested for impairment. The income statement reflects the share of the results of operation of the associate. Where there has been a change recognised directly in the equity of the associate, the group recognises its share of any changes and discloses this, when applicable, in other comprehensive income. Unrealised gains and losses resulting from transactions between the group and the associate are eliminated to the extent of the interest in the associate.

The share of profit of associates is shown on the face of the income statement. This is the profit attributable to equity holders of the associate and therefore is profit after tax and minority interests in the subsidiaries of the associates.

Notes to the financial statements

1 Accounting policies (continued)

1.4 Other accounting policies (continued)

Investment in associates (continued)

The financial statements of the associate are prepared for the same reporting period as the parent company. Where necessary, adjustments are made to bring the accounting policies in line with those of the group.

After application of the equity method, the group determines whether it is necessary to recognise an additional impairment loss on the group's investment in its associates. The group determines at each balance sheet date whether there is any objective evidence that the investment in the associate is impaired. If this is the case the group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the income statement.

Property, plant and equipment

Property, plant and equipment is carried at cost adjusted for subsequent additions and disposals. Transfers from investment property are made at the carrying value at the last balance sheet date.

Borrowing 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 lower 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 2 and 30 years for plant and equipment. Freehold land is not depreciated.

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 substantively 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.

Notes to the financial statements

1 Accounting policies (continued)

1.4 Other accounting policies (continued)

Taxation (continued)

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 IFRSs.

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 substantively enacted by the balance sheet date. The group's deferred tax provision is measured on an undiscounted basis.

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.

Financial instruments

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. A provision for impairment of trade receivables is made when there is objective evidence that the group may not be able to collect all amounts recorded within the balance sheet. Costs for impairment of receivables are recorded within administrative expenses.

Fixed deposits, comprised 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.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Borrowings are initially recognised at fair value, net of transaction costs (being incremental costs that are directly attributable to the inception of borrowings) incurred and are subsequently 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 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 initially 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.

Notes to the financial statements

1. Accounting policies (continued)

1.4 Other accounting policies (continued)

Financial instruments (continued)

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 accounting are taken to the income statement.

Financial risk management

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, capital and credit risk. The group aims to manage these risks to an acceptable level. The group does not trade in financial instruments.

Provisions

Provisions are recognised when the group has an obligation in respect of a past event, it is more likely than not that a 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.

Share capital

Shares are classified as equity or debt or a combination of the two depending on the terms of the instrument. External costs directly attributable to the issue of new shares are apportioned as either debt or equity on the same basis.

Dividends

Dividend receipts and payments are recognised in the period when they become a binding obligation on the paying company.

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 two reportable operating segments:

- a) Ports & transport - port-related activities,
- b) Property development - sales of surplus non-operational land and property.

All of the group's operating activities are undertaken within the UK

The group's reportable operating segments have been identified in accordance with the principles of IFRS 8

There are insignificant sales between operating segments. Segment assets include goodwill, 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, provisions and other non-current liabilities.

	2012 £m	2011 £m
Revenue		
Ports & transport	471.7	421.4
Property development	-	2.0
Revenue	471.7	423.4
Operating profit		
Ports & transport	237.2	219.5*
Property development	-	1.8
Underlying operating profit	237.2	221.3*
Increase in fair value of investment properties ¹	475.5	8.1*
Sale of associated undertaking	32.1	-
Exceptional items – administrative expenses ²	(51.5)	21.2
Operating profit	693.3	250.6*
Net finance income	28.5	58.1
Share of profit in associated undertakings ³	0.2	6.2
Profit before taxation	722.0	314.9*
Taxation	(116.9)	(59.3)*
Profit attributable to equity shareholder	605.1	255.6*

¹Increase in fair value of investment properties related solely to the group's ports & transport segment in both 2012 and 2011

²Exceptional items of £51.5m expense (2011: £21.2m income) relate to the group's pension schemes that the group participate in. See note 12 for further details.

³Share of profit in associated undertakings relates to the group's ports & transport segment

*Restated (see note 1.2)

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Notes to the financial statements

2. Segmental analysis (continued)

	2012 £m	2011 £m
Segment assets		
Ports & transport	2,755.4	2,038.2*
Property development	3.0	3.1
Share of associated undertakings ¹	36.7	52.7
Total segment assets	2,795.1	2,094.0*
Group assets		
Cash and cash equivalents	51.2	52.5
Retirement benefit assets	15.3	27.1
Total group assets	66.5	79.6
Total assets	2,861.6	2,173.6*
Segment liabilities		
Ports & transport	(92.5)	(86.4)
Property development	(4.1)	(2.0)
Total segment liabilities	(96.7)	(88.4)
Group liabilities		
Borrowings	-	(0.5)
Retirement benefit obligations	(54.1)	(2.3)
Other liabilities	(198.2)	(157.2)*
Total group liabilities	(252.3)	(160.0)*
Total liabilities	(349.0)	(248.4)*
Total capital expenditure ²		
Ports & transport	73.4	45.9
Property development	-	-
Total capital expenditure	73.4	45.9
Total depreciation and amortisation		
Ports & transport	42.2	42.5*

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

² Capital expenditure comprises the balance sheet additions for intangible assets, property, plant & equipment, and investment property

*Restated (see note 1.2)

Notes to the financial statements

3 Operating profit

Operating profit is stated after charging/(crediting):

	2012 £m	2011 £m
<i>Depreciation</i>		
Owned property, plant and equipment – other	41.0	41.5*
Leased property, plant and equipment	0.3	0.3
<i>Amortisation</i>		
Amortisation of intangible assets	0.9	0.7
<i>Profit on sale of associated undertaking</i>	(32.1)	-
<i>Loss on disposal of non-current assets</i>	0.1	0.9
<i>Other operating lease rentals payable</i>		
Plant and equipment	3.1	2.9
Property	1.1	0.6
<i>Repairs and maintenance expenditure on property, plant and equipment</i>	18.2	16.5
<i>Trade receivables impairment</i>	1.6	0.9
<i>Auditor's remuneration</i>		
Audit services – statutory audit	0.5	0.3

*Restated (see note 1.2)

Remuneration received by Ernst & Young LLP (2011: Ernst & Young LLP) for the audit of the company, group and subsidiary accounts of the ultimate parent undertaking ABP (Jersey) Limited, for tax services and for corporate finance services for the ABP (Jersey) Limited group is detailed below and has been borne by a subsidiary undertaking

	2012 £'000	2011 £'000
Group and company audits	470.0	335.0
Tax advisory services	135.0	257.0
Corporate finance services	-	652.0

In 2011, corporate finance services remuneration was for work carried out by Ernst & Young LLP in connection with the refinancing of the group headed by the company's ultimate parent, ABP (Jersey) Limited. These costs, together with the majority of the 2011 tax remuneration shown in the table, were borne by the company's immediate parent undertaking, ABP Acquisitions UK Limited, have been capitalised by ABP Acquisitions UK Limited as deferred borrowing costs and are being released to the income statement over the life of the various debt facilities held by ABP Acquisitions UK Limited

In addition to the above services, Ernst & Young LLP (2011: Ernst & Young LLP) acted as auditor to the group's main defined benefits pension 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 auditor for audit services to the pension schemes during the year were £24,013 (2011: £21,815).

Notes to the financial statements

4 Directors and employees

Staff costs are analysed as follows

	2012	2011
	£m	£m
Staff costs		
Wages and salaries	74.8	68.4
Social security costs	8.3	7.5
Pension costs (note 12)	0.4	0.7
	83.5	76.6
Exceptional pension items (note 12)	51.5	(21.2)
Total staff costs	135.0	55.4

The monthly average number of people employed during the period was 1,953 (2011: 1,926), of which 1,951 (2011: 1,925) people were employed in the ports and transport segment and 2 (2011: 2) in the property development segment

Key management compensation is analysed as follows:

	2012	2011
	£m	£m
Key management compensation		
Short-term employee benefits	3.9	3.7
Post-employment benefits	0.4	0.4
Other long-term benefits	2.4	0.7
Total key management compensation	6.7	4.8

Key management comprises the directors of the company and of the group's principal subsidiary, Associated British Ports

Three directors of the company are eligible to join the Associated British Ports Group Pension Scheme, at 31 December 2012 no (2011: no) director was a member of this scheme, three directors (2011: three) received an allowance for contributions towards pension schemes unconnected with the group. During the year none (2011: none) of the directors of the company exercised options over shares of 25p each in Associated British Ports Holdings Limited. No director holds options to be exercised in future years (2011: none).

	2012	2011
	£m	£m
Highest paid director		
Short-term employee benefits	1.0	1.0
Post-employment benefits	0.1	0.1
Other long-term benefits	0.8	0.3

Notes to the financial statements

5. Finance costs/(income)

	2012 £m	2011 £m
Bank loans	-	7.3
Finance leases	0.1	0.1
Other	0.4	0.5
Less: finance costs capitalised on non-current assets (note 9)	(1.0)	(0.3)
Finance costs	(0.5)	7.6
Discount on debt buy-back	-	(2.6)
Loan to parent undertaking	(27.2)	(52.2)
Other	(0.8)	(0.4)
Interest receivable	(28.0)	(55.2)
Waiver of loan due to group undertaking	-	(10.5)
Finance income	(28.0)	(65.7)
Net finance income	(28.5)	(58.1)

Discount on debt buy-back includes £nil (2011: £0.5m) in relation to the cancellation of £50.0m of undrawn borrowing facilities prior to the refinancing undertaken in December 2011

6. Taxation

	2012 £m	2011 £m
Analysis of charge for the year		
Current tax – current year	71.4	74.4
Deferred tax (note 19)	45.5	(15.1)*
Taxation	116.9	59.3*

*Restated (see note 1.2)

Current taxation for the year represents a charge (2011: charge) for group relief surrendered to (2011: surrendered to) another group undertaking, with the amount being added (2011: added) to amounts owed to group undertakings

