ASSOCIATED BRITISH PORTS HOLDINGS LIMITED

(Company Number 1612178)

ANNUAL REPORT AND ACCOUNTS 2009

ASSOCIATED BRITISH PORTS HOLDINGS LIMITED

ANNUAL REPORT AND ACCOUNTS 2009

Business review

The pnncipal 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 owns and operates 21 general cargo ports within the UK In addition, it owns 49 per cent of DPWS, the second largest container terminal in the UK, and 33 per cent of Tilbury Container Services, a deep-sea container terminal located at the Port of Tilbury 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.

This business review is presented under the following headings
Group overview – overview of the group's performance for the year ended 31 December 2009.
Strategy update – summary of the group's current strategy and brief details of some of its more significant projects, which are expected to underpin its future growth
Operating and financial review – overview of the UK ports market, detailed review of performance by segment for the year ended 31 December 2009 and expected trends for 2009, details of the group's financial position at 31 December 2009 and discussion of critical accounting policies and judgments applied in the preparation of the group's 2009 financial statements
Risks and uncertainties – discussion of principal risks and uncertainties including health and safety, environmental and operating factors, which could impact the group's future performance
Resources and key relationships – details of the key resources and relationships which are integral to the group's successful future development

1. Group overview

During 2009, the group's core ports and transport business benefited from the stability and diversity of its revenues together with the impact of cost reduction initiatives implemented during the latter part of 2008 and in early 2009 to deliver an extremely resilient performance against the backdrop of an exceptionally challenging economic environment

Revenue for the group's ports and transport activities decreased by 4 8 per cent to £397 7m (2008 £417 6m) Revenue contribution from the group's property investment and property development activities decreased by £1 8m to £4 2m (2008 £6.0m) and consequently overall group revenue decreased by 5 1 per cent to £401 9m (2008 £423 6m). Underlying operating profit (before movement in fair value of investment properties) from the group's ports and transport activities decreased by 1 0 per cent to £180 3m (2008 £182 1m) Underlying operating profit contribution from the group's property investment and property development activities decreased by £1 3m to £3 3m (2008· £4 6m) Group underlying operating profit, as set out in table 1, decreased by 1 7 per cent to £183 6m (2008 £186 7m) The performance of our core ports and transport business reflected the impact of a 16 3 per cent reduction in throughput being largely mitigated by income generated under-long term agreements and cost reduction initiatives noted above Although the economic conditions remain uncertain, the group continues to pursue a number of major projects which have the potential to contribute significant future growth to its ports and transport business Further details on these projects are provided in the strategy update

Table 1

Operating profit by business segment	2009 £m	2008 £m	Change from 2008
Ports & transport	**180.3**	182.1	-1 0%
Property investment	**3.3**	3 5	-5.7%
Property development	**-**	1 1	-100.0%
Underlying operating profit	**183.6**	186 7	-1.7%
(Decrease) / increase in fair value of investment properties	**(6.6)**	31 7	-120.8%
Group operating profit	**177.0**	218 4	-19.0%

The 2009 review of the group's investment property portfolio led to a decrease in carrying values of £6 6m (2008 increase £31 7m) This decrease in carrying values reflected the impact of lease expiries and rent reviews concluded during the year

Trading at both DPWS and TCS was severely impacted by the significant reduction in the UK's deepsea container volumes In addition, the 2009 net result contributed by DPWS was adversely impacted by £2 6m, being the group's share of losses relating to the decommissioning from service of certain crane units at the terminal Consequently the group's overall share of profit in associates decreased by £5 9m to a net loss of £3 6m (2008 profit £2 3m) It should be noted that the group's share of profit in associates for 2008 was also impacted by a £2 7m one-off deferred tax charge following the government's phased abolition of industrial buildings allowances in March 2008.

Finance costs amounted to £11 9m (2008. £37 9m) and included interest costs of £10 4m (2008 £36.2m) in relation to the group's senior debt Finance income amounted to £30 4m (2008 £21 5m) and included £27 7m (2008· £16 2m) in relation to loans from the company's parent undertaking

The overall tax charge for 2009 amounted to £45.0m (2008 £139 0m) and comprised a current tax charge of £51 6m (2008 £41 6m) and a deferred tax credit of £6 6m (2008 charge of £97 4m) The 2008 deferred tax charge included an underlying deferred tax charge of £17 2m and an exceptional deferred tax charge arising from the write-off of a deferred tax asset of £80 2m associated with future capital allowances following the government's abolition of industrial buildings allowances in March 2008 A detailed segmental analysis of the group's business is provided in note 2 to the financial statements The operating performance of each operating segment is discussed in more detail in the operational and financial review

2. Strategy update

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

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

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.