	2012 £m	2011 £m
Tax on items credited/(charged) to equity		
Deferred tax on actuarial loss relating to net retirement benefit asset	2.2	6.7
Deferred tax charge/(credit) arising on revaluation of investment property	2.3	(0.8)
Deferred tax charge on share-based payments	-	(0.2)

The taxation charge (2011: charge) for the year is lower (2011: lower) than the standard rate of taxation in the UK of 24.5% (2011: 26.5%). The differences are explained below

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Notes to the financial statements

6. Taxation (continued)

	2012 £m	2011 £m
Profit before taxation	722.0	314.9*
Profit before taxation multiplied by standard rate of corporation tax in the UK of 24.5% (2011: 26.5%)	176.9	83.4*
Effects of:		
Tax credit associated with the exercise of share options not previously recognised in deferred tax	-	(2.8)
Income not chargeable to tax	(6.7)	(1.5)
Share of (profit)/loss in associated undertakings	0.8	(1.3)
Reduction in taxes due to reduction in tax rate	(22.6)	(10.5)
Impact of indexation allowance in respect of revaluation gains	(34.0)	0.9
Tax in respect of prior years	0.2	(6.2)
Other	2.3	(2.7)
Total tax charge for the group	116.9	59.3*

* Restated (see note 1.2)

7. Goodwill

Group	2012 £m	2011 £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, in this case the UK-wide ports and transport segment. Forecast cash flows represent pre-tax projections covering a five-year period, based on financial budgets approved by senior management, excluding significant capital expenditure that would enhance performance. Cash flows beyond the five-year period are projected forward using an estimated growth rate. This growth rate does not exceed the long-term historical and projected growth rate for the ports and transport segment. The group expects its business units to remain operational for the foreseeable future.

The calculation of the value in use for goodwill is most sensitive to the following assumptions:

- Discount rates,
- Growth rate used to extrapolate cash flows beyond the budget period.

Discount rates – The discount rate was estimated based on the weighted average cost of capital for the group as at 31 December 2012, calculated based on the group's projected average cost of debt over the next five years and a cost of equity derived using the capital asset pricing model assuming a long term equity risk premium and an appropriate equity beta. The pre-tax discount rate applied

Notes to the financial statements

7 Goodwill (continued)

to future cash flows was 8.1 per cent (2011: 8.4 per cent) reflecting the specific risks relevant to the ports and transport segment

Growth rate – Rates are estimated based on published industry research appropriate to the group's ports and transport segment. The growth rate used was 3.0 per cent (2011: 3.0 per cent).

With regards to the assessment of goodwill, management believes that no reasonable change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount

8. Intangible assets

	2012 £m	2011 £m
Acquired intangible assets		
2012		
At 1 January	8.4	1.9
Additions	0.6	6.5
At 31 December	9.0	8.4
Amortisation		
At 1 January	(2.2)	(1.5)
Charge for the year	(0.9)	(0.7)
At 31 December	(3.1)	(2.2)
Net book value		
At 1 January	6.2	0.4
At 31 December	5.9	6.2

Intangible assets relate to purchased computer software and a 2011 payment in relation to the Transport Infrastructure Fund in connection with the expansion of rail infrastructure at Southampton. These assets have finite lives and are being amortised over periods of between 3 years and 9 years on a straight-line basis. The amortisation costs included within cost of sales amounted to £0.8m (2011: £0.6m) and the amortisation costs included within administrative expenses amounted to £0.1m (2011: £0.1m).

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Notes to the financial statements

9 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
2012							
Cost							
At 1 January 2012*	392.0	150.1	408.8	64.6	259.6	33.3	1,308.4
Additions	0.1	3.7	6.0	1.7	8.8	35.6	55.9
Transfers within property, plant and equipment	-	1.5	18.3	0.2	5.1	(25.1)	-
Transfers to investment property (note 10)	(1.7)	(2.7)	(22.5)	-	(1.2)	(1.0)	(29.1)
Disposals	-	(0.5)	(0.9)	(0.4)	(6.6)	(0.4)	(8.8)
At 31 December 2012	390.4	152.1	409.7	66.1	265.7	42.4	1,326.4
Depreciation							
At 1 January 2012*	-	(60.3)	(170.8)	(37.3)	(165.9)	-	(434.3)
Transfers to investment property (note 10)	-	0.8	8.6	-	0.7	-	10.1
Charge for year	-	(7.0)	(15.4)	(3.7)	(15.2)	-	(41.3)
Disposals	-	0.5	0.9	0.3	6.5	-	8.2
At 31 December 2012	-	(66.0)	(176.7)	(40.7)	(173.9)	-	(457.3)
Net book value							
At 1 January 2012*	392.0	89.8	238.0	27.3	93.7	33.3	874.1
At 31 December 2012	390.4	86.1	233.0	25.4	91.8	42.4	869.1

* Restated (see note 1.2)

Notes to the financial statements

9 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
2011							
Cost							
At 1 January 2011*	387.2	143.0	399.5	63.0	257.3	25.0	1,275.0
Additions*	0.1	1.1	4.6	1.3	5.5	18.1	30.7
Transfers within property, plant and equipment	-	1.0	4.4	0.8	2.7	(8.9)	-
Transfers (to)/from property development and land held for sale (note 14)	-	-	-	-	-	(0.2)	(0.2)
Transfers from/(to) investment property (note 10)	4.9	6.9	0.3	-	0.1	(0.1)	12.1
Disposals	(0.2)	(1.9)	-	(0.5)	(6.0)	(0.6)	(9.2)
At 31 December 2011*	392.0	150.1	408.8	64.6	259.6	33.3	1,308.4
Depreciation							
At 1 January 2011*	-	(52.8)	(156.7)	(34.0)	(157.0)	-	(400.5)
Transfers from investment property (note 10)	-	(0.3)	-	-	-	-	(0.3)
Charge for year*	-	(9.0)	(14.1)	(3.8)	(14.9)	-	(41.8)
Disposals	-	1.8	-	0.5	6.0	-	8.3
At 31 December 2011*	-	(60.3)	(170.8)	(37.3)	(165.9)	-	(434.3)
Net book value							
At 1 January 2011*	387.2	90.2	242.8	29.0	100.3	25.0	874.5
At 31 December 2011*	392.0	89.8	238.0	27.3	93.7	33.3	874.1

*Restated (see note 1.2)

As set out in note 1.2, the group has changed its policy in relation to the classification of property assets between investment property and property, plant and equipment. The impact of this change in policy has been to decrease property, plant and equipment by £69.9m, £72.3m and £73.5m at 31 December 2012, 31 December 2011 and 1 January 2011 respectively.

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 or, if transferred from investment property after 31 December 1998, at the carrying value of the last balance sheet date prior to transfer.

Operational land, buildings and dock structures are held freehold.

Plant and equipment includes assets held under finance leases, the remaining terms for which have expired. The finance leases had a book cost and accumulated depreciation at 31 December 2012 totalling £2.9m (2011: £2.9m) and £2.9m (2011: £2.7m) respectively. The depreciation charge for the year includes £0.3m (2011: £0.3m) in respect of these assets. Such assets include marine

Notes to the financial statements

9. Property, plant & equipment (continued)

vessels operated by the group's ports and transport business The remaining terms for these leases have expired

The amount of borrowing costs capitalised during the year ended 31 December 2012 was £1 0m (2011 £0 3m) The weighted average rate used to determine the amount of borrowing costs eligible for capitalisation was 8.1% (2011. 5 49%).

The net book values for property, plant and equipment are reported net of government grants received during the year of £3 0m (2011. £5 1m)

10. Investment property

	Port-related investment properties £m	Other investment properties £m	Land at ports held for development £m	Total £m
2012				
At valuation				
At 1 January 2012*	839.3	38.4	25.8	903.5
Additions	15.9	1.0	-	16.9
Transfers within investment property	(0.5)	0.4	0.1	-
Transfers (to)/from property developments and land held for sale (note 14)	(0.8)	0.2	0.4	(0.2)
Transfers from property, plant and equipment (note 9)	17.3	1.1	0.6	19.0
	871.2	41.1	26.9	939.2
Surplus/(deficit) on revaluation (note 21)	5.9	0.6	(0.9)	5.6
Income on re-measurement (note 21)	471.5	3.1	0.9	475.5
At 31 December 2012	1,348.6	44.8	26.9	1,420.3

*Restated (see note 1 2)

	Port-related investment properties £m	Other investment properties £m	Land at ports held for development £m	Total £m
2011				
At valuation				
At 1 January 2011*	836.8	34.0	24.6	895.4
Additions*	8.7	-	-	8.7
Transfers within investment property	0.5	(0.5)	-	-
Transfers to property developments land held for sale (note 14)	-	(0.1)	(0.1)	(0.2)
Transfers to property, plant and equipment (note 9)	(11.8)	-	-	(11.8)
Disposals	(0.2)	-	-	(0.2)
	834.0	33.4	24.5	891.9
Surplus on revaluation (note 21)	3.5	-	-	3.5
Income on re-measurement (note 21)*	1.8	5.0	1.3	8.1
At 31 December 2011*	839.3	38.4	25.8	903.5

*Restated (see note 1 2)

Notes to the financial statements

10. Investment property (continued)

As set out in note 12, the group has changed its policy in relation to the classification of property assets between investment property and property, plant and equipment. The impact of this change in policy has been to increase investment property by £310.4m, £235.2m and £228.1m at 31 December 2012, 31 December 2011 and 1 January 2011 respectively.

Investment properties 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 2012 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.

Of the gain on revaluation during the year of £481.1m (2011: restated gain of £11.6m), a gain of £475.5m (2011: restated gain of £8.1m) was included within the income statement as an increase (2011: increase) in the fair value of investment property with the balance of £5.5m (2011: £3.5m) being credited (2011: credited) directly to the revaluation reserve, as it related to the initial revaluation of properties transferred from property, plant and equipment to investment property.

The most sensitive assumption underlying the valuation of investment property is the yield, which for the 2012 valuation averages 9.6% (2011: 11.4%). A decrease in the assumed yield of 0.5% would result in an increase in the valuation of £79.8m and an increase in the yield of 0.5% would result in a decrease in the valuation of £71.9m.

The uplift in investment property valuation for the year ended 31 December 2012 included £168.0m in relation to an increase in the valuation of the Immingham Oil Terminal. In the year ended 31 December 2011 there was no individually significant uplift.

Rental income generated from the group's investment property portfolio amounted to £76.4m (2011: £63.1m) and related operating expenses amounted to £1.2m (2011: £1.1m). 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 to its customers. These leases have various terms and renewal rights.

The future minimum lease income receivable under non-cancellable operating leases is as follows:

	2012 £m	2011 £m
Not later than one year	49.8	47.3
More than one year but not more than five years	143.3	146.4
More than five years	495.7	502.6
Total	688.8	696.3

Notes to the financial statements

11. Investments

	Interest in associated undertakings	
	2012	2011
	£m	£m
At 1 January	52.7	51.8
Share of profit for the year	0.2	6.2
Actuarial loss relating to group's share of net retirement benefit liabilities of associated undertakings	(1.8)	(5.3)
Disposal of associated undertaking	(14.4)	-
At 31 December	36.7	52.7

Associated undertakings are accounted for under the equity method of accounting. A list of the company's associated undertakings and principal subsidiaries is set out in note 26.

In January 2012 the group sold its 32.67% share of Tilbury Container Services Limited for £46.6m, with £36.7m cash received in the year and the balance received in January 2013.

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

	2012	2011
	£m	£m
Share of revenue in associated undertakings	50.9	64.4
Share of expenses in associated undertakings	(51.1)	(55.7)
Share of operating profit in associated undertakings	(0.2)	8.7
Share of net finance costs in associated undertakings	(0.4)	(1.2)
Share of taxation in associated undertakings	0.8	(1.3)
Share of profit in associated undertakings	0.2	6.2
Non-current assets	92.0	161.8
Current assets	31.2	51.6
Current liabilities	(19.0)	(31.9)
Non-current liabilities	(29.2)	(59.6)
Net assets	75.0	121.9
Share of net assets in associated undertakings	36.7	52.7

12. Pension commitments

A. Description of plans

The group participates in a number of pension schemes. The main scheme is a funded defined benefits scheme - The Associated British Ports Group Pension Scheme ("ABPGPS"). The defined benefits section of this scheme is closed to new members. New members joining this scheme are offered membership of a defined contributions section, which at 31 December 2012 constituted less than 4 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 the group.

Notes to the financial statements

12. Pension commitments (continued)

B. Summary

(i) Income statement

The total pension charge/(credit) included in the group income statement was as follows:

	2012 £m	2011 £m
Defined benefits scheme and unfunded retirement benefit arrangements (note 12C)	5.4	5.7
Defined contribution arrangements (note 12D)	2.4	1.7
Industry-wide schemes (note 12E)	0.1	0.1
Gross pension costs	7.9	7.5
Finance income (note 12C)	(7.5)	(6.8)
Net pension charge recognised within operating profit before exceptional items (note 4)	0.4	0.7
Exceptional items (notes 4, 12C and 12E)	51.5	(21.2)
Net pension charge/(credit) recognised within operating profit	51.9	(20.5)

(ii) Balance sheet

The retirement benefit assets and obligations as at 31 December were:

	2012 £m	2011 £m
ABPGPS – net funded pension asset (note 12C)	15.3	27.1
ABPGPS – net unfunded pension liability (note 12C)	(2.6)	(2.3)
	12.7	24.8
PNPF (note 12E)	(51.5)	-
Net retirement benefit (liability)/asset	(38.8)	24.8
Retirement benefit assets total	15.3	27.1
Retirement benefit obligations total	(54.1)	(2.3)
Net retirement benefit (liability)/asset	(38.8)	24.8

C. Defined benefits scheme and unfunded retirement benefit arrangements

The most recent formal valuation of the ABPGPS was carried out as at 31 December 2009. The valuation of the liabilities as at 31 December 2012 detailed below has been derived by projecting forward the position as at 31 December 2009. This exercise was performed by an independent actuary, Towers Watson. 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 an AA corporate bond yield.

The liability associated with the unfunded retirement benefit arrangement has also been determined by the actuary, Towers Watson, using the same assumptions as those used to calculate the ABPGPS.

Notes to the financial statements

12. Pension commitments (continued)

C. Defined benefits scheme and unfunded retirement benefit arrangements (continued)

(i) Assumptions

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

	2012	2011
Inflation (CPI/RPI)	1.90%/2.90%	2.10%/3.10%
Rate of increase in pensionable salaries	1.85%	1.85%
Rate of increase for pensions in payment (earned before 1 April 2007) (CPI/RPI)	2.00%/2.75%	2.15%/3.00%
Rate of increase for pensions in payment (earned on or after 1 April 2007)	2.10%	2.40%
Rate of increase for deferred pensions (CPI/RPI)	2.00%/2.75%	2.15%/3.00%
Discount rate	4.30%	4.80%
Expected return on assets	5.90%	6.00%

The mortality assumptions are based on standard mortality tables which allow for future mortality improvements. The assumptions are that a member who retires in 2021 at age 60 will live on average for a further 27.0 (2011: 27.0) years after retirement if they are male and a further 30.7 (2011: 30.7) years after retirement if they are female. The effect of an increase of one year in the life expectancy of a 60 year old would be to increase the liabilities of ABPGPS by an estimated £14.0m (2011: £13.0m)

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

A change in the ABPGPS scheme took place during 2011 where members of the Scheme were given a choice between the following benefit structures:

- “Cap & Continue” – members continue to accrue benefits in the Scheme. However, a pensionable pay growth cap of 2% per annum (3.5% in the first year) is applied with effect from 1 April 2011, and
- “Stop & Start” – members become deferred members of the Scheme and join an enhanced Defined Contribution scheme for future benefits

Those electing to “Stop & Start” left the defined benefits section of the Scheme on 30 September 2011. Based on assumptions at 30 September 2011, the financial impact to the group of the change in the benefits was a reduction in the defined benefit obligation of £21.2m which has been recognised as a curtailment gain as an exceptional item within the Income Statement during 2011. The benefit change has had the effect of reducing the assumed rate of increase in pensionable salaries to 1.85% (2011: 1.85%)

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. The most significant assumption is the discount rate, the effect of a decrease of 0.5 per cent in the discount rate would be to increase the liabilities of the ABPGPS by an estimated £38.9m (2011: £37.5m)

Notes to the financial statements

12. Pension commitments (continued)

C. Defined benefits scheme and unfunded retirement benefit arrangements (continued)

(ii) Operating profit

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

	2012 £m	2011 £m
Current service cost	5.4	5.7
Expected return on scheme assets	(30.3)	(32.0)
Interest cost on scheme liabilities	22.6	25.0
Interest cost on unfunded retirement benefit liabilities	0.2	0.2
Exceptional curtailment gain	-	(21.2)
Net pension credit recognised within operating profit	(2.1)	(22.3)

The current service cost of £5.4m (2011: £5.7m) represented 28.6 per cent (2011: 27.3 per cent) of the applicable pensionable payroll. The group recognised £nil (2011: £nil) of its net pension credit (2011: credit) for the year within cost of sales and £2.1m (2011: credit of £22.3m) within administrative expenses.

The group made total contributions of £11.8m (2011: £12.5m) towards funded and unfunded schemes. Returns on assets and interest on liabilities are determined by reference to the actuarial assumptions adopted at the beginning of each financial period. The actual return on assets for 2012 was a gain of £36.4m (2011: gain of £33.4m).

(iii) Balance sheet

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

	2012 £m	2011 £m
Fair value of scheme assets	533.0	509.7
Present value of funded obligations	(517.7)	(482.6)
Present value of unfunded obligations	(2.6)	(2.3)
Net assets recognised in the balance sheet	12.7	24.8

As at 31 December 2012, approximately 30.6 per cent (2011: 48.3 per cent) of the scheme's assets were represented by investments in equities, 38.1 per cent (2011: 40.6 per cent) by bonds, 10.2 per cent (2011: 10.7 per cent) by property, 19.7 per cent (2011: nil per cent) by diversified growth funds and 1.4 per cent (2011: 0.4 per cent) by cash.

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

	2012 £m	2011 £m
Fair value of scheme assets at 1 January	509.7	489.2
Expected return	30.3	32.0
Actuarial gain	6.1	1.4
Contributions by employees	0.3	0.4
Contributions by employer	11.8	12.5
Benefits paid	(25.2)	(25.8)
Fair value of scheme assets at 31 December	533.0	509.7

Notes to the financial statements

12. Pension commitments (continued)

C. Defined benefits scheme and unfunded retirement benefit arrangements (continued)

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

	2012 £m	2011 £m
Fair value of scheme liabilities at 1 January	(484.9)	(472.3)
Current service cost	(5.4)	(5.7)
Interest cost	(22.8)	(25.2)
Actuarial loss	(32.1)	(28.3)
Contributions by employees	(0.3)	(0.4)
Benefits paid	25.2	25.8
Curtailments	-	21.2
Fair value of scheme liabilities at 31 December	(520.3)	(484.9)

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

	2012 £m	2011 £m
At 1 January	24.8	16.9
Net pension credit	2.1	22.3
Employer contributions	11.8	12.5
Actuarial loss relating to net retirement benefit assets recognised in the statement of comprehensive income	(26.0)	(26.9)
At 31 December	12.7	24.8

As at 31 December 2012, the cumulative actuarial loss recognised in the group's statement of comprehensive income amounted to £83.9m (2011 loss of £57.9m)

The 2012 actuarial loss of £26.0m arose as a result of experience gain on scheme assets of £6.1m, an experience loss of £8.2m on scheme liabilities in respect of changes to membership and an actuarial loss of £23.9m due to the changes in assumptions associated with the scheme liabilities

(vii) Historical record

Amounts for the current and previous years are as follows	2012 £m	2011 £m	2010 £m	2009 £m	2008 £m
Fair value of scheme assets	533.0	509.7	489.2	447.6	418.9
Present value of funded scheme obligations	(517.7)	(482.6)	(469.2)	(443.9)	(366.0)
Present value of unfunded obligations	(2.6)	(2.3)	(3.1)	(2.9)	(2.4)
Net assets recognised in the balance sheet	12.7	24.8	16.9	0.8	50.5
Actuarial (loss)/gain due to changes in assumptions	(23.9)	(26.4)	(5.2)	(75.5)	56.7
Experience loss on scheme liabilities	(8.2)	(1.9)	(15.4)	(3.1)	(3.5)
Experience gain/(loss) on scheme assets	6.1	1.4	27.9	25.5	(80.5)
Actuarial (loss)/gain relating to net retirement benefit assets recognised in the statement of comprehensive income	(26.0)	(26.9)	7.3	(53.1)	(27.3)

Notes to the financial statements

12. Pension commitments (continued)

D. Defined contribution arrangements

The group incurred costs of £2.4m (2011: £1.7m) in relation to defined contribution arrangements provided by Associated British Ports. At 31 December 2012, there were no amounts outstanding as being due to these arrangements from the group (2011: £nil).