At the Port of Southampton we plan to increase deepsea container capacity by undertaking a major investment to enhance the existing container facilities Notwithstanding the current downturn, the group continues to believe that increased capacity is required to support the expected long-term growth in deepsea container volumes at the port This development remains subject to receipt of the necessary planning consents and will be progressed on a phased basis over the coming years

At the Port of Hull we already have consent to develop a riverside terminal for the handling of shortsea containers However, in view of our current volumes and the capacity available at our existing facilities at Hull and at Immingham, the addition of further container capacity on the Humber is no longer considered to be a near term priority Given this we are now in the process of evaluating alternative uses for this site and believe it to be ideally located to serve the requirements of the UK's offshore renewables sector Also at Hull, we are continuing to work with a number of potential customers to support the construction of a riverside terminal for handling imported biomass Subject to planning consents and customer support, the new terminal will be constructed to service the development of new biomass power generation facilities at the port We also continuc to pursue a number of other renewables related opportunities on the North and the South banks of the Humber, where our ability to provide land alongside deepwater access leaves us well placed to serve the expected growth in land-based and off-shore generation capacity

At Port Talbot the group plans to invest in the expansion of capacity at its existing deepwater jetty to facilitate the import of coal and woodchip volumes This investment will be undertaken to support the customer-led development within the Port estate of a new 350MW renewable energy plant, which has been consented to by the relevant planning authorities

At Newport, we plan to invest in the provision of craneage equipment required to handle biomass fuel imports for a 49MW renewable energy plant to be sited within the Port estate. It is anticipated that this investment will be underpinned by a long-term contract with Nevis Power

The geographic spread of our ports means that the there is significant additional scope for the group to benefit from opportunities related to the development of new biomass or wind-based electricity generation facilities In addition to the projects highlighted above, we are also continuing to work on a range of growth initiatives with actual or potential customers at the Ports of Barrow, Grimsby, Lowestoft, Ipswich and Swansea

As always, we continue to talk to all of our customers to ensure that our facilities are developed to serve their growing requirements Organic growth complemented by investment in a range of customer-related projects remains an important driver of the group's growth prospects.

3. Operating and financial review

Ports & transport

Market overview

The ports and transport operating segment accounted for 99 0 per cent of group revenue and 98 2 per cent of underlying operating profit and is therefore the key driver of the group's overall performance Market data for the UK ports market is normally available during the third quarter following the calendar year to which it relates Table 2 sets out the latest available market data for cargo volumes, international ferry passengers and cruise passengers for the five years to 31 December 2008*.

Table 2

(million tonnes)	2008 ABP market position	2008 ABP market share	2008 ABP	2008 market	2007 market	2006 market	2005 market	2004 market
Cargoes								
Liquid bulks	1	23.2%	56 0	241 0	250 6	252 3	265 4	269 4
Dry bulks	1	33 2%	44 1	132 9	133 7	141 8	134 9	122 8
Containers, roll-on/ roll-off and vehicles	2	16.8%	27 2	162 0	166 2	159 3	154 7	149 9
Other general cargo	1	26.6%	7 0	26 3	31 0	30 3	30 7	31.0
Total	**1**	**23.9%**	**134.3**	**562.2**	**581.5**	**583.7**	**585.7**	**573.1**
Change				*-3 3%*	*-0 4%*	*-0 3%*	*2 2%*	*3.1%*
International ferry passengers (thousands)	**4**	**6.6%**	**1,497**	**22,842**	**23,668**	**23,465**	**23,693**	**25,799**
Change				*-3 5%*	*+0 9%*	*-1 0%*	*-8 2%*	*-2.7%*
International cruise passengers (thousands)	**1**	**67.6%**	**956**	**1,413**	**1,132**	**1,064**	**987**	**807**
Change				*24 8%*	*6 4%*	*7 8%*	*22 3%*	*11 6%*

**Source. DfT Transport Statistics Report Maritime Statistics 2008, being the latest available data on the UK ports market*

The UK's ports handle over 95 per cent of the country's trade by volume Overall cargo volumes for 2008 amounted to 562 2m tonnes with 346 5 or 61.6 per cent being represented by imports and 215 7m tonnes or 38 4 per cent being represented by exports With 21 strategically located ports the group remains the largest and leading ports operator in the UK. During 2008, the group's ports accounted for 23 9 per cent of cargo volumes handled by UK ports and we maintained our market leading positions in liquid bulks, dry bulks and other general cargoes The Port of Southampton, the UK's premier cruise port, handled 956,000 international cruise passengers during 2008 representing 67 6 per cent of the overall UK volumes The group's international ferry passenger volumes for 2008 amounted to 1,497,000, being 6 6 per cent of the overall market with the Port of Dover continuing to account for a majority of the volume for this trade