E. Industry-wide schemes

(i) The Pilots National Pension Fund ("PNPF")

The PNPF is an industry-wide defined benefits scheme, with all categories of members being either employed or self-employed. As at 31 December 2010, the date of the most recent draft triennial actuarial valuation carried out by an independent actuary, the scheme had assets with a market value of £292.6m representing 61.1% of the liabilities of the scheme, which amounted to £479.2m.

As at 31 December 2010, approximately 18 per cent of the scheme's assets were invested in equities, 51 per cent in bonds, 30 per cent in hedge funds and 1 per cent in cash. The valuation assumptions adopted by the scheme actuary in the latest valuation were as follows:

Inflation (RPI/CPI)	3.4%/2.7%
Rate of increase in pensionable salaries	3.9%
Rate of increase for pensions in payment	3.2%
Rate of increase for deferred pensions	2.7%
Discount rate (post retirement/pre retirement)	4.8%/6.7%

Following the withdrawal in April 2012 of an appeal against a court ruling in July 2010 which established that the trustee has wide powers to impose contributions on all categories of participating bodies, the trustee has assessed the group's share of the deficit as at 31 December 2010 to be 34.6%. Under the deficit recovery plan, the group will be required to make payments towards the funding of the deficit over a 16 year period with payments of c £3.0m in 2013, £3.9m in 2014, and £4.9m in 2015 rising by RPI from 2016 onwards. During 2012, the group made contributions of £0.1m (2011: £0.1m) to this scheme in relation to its current active members and has recorded these as defined contribution costs within the income statement.

Under the terms of the PNPF scheme rules and the powers established by the court ruling referred to above, the group is exposed to actuarial risks associated with the current and former employees of other participating entities. As such, the group's share of the liabilities of the scheme is highly sensitive to changes in the overall membership composition of the scheme and the experience in rates of retirement, mortality, cash commutations, augmentations and increase in salaries. Other risks associated with the group's share of the net liabilities of the scheme include potential challenges from participating bodies to the allocation of liabilities in relation to self-employed members to sponsoring employers and the impact of participating bodies leaving the scheme (eg, under Section 75 of the Pensions Act).

Updated membership data consistent with the data used in the valuation at 31 December 2010 is not available to the scheme actuary and therefore the actuary is unable to update the group's share of the scheme liabilities at 31 December 2012 on a basis that is consistent with the actuarial valuation at 31 December 2010. As a result, the group is unable to identify its share of the underlying financial position and performance of the plan with sufficient consistency and reliability for

Notes to the financial statements

12 Pension commitments (continued)

E. Industry-wide schemes (continued)

(i) The Pilots National Pension Fund ("PNPF") (continued)

accounting purposes As permitted by IAS 19, the group has recognised the liability that arises from the group's obligations to make contributions towards the funding of the deficit, adjusted for the time value of money, assuming a discount factor of 7.0%. Accordingly the group recognised an exceptional charge of £51.5m (2011: £nil) in relation to the group's liability to the PNPF. The finance cost relating to the discount unwind in 2013 is expected to amount to £3.6m.

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

The FRDWPF is an industry-wide defined benefit occupational scheme. As at 5 April 2010, the date of the most recent full triennial valuation carried out by an independent actuary, the fund had assets with a market value of £661.9m, representing 101 per cent of the benefits accruing to members after allowing for future increases. As at the same date, the funding level on a buy-out basis was 102 per cent. During 2008 the trustees purchased an annuity policy with Legal & General to cover the benefit entitlements of all pensioners, dependent pensioners and deferred members who left active membership of the scheme on or before 3 July 1989. The value of these benefits as at the valuation date is equal to £180.3m.

As at 5 April 2010, approximately 17 per cent of the fund's assets were invested in equities, 82 per cent in bonds and 1 per cent in cash. The valuation assumptions adopted by the actuary in the latest valuation were as follows:

Inflation	3.82%
Rate of increase in pensionable salaries	4.82%
Rate of increase for pensions in payment	3.80%
Rate of increase for deferred pensions	3.82%
Discount rate	4.70%

During 2012, the group made contributions of £22,000 (2011: £24,000) to this scheme in relation to its current active members and has recorded these 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 pension arrangement.

(iii) Merchant Navy Officers Pension Fund ("MNOFP")

The MNOFP 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 valuations of both sections were carried out as at 31 March 2009. The Old Section had assets of £1,113m, representing 89 per cent of the benefits accrued to members and the New Section had assets of £1,547m, representing 68 per cent of the benefits accrued to members as at the valuation date. As the valuations identified past-service deficits the group has been required to pay extra contributions. The group's share of a deficit identified in the previous valuation at 31 March 2006 is currently being settled in instalments up to 2014 and this was fully provided for in 2007. The group's share of the additional deficit identified in the 2009 valuation was paid in full in 2011.

Notes to the financial statements

12. Pension commitments (continued)

E. Industry-wide schemes (continued)

(iii) Merchant Navy Officers Pension Fund ("MNOFP") (continued)

In 2012 the group expensed as defined contribution pension costs a total of £4,000 (2011 £6,000) of contributions to this scheme

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.

13. Trade and other receivables

	2012 £m	2011 £m
Non-current		
Trade receivables	1.3	1.1
Amounts due from subsidiary undertakings	-	-
Total non-current trade and other receivables	1.3	1.1
Current		
Gross trade receivables	58.2	50.4
Provision for doubtful receivables	(5.1)	(4.7)
Net trade receivables	53.1	45.7
Amounts due from associated undertakings	8.4	8.7
Amounts due from parent undertaking	348.6	155.4
Other debtors	11.3	10.7
Prepayments and accrued income	22.9	18.3
Property completions due	-	0.3
Total current trade and other receivables	444.3	239.1

All trade and other receivables are non-interest bearing and their carrying amount approximates to their fair value

Other debtors comprise costs incurred that are recoverable from third parties

As at 31 December 2012, the group held trade receivables of £8.3m (2011 £9.8m) that were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default and terms and amounts have not been renegotiated in the last year. The ageing of these trade receivables is as follows:

	2012 £m	2011 £m
Up to 3 months	8.2	9.8
3 to 6 months	0.6	0.5
Over 6 months	(0.5)	(0.5)
Total past due but not impaired receivables	8.3	9.8

Notes to the financial statements

13 Trade and other receivables (continued)

As at 31 December 2012, the group held trade receivables of £12.0m (2011: £8.7m) that were fully or partially impaired. The ageing of these trade receivables is as follows. The other classes of assets within trade and other receivables do not contain impaired assets.

	2012 £m	2011 £m
Up to 3 months	8.0	4.6
3 to 6 months	0.7	0.5
Over 6 months	3.3	3.6
Total fully/partially impaired receivables	12.0	8.7

The group has provided for known credit risks as part of its normal provision for doubtful receivables. The provision for doubtful receivables is made when there is objective evidence that the group may not be able to collect all amounts recorded within the balance sheet. The impaired receivables provision relates to customers who have found themselves in unexpectedly difficult financial situations or where amounts do not appear to be collectable. Costs for doubtful receivables are recorded within administrative expenses.

Movements on the group's provision for doubtful receivables are as follows

	2012 £m	2011 £m
At 1 January	4.7	5.2
Provision for the impairment of trade receivables	1.6	0.9
Receivables written off as uncollectable	(1.0)	(1.1)
Impairment provisions released	(0.2)	(0.3)
At 31 December – provisions for doubtful receivables	5.1	4.7

All of the provision for impairment of trade receivables relates to the group's ports and transport segment. There are no significant receivables of the group or company that are denominated in foreign currencies.

The company had no trade receivables (2011: £nil) and therefore no provision for impairment (2011: £nil). The amounts due from group undertakings to the company have no fixed terms of repayment and none of the group undertakings has a recent history of default.

Customer credit risk is managed locally in line with a group policy which is designed to ensure that the group's exposure to concentration of credit is appropriately managed through implementation of credit checks and limits. Based on the quality and diversity of its customer base, management considers the group's exposure to concentration of credit risk to be minimal. The maximum exposure to credit risk at 31 December 2012 is the carrying amount of each class of receivable shown above. The group does not hold any collateral as security. The group uses external credit rating agencies to assess and monitor its trade receivables. Management considers the group's exposure to exchange rate risk to be minimal.

Notes to the financial statements

14 Property developments and land held for sale

	2012 £m	2011 £m
At 1 January	2.8	2.5
Disposals	-	(0.1)
Transfers from property, plant & equipment (note 9)	-	0.2
Transfers from investment property (note 10)	0.2	0.2
At 31 December	3.0	2.8

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 2012. The historical cost of property developments and land held for sale totalled £3.0m (2011: £2.8m). These assets relate to surplus property and land, which are held for sale and reported as part of the group's property development activities.

15 Financial liabilities - borrowings

	2012 £m	2011 £m
Current		
Obligations under finance leases - secured	-	0.5
Current borrowings	-	0.5

The group's borrowings are all denominated in sterling.

	2012 £m	2011 £m
Net borrowings		
Current borrowings	-	0.5
Less: cash and cash equivalents	(51.2)	(52.5)
Net cash	(51.2)	(52.0)

The group's share of net cash (2011: net borrowings) in associated undertakings not included above totalled £2.8m (2011: £0.8m).

An analysis of the maturity of financial liabilities is given in note 16A.

Obligations under finance leases are secured on related leased assets.

Details of the group's contingent liabilities in relation to the ultimate parent company's group borrowings are set out in note 26.

Notes to the financial statements

16 Financial instruments

The group's policies regarding financial instruments are set out in the accounting policies in note 1. Numerical disclosure is set out below

A. Maturity of financial liabilities

The table below analyses the group's financial liabilities based on undiscounted contractual payments:

	Trade and other payables £m	Finance leases £m	Total £m
2012			
Not later than one year	71.8	-	71.8
More than one year but not more than two years	1.9	-	1.9
More than two years but not more than five years	0.8	-	0.8
At 31 December	74.5	-	74.5

	Trade and other payables £m	Finance leases £m	Total £m
2011			
Not later than one year	59.3	0.5	59.8
More than one year but not more than two years	2.3	-	2.3
At 31 December	61.6	0.5	62.1

Trade and other payables in 2011 was shown as all within one year in the 2011 accounts, the number has been split in the table above to show a truer and more comparable position

The table below analyses the group's derivative financial instruments which will be settled on a gross basis into relevant maturity groupings, based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	2012 Total outflows £m	2012 Total inflows £m	2011 Total outflows £m	2011 Total inflows £m
Forward foreign exchange contract				
Not later than one year	0.7	-	-	-
Total	0.7	-	-	-

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

	2012 £m	2011 £m
Finance lease payments		
Not later than one year	-	0.5
	-	0.5
Future finance charges on finance leases	-	-
Present value of finance lease liabilities	-	0.5

Notes to the financial statements

16 Financial instruments (continued)

B Market price risk

As a result of the refinancing that took place in December 2011 the group no longer has any borrowings and is therefore not exposed to re-pricing risk

C. Undrawn borrowing facilities

The group did not have direct access to any undrawn borrowing facilities at 31 December 2012 (2011: £nil). The group can access committed undrawn borrowings of £325 0m through its parent undertaking, ABP Acquisitions UK Limited (2011: £325 0m)

D. Fair value of financial assets and liabilities

(i) Financial assets

The carrying value for financial assets equates to the estimated fair value. The group considers that its maximum exposure to credit risk in respect of financial assets equates to their carrying value. The carrying value of the group's assets is not subject to material changes in foreign currency exchange rates

(ii) Financial liabilities

	Book value £m	2012 Fair value £m	Book value £m	2011 Fair value £m
Finance leases	-	-	0.5	0.5
Total financial liabilities	-	-	0.5	0.5

The group had no bank borrowings at either 31 December 2012 or 2011.

E. Fair values of derivative financial instruments

The fair value of derivative financial instruments (calculated as the present value of the estimated future cash flows) held by the group at the balance sheet date was

	Assets £m	2012 Liabilities £m	Assets £m	2011 Liabilities £m
Forward foreign exchange contracts – held as cash flow hedge	-	-	-	-
Fair value of derivative financial instruments	-	-	-	-

The maximum exposure to credit risk at 31 December 2012 is the fair value of the derivative instruments.

The notional principal amount of the outstanding forward foreign exchange contracts at 31 December 2012 was £nil (2011: £nil). This contract was transacted in order to hedge the group's currency exposure in relation to a contracted future payment for the purchase of property, plant and equipment denominated in foreign currency which was made in January 2013. The change in the fair value of the forward foreign exchange contract arose entirely as a result of foreign exchange rate movements and was insignificant.

Notes to the financial statements

16 Financial instruments (continued)

F. Financial risk management

The group's management of treasury and associated risks is set out in the business review. Management of credit risk in relation to trade receivables is set out in note 13

17. Trade and other payables

	2012 £m	2011 £m
Trade payables	14.3	13.9
Other creditors	4.4	5.6
Taxation	3.2	2.3
Accruals	49.8	37.4
Property completions payable	0.1	0.1
Trade and other payables	71.8	59.3

The carrying amount of trade and other payables approximates to their fair value.

18. Provisions

	Restructuring £m	Property provision £m	Self insurance £m	Other £m	Total £m
At 1 January 2012	0.4	10.3	14.9	1.2	26.8
Credited to income statement during the year	-	(3.0)	-	-	(3.0)
Utilised in the year	-	(0.4)	(1.6)	0.1	(1.9)
Amortisation of discounting	-	-	0.3	-	0.3
At 31 December 2012	0.4	6.9	13.6	1.3	22.2
Expected utilisation with one year	0.4	2.5	11.0	0.1	14.0

Provisions are analysed between non-current and current as follows

	2012 £m	2011 £m
Current	14.0	20.5
Non-current	8.2	6.3
Total provisions	22.2	26.8

Restructuring

A restructuring provision was originally made in 2007 and mostly utilised by 2008/2009. The balance of this provision relates to the cost of exiting a rented property as a result of the restructuring where negotiations are ongoing

Property

Property provisions include amounts provided in relation to property leases where the unavoidable costs under the lease exceed the economic benefit and amounts provided in relation to other exposures associated with the group's property portfolio

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,

Notes to the financial statements

18 Provisions (continued)

where appropriate, have been discounted on a pre-tax basis using a discount rate of 7.6% (2011 6.8%). The group reassesses these liabilities on an annual basis. The potential liabilities have been projected forward until 2029.

Other

Other provisions primarily relate to obligations from commitments entered into as part of the development of certain port facilities.

19 Deferred tax

In its 2010, 2011 and 2012 Budgets the UK Government announced and updated a plan to progressively annually reduce the headline rate of UK corporation tax from 28% before 1 April 2011 to 21% by 1 April 2014. The first reductions to 26% (effective from 1 April 2011), to 24% (effective from 1 April 2012) and to 23% (effective from 1 April 2013) had been substantively enacted by the balance sheet date and therefore the closing deferred tax liability reflects the 23% rate. Deferred tax is calculated in full on temporary differences under the liability method.

The movement on the group's deferred tax account is shown below

Group	2011* £m	Adjustments in respect of previous periods credited to income statement £m	(Credited) /charged to income statement £m	(Credited)/ charged to equity £m	Total 2012 £m
Accelerated tax depreciation	106.0	1.7	(16.7)	(0.2)	90.8
Revaluation of operational land and investment properties	59.0*	(1.5)	73.9	(3.7)	127.7
Capital losses	(13.0)	-	-	1.4	(11.6)
Retirement benefit obligations	6.1	0.1	(12.3)	(2.2)	(8.3)
Other	(0.9)*	(0.1)	0.4	0.2	(0.4)
Net deferred tax liability	157.2*	0.2	45.3	(4.5)	198.2

*Restated (see note 1.2)

Group	2010* £m	Adjustments in respect of previous periods credited to income statements £m	(Credited)/ charged to income statement £m	(Credited)/ charged to equity £m	Total 2011* £m
Accelerated tax depreciation	127.8	(3.1)	(18.7)	-	106.0
Revaluation of operational land and investment properties	61.3*	-	(1.8)*	(0.5)*	59.0*
Capital losses	(14.0)	-	-	1.0	(13.0)
Retirement benefit obligations	4.5	-	8.3	(6.7)	6.1
Other	(1.6)	-	0.2	0.5*	(0.9)*
Net deferred tax liability	178.0*	(3.1)	(12.0)*	(5.7)	157.2*

*Restated (see note 1.2)

Notes to the financial statements

19. Deferred tax (continued)

The impact of the further reductions in the rate to 21% has not been reflected as this has not been substantively enacted at the balance sheet date. A reduction to 21% would give rise to a reduction in the deferred tax liability of £17.1m.

The group has unrecognised capital losses of £314.7m (2011: £342.7m) that are only available for offset against future sales of land and buildings from the port estates.

The group has crystallised capital losses of £nil (2011: £35.1m) on which a deferred tax asset has not been recognised.

The group had no unrecognised deferred income tax assets (2011: none) that can be carried forward against future taxable income.

The group's deferred tax assets are offset against deferred tax liabilities where there is a legally enforceable right of offset of current tax assets and liabilities and the deferred tax balances relate to income taxes levied by the same taxation authority. Consequently, the group has provided for its deferred tax liabilities at 31 December 2012 of £197.3m (2011: £154.0m, restated from £123.0m) 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.

20. Other non-current liabilities

	2012 £m	2011 £m
Other creditors	2.7	2.3
Other non-current liabilities	2.7	2.3

21. Share capital

A. Issued and fully paid

		2012 £m		2011 £m
Ordinary shares of 25p each	Shares		Shares	
At 1 January	309,950,039	77.5	309,733,845	77.4
Allotted under share option schemes	28,857	-	216,194	0.1
At 31 December	309,978,896	77.5	309,950,039	77.5

The company did not repurchase any of its own shares during 2012 or 2011.

B. Potential issue of shares

(i) Outstanding share options

During the year, options exercised resulted in the issue of 28,857 (2011: 216,194) ordinary shares of 25p each. The company received a total of £0.1m (2011: £0.9m) in respect of these shares. A summary of options granted to employees and outstanding at 31 December 2012 under share option schemes is given below.

Notes to the financial statements

21. Share capital (continued)

B. Potential issue of shares (continued)

(i) Outstanding share options (continued)

	Date granted	Price per share	Date option normally exercisable	Number of options outstanding
Savings-related scheme	October 2005	398.0p	2012 to 2013	31,728
				31,728

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.

(ii) Changes in share options

A reconciliation of the changes in share options is shown below:

	2012		2011	
	Number of shares	Weighted average exercise price (pence)	Number of shares	Weighted average exercise price (pence)
Outstanding at 1 January	60,585	377.1	276,829	384.0
Lapsed	-	-	(50)	398.0
Exercised	(28,857)	354.0	(216,194)	385.9
Outstanding at 31 December	31,728	398.0	60,585	377.1
Exercisable at 31 December	-	-	-	-

Summary data for options outstanding at the year end is set out below

		2012			2011		
Range of exercise prices (pence)	Weighted average exercise price (pence)	Number of shares	Weighted average remaining life expected (years)	Weighted average remaining life contracted (years)	Weighted average exercise price	Number of shares	Weighted average remaining life expected (years)
398.0	398.0	31,728	0.2	0.2	£3.4	60,585	0.9
							1.1

The weighted average share price during the year for options exercised over the year was 354.0p (2011: 910.0p)

C. Share-based payments

(i) Fair values

Historically, grants of options over the shares of Associated British Ports Holdings Limited were made to the employees of the group. Grants of share options ceased in 2006 following the acquisition of Associated British Ports Holdings Limited on 14 August 2006.

Notes to the financial statements

21 Share capital (continued)

C. Share-based payments (continued)

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. These awards were made by Associated British Ports Holdings Limited, and in accordance with IFRS 2 recognised in the accounts of Associated British Ports. 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.

Based on the observed actual vesting percentages for completed grants 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

	2012	2011
	£m	£m
Charge for grants prior to 2006	-	0.1
Total income statement charge	-	0.1

(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. No options were granted in 2012 or 2011.

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Notes to the financial statements

22 Reserves and statement of changes in shareholder's equity

	Share capital £m	Share premium account £m	Revaluation reserve £m	Hedging reserve £m	Capital redemption reserve £m	Share options reserve £m	Retained earnings £m	Total £m
At 1 January 2012*	77.5	130.4	869.8	-	25.5	21.3	800.7	1,925.2
Movement on revaluation of investment property (note 10)	-	-	5.5	-	-	-	-	5.5
Transfer between reserves arising on revaluation of investment property (note 10)	-	-	475.5	-	-	-	(475.5)	-
Share of associated undertakings' actuarial loss relating to net retirement benefit liabilities (note 11)	-	-	-	-	-	-	(1.8)	(1.8)
Actuarial loss relating to net retirement benefit assets (note 12C)	-	-	-	-	-	-	(26.0)	(26.0)
Fair value loss on forward foreign exchange contracts (note 16E)	-	-	-	-	-	-	-	-
Deferred tax associated with actuarial loss relating to net retirement benefit assets (note 19)	-	-	-	-	-	-	2.2	2.2
Deferred tax associated with revaluation of investment property (note 19)	-	-	-	-	-	-	2.3	2.3
Realisation of revaluation reserve on disposal of investment property	-	-	-	-	-	-	-	-
Issue of ordinary shares	-	0.1	-	-	-	-	-	0.1
Share-based payments	-	-	-	-	-	-	-	-
Profit for the year	-	-	-	-	-	-	605.1	605.1
At 31 December 2012	77.5	130.5	1,350.8	-	25.5	21.3	907.0	2,512.6

*Restated (see note 1.2)

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Notes to the financial statements

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

Group	Share capital £m	Share premium account £m	Revaluation reserve £m	Hedging reserve £m	Capital redemption reserve £m	Share options reserve £m	Retained earnings £m	Total £m
At 1 January 2011*	77.4	129.6	857.9	0.1	25.5	21.4	579.8	1,691.7
Movement on revaluation of investment property (note 10)	-	-	3.5	-	-	-	-	3.5
Transfer between reserves arising on revaluation of investment property (note 10)*	-	-	8.1	-	-	-	(8.1)	-
Share of associated undertakings' actuarial loss relating to net retirement benefit liabilities (note 11)	-	-	-	-	-	-	(5.3)	(5.3)
Actuarial loss relating to net retirement benefit assets (note 12C)	-	-	-	-	-	-	(26.9)	(26.9)
Fair value loss on forward foreign exchange contracts (note 16E)	-	-	-	(0.1)	-	-	-	(0.1)
Deferred tax associated with actuarial loss relating to net retirement benefit assets (note 19)	-	-	-	-	-	-	6.7	6.7
Deferred tax associated with revaluation of investment property (note 19)	-	-	-	-	-	-	(0.8)	(0.8)
Realisation of revaluation reserve on disposal of investment property	-	-	0.3	-	-	-	(0.3)	-
Issue of ordinary shares	0.1	0.8	-	-	-	-	-	0.9
Share-based payments	-	-	-	-	-	(0.1)	-	(0.1)
Profit for the year*	-	-	-	-	-	-	255.6	255.6
At 31 December 2011*	77.5	130.4	869.8	-	25.5	21.3	800.7	1,925.2

*Restated (see note 1.2)

Revaluation reserve

The revaluation reserve is used to record increases and decreases in the fair value of investment property. Decreases are only recognised to the extent that an increase on the same asset has been previously recognised in equity. The balance of any decrease in fair value of investment property would be charged to the income statement. The deferred tax associated with the revaluation of investment property is included within retained earnings.

Hedging reserve

The hedging reserve is used to record the effective part of gains or losses on qualifying cash flow hedges until the impact from the hedged item is recognised in the financial statements.

Capital redemption reserve

The capital redemption reserve is a reserve to record the nominal value of shares repurchased.

Notes to the financial statements

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

Share option reserve

The share options reserve is a reserve to recognise amounts due in respect of share based payments.

23. Cash generated by operations

Reconciliation of profit before taxation to cash generated by operations	2012 £m	2011 £m
Profit before taxation	722.0	314.9*
Finance costs	(0.5)	7.6
Finance income	(28.0)	(65.7)
Share of profit in associated undertakings	(0.2)	(6.2)
Depreciation of property, plant and equipment	41.3	41.8*
Amortisation of intangible assets	0.9	0.7
Profit on sale of associated undertaking	(32.1)	-
Loss on sale of property, plant and equipment	0.1	0.9
Increase/(decrease) in provisions	(5.0)	3.5
Revaluation of investment properties	(475.5)	(8.1)*
Difference between pension contributions paid and defined benefit pension credit/charge through profit and loss	37.4	(35.0)
Share-based payment	-	0.1
Operating cash flows before movements in working capital	260.4	254.5
Decrease in property developments and land held for sale	-	0.1
Decrease in trade and other receivables	24.7	14.0
Decrease in trade and other payables	(250.6)	(122.3)
Cash generated by operations	34.5	146.3

*Restated (see note 1.2)

	2012 £m	2011 £m
Analysis of cash and cash equivalents		
Cash at bank and in hand	51.2	52.5
Cash and cash equivalents	51.2	52.5

24 Related party transactions

At 31 December 2012, the group had interests in two associated undertakings. Southampton Container Terminals Limited (trading as DPWS), and Associated Global Logistics Limited. Until disposal in January 2012, the group also had an associate interest in Tilbury Container Services Limited. The nature of these investments is described more fully in note 26.

	Amounts charged during the year*		Amounts outstanding	
	2012 £m	2011 £m	2012 £m	2011 £m
Transactions with associates				
Southampton Container Terminals (DPWS)	32.2	31.8	7.0	8.1
Tilbury Container Services	-	-	-	0.3
Associated Global Logistics	-	-	0.3	0.3
Transactions with associates	32.2	31.8	7.3	8.7

* charges related to fees for property management and operational services provided by the group

Notes to the financial statements

24. Related party transactions (continued)

The group's UK retirement benefit schemes are managed by The Associated British Ports Group Pension Scheme (see note 12). During the year, the group charged The Associated British Ports Group Pension Scheme £0.1m (2011: £nil) in respect of administrative services. At the year-end, £nil (2011: £nil) remained owing to the group by The Associated British Ports Group Pension Scheme in respect of these charges.

During the year, nine of the directors of the company were representatives of the shareholders of the ultimate parent undertaking, ABP (Jersey) Limited. Each shareholder is entitled to receive fees for the services of these directors and may request that the fees are paid directly to a director. The fees earned during the year were as follows:

	2012	2011
	£	£
Goldman Sachs International and Goldman Sachs & Co (on behalf of Admiral Institutional S à r l and Admiral Global and International S.à r.l)	70,000	70,000
Borealis International Investments Corporation and Borealis (Luxembourg) S C A	105,000	105,000
Cheyne Walk Investment Pte Limited	130,000	130,000
M&G Investment Management Limited (on behalf of Infracapital Partners LP)	35,000	35,000

Further details of the shareholders' share ownership are set out in note 27.

The company has an interest bearing loan arrangement with its immediate parent undertaking, ABP Acquisitions UK Limited. During the year, the company charged interest of £24.1m (2011: £52.2m). The balance outstanding under this loan facility as at 31 December 2012 was £348.6m (2011: £155.4m). The interest rate on this loan is 8.24% (2011: 8.24%).

Notes to the financial statements

25 Financial commitments

	2012 £m	2011 £m
Group capital expenditure contracted but not provided for	56.3	6.9

The group's share of the capital commitments of its associated undertakings amounted to £0.2m (2011 £0.2m).

Total future minimum lease instalments expected to be paid under non-cancellable operating leases are as follows	2012 £m	2011 £m
Not more than one year	2.1	2.3
More than one year but not more than five years	5.5	6.3
More than five years	27.5	29.0
Total to be paid	35.1	37.6

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

Total future minimum lease instalments expected to be received under non-cancellable subleases are as follows	2012 £m	2011 £m
Not more than one year	0.7	0.9
More than one year but not more than five years	2.5	3.0
More than five years	36.7	34.5
Total to be received	39.9	38.4

The group subleases various properties under non-cancellable operating lease agreements, which have various terms and renewable rights.

26 Contingent liabilities

Contingent liabilities under claims, indemnities and guarantees	2012 £m	2011 £m
Guarantees in respect of group borrowings	1,850.0	1,900.0
Guarantees in respect of undrawn group borrowings	460.0	460.0
Other guarantees and contingencies	0.2	0.2

At 31 December 2012 the group has provided guarantees in respect of borrowings and facilities totalling £2,310.0m (2011 £2,360.0m) of the larger group of which the group is a member. Under these facilities £nil of indebtedness was incurred by the group as at 31 December 2012 (2011 £nil). As part of the security package for these facilities the group has given a legal mortgage over all of its real property, shares in subsidiaries (excluding Associated British Ports and its 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.

Notes to the financial statements

26 Contingent liabilities (continued)

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 12.

The bankers of an immediate subsidiary undertaking, ABP Insurance Limited, have issued letters of credit totalling £3.0m (2011: £3.5m) in favour of the group's employer's liability insurers. The letters of credit are secured against cash deposits of £3.0m (2011: £3.5m).

The company intends to comply with the requirements of s479A of the Companies Act 2006 with regard to the following wholly owned subsidiaries:

- ABP (Aldwych) Limited
- Associated British Ports Investments Limited
- ABP Nominees Limited
- Grosvenor Waterside Group Limited
- Grosvenor Waterside (Holdings) Limited

These companies intend to take advantage of the same section in order to be exempt from the requirement for an audit of their individual company accounts for the year ended 31 December 2012.

The company intends to comply with the requirements of s448A of the Companies Act 2006 with regard to the following wholly owned dormant subsidiaries:

- ABP Southampton Properties Limited
- American Port Services Holdings Limited
- Amports Cargo Services Limited
- Amports Contract Personnel Limited
- Amports Holdings Limited
- Amports Vehicle Terminals Limited
- Auto Shipping Limited
- Grosvenor Buchanan Properties Limited
- Grosvenor Waterside Asset Management Limited
- Marine Environmental Research Limited

These companies intend to take advantage of the same section in order to be exempt from the requirement to prepare accounts for the year ended 31 December 2012.

27 Principal subsidiary and associated undertakings

All principal subsidiary and associated undertakings are domiciled and operate in England and Wales, with the exception of Associated Global Logistics Limited which is domiciled in Ireland. The group's controlling interest in subsidiary undertakings is represented by ordinary shares (with the exception of Associated British Ports, the company's powers in respect of which are governed by the Transport Act 1981). All shares held are of the same class with voting rights in the same proportion to the shareholding.

Notes to the financial statements

27 Principal subsidiary and associated undertakings (continued)

	% held by Group
Subsidiary undertakings	
Ports and transport	
Associated British Ports	(see below) ¹
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 (trading as DPWS)	49
Associated Global Logistics Limited	49

¹Under 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

At 31 December 2011, Associated British Ports owned 33 per cent of the issued ordinary share capital and 49 per cent of the issued preference share capital in Tilbury Container Services Limited. The group's holding of the ordinary and preference share capital was disposed of in January 2012.

28. Ultimate controlling parties

The company is a limited liability company domiciled and incorporated in England and Wales. Its intermediate parent undertaking is ABPA Holdings Limited whose consolidated financial statements are the smallest group in which the company is included.

The ultimate parent undertaking and controlling party is ABP (Jersey) Limited, which produces consolidated financial statements that comply with IFRSs and are available from Ogier House, The Esplanade, St Helier, Jersey, JE4 9WG. The consolidated financial statements of ABP (Jersey) Limited are the largest group in which the company is included.

ABP (Jersey) Limited is a limited liability company registered in Jersey. The company is owned by a consortium of investors as shown below.

	% of Ordinary shares	% of Preference shares
Infracapital Partners LP (through a nominee acting by its manager M&G Investment Management Limited)	10.00	10.00
Cheyne Walk Investment Pte Limited (owned by GIC Special Investments Pte)	33.33	33.33
Borealis (Luxembourg) S.C.A.	16.67	33.33
Borealis International Investments Corporation	16.67	-
Admiral Global & International S à r.l. (owned by GS Infrastructure Partners)	23.00	22.71
Admiral Institutional S à r.l. (owned by GS Infrastructure Partners)	0.33	0.63
	100.00	100.00

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ASSOCIATED BRITISH PORTS HOLDINGS LIMITED

We have audited the financial statements of Associated British Ports Holdings Limited for the year ended 31 December 2012 which comprise the, the Company Balance Sheet, the Company Statement of Cash Flows, the Company Statement of Changes in Equity and the related notes 1 to 13. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRSs") as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 19, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report and accounts to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December,
- have been properly prepared in accordance with IFRSs as adopted by the European Union,
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ASSOCIATED BRITISH PORTS HOLDINGS LIMITED (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' benefits specified by law are not made, or
- we have not received all the information and explanations we require for our audit.



Steven Lunn (Senior statutory auditor)

For and on behalf of Ernst & Young LLP, Statutory Auditor
London

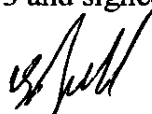
29 April 2013

ASSOCIATED BRITISH PORTS HOLDINGS LIMITED AND SUBSIDIARIES ANNUAL REPORT AND ACCOUNTS 2012

Company balance sheet as at 31 December

	Note	2012 £m	2011 £m
Assets			
Non-current assets			
Investments	5	152.2	152.2
Group receivables	6	641.3	652.3
		793.5	804.5
Current assets			
Group receivables	6	348.6	197.8
		348.6	197.8
Total assets		1,142.1	1,002.3
Liabilities			
Current liabilities			
Group and other payables	7	(26.9)	(26.4)
		(26.9)	(26.4)
Non-current liabilities			
Other non-current liabilities	8	(0.4)	(0.4)
Total liabilities		(27.3)	(26.8)
Net assets		1,114.8	975.5
Shareholder's equity			
Share capital	9	77.5	77.5
Share premium account		130.4	130.4
Other reserves		40.4	40.4
Retained earnings		866.5	727.2
Total shareholder's equity		1,114.8	975.5

The financial statements on pages 74 to 85 were approved by the board of directors on 27 February 2013 and signed on its behalf by



GSM Bull
Director

Company statement of cash flows for the year ended 31 December

	Note	2012 £m	2011 £m
Cash flows from operating activities			
Cash (absorbed)/generated by operations	10	(84.3)	61.7
Interest paid		-	(7.1)
Net cash (outflow)/inflow from operating activities		(84.3)	54.6
Cash flows from financing activities			
Dividends received from subsidiary		84.2	-
Senior debt buy-back		-	(55.5)
Proceeds from issue of share capital		0.1	0.9
Net cash inflow/(outflow) from financing activities		84.3	(54.6)
Change in cash and cash equivalents during the year		-	-
Cash and cash equivalents at 1 January		-	-
Cash and cash equivalents at 31 December	10	-	-

Company reconciliation of net cash flow to movement in net cash/(borrowings) for the year ended 31 December

	Note	2012 £m	2011 £m
Change in cash and cash equivalents during the year		-	-
Decrease in borrowings		-	55.5
Decrease in net borrowings resulting from cash flows		-	55.5
Discount on debt buy-back		-	2.6
Non-cash movement in intercompany loans		-	480.8
Decrease in interest payable		-	0.2
Change in net borrowings during the year		-	539.1
Net borrowings at 1 January		-	(539.1)
Net cash at 31 December		-	-

ASSOCIATED BRITISH PORTS HOLDINGS LIMITED AND SUBSIDIARIES ANNUAL REPORT AND ACCOUNTS 2012

Company statement of changes in equity for the year ended 31 December

	Share capital £m	Share premium account £m	Capital redemption reserve £m	Share options reserve £m	Retained earnings £m	Total £m
At 1 January 2011	77.4	129.6	25.5	14.9	364.2	611.6
Profit for the year	-	-	-	-	363.0	363.0
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	363.0	363.0
Issue of ordinary shares	0.1	0.8	-	-	-	0.9
At 31 December 2011	77.5	130.4	25.5	14.9	727.2	975.5
Profit for the year	-	-	-	-	139.3	139.3
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	139.3	139.3
Issue of ordinary shares	-	-	-	-	-	-
At 31 December 2012	77.5	130.4	25.5	14.9	866.5	1,114.8

Notes to the financial statements

1. Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

1.1 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union and applied in accordance with the Companies Act 2006

The financial statements have been prepared on a going concern basis under the historic cost convention

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.

The directors believe that there are no areas of the company's accounting policies which involve a high degree of complexity nor are there any areas where assumptions and estimates are significant to the financial statements.

The financial statements are presented in sterling and all values are rounded to the nearest tenth of a million (£m) except where otherwise indicated

1.2 Changes in accounting policy

The company accounting policies are consistent with those of the previous year and reflect new IFRS standards, amendments and interpretations where appropriate

The company has reviewed IFRS standards, amendments and interpretations that became mandatory for accounting periods beginning 1 January 2012 and considers that none of these have a material impact on its financial statements

The IASB and IFRIC have issued the following standards, amendments and interpretations with an effective date of implementation for accounting periods beginning after the start of the company's current year financial statements. The directors do not anticipate that the adoption of these standards, amendments and interpretations will have a material impact on the company's financial statements in the period of initial application

Notes to the financial statements

1 Accounting policies (continued)

1.2 Changes in accounting policy (continued)

		Effective for accounting periods beginning on or after
IFRS 1 (amendment)	First time adoption of IFRS (government loans)	01.01.2013
IFRS 7 (amendment)	Offsetting financial assets and liabilities	01.01.2013
IFRS 9	Financial instruments – classification and measurement	01.01.2015
IFRS 10	Consolidated financial statements	01.01.2014
IFRS 11	Joint arrangements	01.01.2014
IFRS 12	Disclosure of interest in other entities	01.01.2014
IFRS 13	Fair value measurement	01.01.2013
IAS 19 (revised)	Employee benefits	01.01.2013
IAS 27 (revised)	Consolidated and separate financial statements	01.01.2014
IAS 28 (revised)	Investments in associates and joint ventures	01.01.2014
IAS 32 (amendment)	Offsetting financial assets and liabilities	01.01.2014
IFRIC 20	Stripping costs in the production phase of a surface mine	01.01.2013

Investments

Investments in subsidiaries are stated at cost. They are subject to impairment reviews annually and when there are indications that the carrying value may not be recoverable

Financial instruments

Group receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. A provision for impairment of receivables is made when there is objective evidence that the group may not be able to collect all amounts recorded within the balance sheet. Costs for impairment of receivables are recorded within administrative expenses.

Group and other payables are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest method.

Financial risk management

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

The company holds a long term loan balance with its immediate parent, ABP Acquisitions UK Limited. This was created as part of the acquisition and subsequent refinancing of the company which acts as holding company for the trading activity of the group headed by the company's ultimate parent, ABP (Jersey) Limited.

Notes to the financial statements

1 Accounting policies (continued)

1.2 Changes in accounting policy (continued)

Share capital

Shares are classified as equity or debt or a combination of the two depending on the terms of the instrument. External costs directly attributable to the issue of new shares are apportioned as either debt or equity on the same basis.

2 Company result

The company has not presented its own income statement as permitted by s408 of the Companies Act 2006. The company's result attributable to equity shareholder amounts to a profit of £139.3m (£2011: £363.5m). The company did not pay any dividends during the current or prior year.

3 Auditor's remuneration

The auditor's remuneration for 2012 and 2011 was borne by a fellow group company.

Details of fees for other services are provided in note 3 of the Associated British Ports Holdings Limited consolidated financial statements.

4 Directors and employees

No director received any emoluments in relation to their services to the company (2011: nil), which were incidental to their services for other group companies. The company had no employees during the year (2011: nil).

5 Investments

Details of principal subsidiary undertakings are provided in note 27 of the Associated British Ports Holdings Limited consolidated financial statements.

	Interest in subsidiary undertakings	
	2012 £m	2011 £m
At 1 January	152.2	152.2
At 31 December	152.2	152.2

Notes to the financial statements

6. Group receivables

	2012 £m	2011 £m
Non-current		
Amounts due from subsidiary undertakings	641.3	695.3
Total non-current group receivables	641.3	695.3
Current		
Amounts due from parent undertaking	348.6	155.3
Total current group receivables	348.6	155.3

Non current amounts due from subsidiary undertakings primarily relates to a receivable from Associated British Ports, the company's immediate subsidiary. Current amounts due from parent undertaking relate to a balance with ABP Acquisitions UK Limited. For further details see note 11

The company considers that the carrying amount of the receivables approximates to their fair value. Amounts due from subsidiary and parent undertakings are not overdue for repayment and are not considered to be impaired.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable shown above. The company does not hold any collateral as security. The company's receivables are denominated in sterling.

7. Group and other payables

	2012 £m	2011 £m
Amounts due to subsidiary undertakings	25.1	25.1
Accruals	1.8	1.3
Trade and other payables	26.9	26.4

Amounts due to subsidiary undertakings relates to Amports Holdings Limited, an immediate dormant subsidiary.

The carrying amount of group and other payables approximates to their fair value. The company's payables are denominated in sterling.

8. Other non-current liabilities

	2012 £m	2011 £m
Other creditors	0.4	0.4
Other non-current liabilities	0.4	0.4

Notes to the financial statements

9. Share capital

A. Issued and fully paid

		2012		2011
Ordinary shares of 25p each	Shares	£m	Shares	£m
At 1 January	309,950,039	77.5	309,733,845	77.4
Allotted under share option schemes	28,857	-	216,194	0.1
At 31 December	309,978,896	77.5	309,950,039	77.5

The company did not repurchase any of its own shares during 2012 or 2011

B. Potential issue of shares

(i) Outstanding share options

During the year, options exercised resulted in the issue of 28,857 (2011: 216,194) ordinary shares of 25p each. The company received a total of £0.1m (2011: £0.9m) in respect of these shares. A summary of options granted to employees and outstanding at 31 December 2012 under share option schemes is given below

	Date granted	Price per share	Date option normally exercisable	Number of options outstanding
Savings-related scheme	October 2005	398.0p	2012 to 2013	31,728
				31,728

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

(ii) Changes in share options

A reconciliation of the changes in share options is shown below:

	2012		2011	
	Number of shares	Weighted average exercise price (pence)	Number of shares	Weighted average exercise price (pence)
Outstanding at 1 January	60,585	377.1	276,829	384.0
Lapsed	-	-	(50)	398.0
Exercised	(28,857)	354.0	(216,194)	385.9
Outstanding at 31 December	31,728	398.0	60,585	377.1
Exercisable at 31 December	-	-	-	-

Notes to the financial statements

9. Share capital (continued)

B. Potential issue of shares (continued)

Summary data for options outstanding at the year end is set out below

Range of exercise prices (pence)	Weighted average exercise price (pence)	Number of shares	2012		Weighted average exercise price	Number of shares	2011	
			Weighted average remaining life expected (years)	Weighted average remaining life contracted (years)			Weighted average remaining life expected (years)	Weighted average remaining life contracted (years)
398	398.0	31,728	0.2	0.2	£3.4	60,585	0.9	1.1

The weighted average share price during the year for options exercised over the year was 354.0p (2011: 910.0p)

Historically, grants of options over the shares of Associated British Ports Holdings Limited were made to the employees of the group. Grants of share options ceased in 2006 following the acquisition of Associated British Ports Holdings Limited on 14 August 2006.

(iii) 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. These awards were made by Associated British Ports Holdings Limited, and in accordance with IFRS 2 recognised in the accounts of Associated British Ports. 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.

Based on the observed actual vesting percentages for completed grants 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

	2012 £m	2011 £m
Charge for grants prior to 2006	-	0.1
Total income statement charge	-	0.1

(iv) 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. No options were granted in 2012 or 2011.

Notes to the financial statements

10 Cash generated by operations

	2012	2011
	£m	£m
Reconciliation of profit before taxation to cash (absorbed)/generated by operations:		
Profit before taxation	72.6	82.9
Finance costs	-	7.0
Finance income	(73.8)	(92.3)
Operating cash flows before movements in working capital	(1.2)	(2.4)
(Decrease)/increase in trade and other payables	(83.1)	64.1
Cash (absorbed)/generated by operations	(84.3)	61.7
	2012	2011
	£m	£m
Analysis of cash and cash equivalents		
Cash at bank and in hand	-	-
Cash and cash equivalents	-	-

11. Related party transactions

During the year, nine of the directors of the company were representatives of the shareholders of the ultimate parent undertaking, ABP (Jersey) Limited. Each shareholder is entitled to receive fees for the services of these directors and may request that the fees are paid directly to a director. The fees earned during the year were as follows:

	2012	2011
	£	£
Goldman Sachs International and Goldman Sachs & Co (on behalf of Admiral Institutional S à r.l. and Admiral Global and International S à r.l.)	70,000	70,000
Borealis International Investments Corporation and Borealis (Luxembourg) S C A	105,000	105,000
Cheyne Walk Investment Pte Limited	130,000	130,000
M&G Investment Management Limited (on behalf of Infracapital Partners LP)	35,000	35,000

Further details of the shareholders' share ownership are set out in note 13.

The company has an interest bearing loan arrangement with its immediate parent undertaking, ABP Acquisitions UK Limited. During the year, the company charged interest of £24.1m (2011: £52.2m). The balance outstanding under this loan facility as at 31 December 2012 was £420.0m (2011: £212.8m). The interest rate on this loan is 8.24% (2011: 8.24%).

The company has an interest bearing loan arrangement with its principal subsidiary undertaking, Associated British Ports ("ABP"). During the year, the company charged interest of £43.8m (2011: £27.1m) to ABP. The balance outstanding under this loan facility as at 31 December 2012 was £600.0m (2011: £652.7m). The interest rate on this loan is 8.24% (2011: 8.24%).

The company has the following balances due from/(to) undertakings which are part of the group owned by its ultimate parent company. Apart from the two main balances described above and included below, movements in the balances primarily relate to settlement of liabilities by the company on behalf of these group undertakings.

Notes to the financial statements

11 Related party transactions (continued)

	2012 £m	2011 £m
ABP Acquisitions UK Limited	348.6	155.3
Amports Holdings Limited	(25.1)	(25.1)
Total current balances with group undertakings	323.5	130.2
ABP (Aldwych) Limited	0.2	0.2
ABP Marine Environmental Research Limited	-	1.2
ABP Nominees Limited	41.1	41.1
Associated British Ports	600.0	652.7
Total non-current balances with group undertakings	641.3	695.3

12 Contingent liabilities

	2012 £m	2011 £m
Contingent liabilities under claims, indemnities and guarantees		
Guarantees in respect of group borrowings	1,850.0	1,900.0
Guarantees in respect of undrawn group borrowings	460.0	460.0
Other guarantees and contingencies	0.2	-

At 31 December 2012 the company has provided guarantees in respect of borrowings and facilities totalling £2,310.0m (2011: £2,360.0m) of the larger group of which the company is a member. Under these facilities £nil of indebtedness was incurred by the company as at 31 December 2012 (2011: £nil). As part of the security package for these facilities the company has given a legal mortgage over all of its real property, shares in subsidiaries (excluding Associated British Ports and its 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.

13 Ultimate controlling parties

The company is a limited liability company domiciled and incorporated in England and Wales. Its intermediate parent undertaking is ABPA Holdings Limited whose consolidated financial statements are the smallest group in which the company is included.

The ultimate parent undertaking and controlling party is ABP (Jersey) Limited, which produces consolidated financial statements that comply with IFRSs and are available from Ogier House, The Esplanade, St Helier, Jersey, JE4 9WG. The consolidated financial statements of ABP (Jersey) Limited are the largest group in which the company is included.

Notes to the financial statements

13 Ultimate controlling parties (continued)

ABP (Jersey) Limited is a limited liability company registered in Jersey. The company is owned by a consortium of investors as shown below.

	% of Ordinary shares	% of Preference shares
Infracapital Partners LP (through a nominee acting by its manager M&G Investment Management Limited)	10.00	10.00
Cheyne Walk Investment Pte Limited (owned by GIC Special Investments Pte)	33.33	33.33
Borealis (Luxembourg) S.C.A.	16.67	33.33
Borealis International Investments Corporation	16.67	-
Admiral Global & International S.à r.l. (owned by GS Infrastructure Partners)	23.00	22.71
Admiral Institutional S.à r.l. (owned by GS Infrastructure Partners)	0.33	0.63
	100.00	100.00