The market for port services in the UK remains highly competitive with 51 major ports, defined by the DfT as ports with cargo volumes in excess of 1m tonnes, being operated under a variety of ownership structures during 2008 With the continued preference amongst shippers for the use of larger vessel sizes, the larger UK ports account for a majority of the country's trade volumes

Dunng 2008 the top 20 ports accounted for 85 1 per cent of the overall market volumes The aggregated Port of Gnmsby and Immmgham with cargo throughput of 65 3m tonnes remamed the country's largest port by volume and the group's ports at Southampton, Hull and Port Talbot were also amongst the top 20 ports in the country As part of their selection process shippers tend to favour ports that are capable of accommodating the deepest drafted vessels, which are located close to the major shipping channels and with suitable facilities for on-port storage and onward transportation Location of a port in relation to the destination or ongin of a cargo and the efficiency of ports services are also important considerations

The overall growth in cargo volumes handled by UK ports can be expected to follow the growth in the country's GDP However, growth rates for individual cargoes can be impacted by a number of other factors, eg exchange rates, changes in preferences for method of transport and changes in trends associated with globalisation of production facilities etc Dunng the 5 years ended 31 December 2008, cargo volumes handled by the UK's ports grew at a compound annual growth rate of 0 2 per cent with declines in liquid bulk and general cargo volumes being more than offset by growth in dry bulks, containers and roll-on/roll-off Notwithstanding the negative impact from the current economic climate on its throughput volumes, the group continues to believe that long-term volume growth prospects for containers, roll-on/roll-off and certain bulk cargoes remain attractive The future growth prospects for these key cargoes remain positive as seaborne transport continues to be the only viable method for the transport of certain bulk cargoes The UK continues to rely heavily on overseas production and economies of scale associated with increases in vessel size add to the attractiveness of seaborne transport In addition, the scope for the development of new ports within the UK remains extremely limited.

The five-year compound annual growth rate for the UK's international cruise passenger volumes was 14 2 per cent This growth in cruise volumes continues to be dnven by ongoing investment in market development and tonnage by cruise operators, the popularity of cruising with younger passengers and increased demand for shorter cruises UK cruise volumes have continued to grow despite the impacts of the economic climate and the group remains confident about the long-term growth prospects for this market International ferry passengers handled by the UK's ports declined at a compound annual rate of 2.9% dunng the five years to December 2008 This reduction reflects the impact of competition from rail services via the channel tunnel and the growth of low-cost air travel

2009 throughput volumes

Dunng 2009, the cargo volumes handled by the group's UK ports decreased by 16 3 per cent to 112 4m tonnes (2008 134 3m tonnes) Table 3 provides an analysis of the changes in the group's 2009 UK ports volumes by cargo category compared with 2008

Table 3

Changes in ABP's UK ports volumes Cargo	**2009 million tonnes**	**2008 million tonnes**	**Change from 2008**
Lıquıd bulks	**50.1**	56 0	-10 5%
Dry bulks	**33.4**	44 1	-24 3%
Contaıners, roll-on/roll-off and vehıcles	**23.7**	27 2	-12 9%
Other general cargo	**5.2**	7 0	-25 7%
Total Tonnage	**112.4**	134 3	-16 3%

The group's throughput volumes for 2009 were negatıvely ımpacted by the reductıon ın the wıder economıc actıvıty and decreased by 16 3 per cent to 112 4m tonnes Sıgnıficant developments ın ındıvıdual cargo volumes ıncluded the followıng

- Lıquıd bulks reductıon of 10 5 per cent wıth decreased volumes for crude oıl ımports, petroleum related products and chemical volumes
- Dry bulks overall dry bulks volumes decreased by 24.3 per cent due to sıgnıficant reductıons ın ıron ore ımports and cokıng coal volumes resultıng from reduced demand for steel products Coal volumes ımported for power generatıon and other dry bulk volumes were also below the levels achıeved in 2008
- Contaıners contaıner volumes decreased by 18 0 per cent wıth both deep-sea and shortsea volumes across the group below the levels achıeved durıng 2008 The reductıon reflects the ımpact of reduced consumptıon exacerbated by destockıng actıvity undertaken by UK retaılers, partıcularly durıng the first half of 2009
- Roll-on/roll-off and vehıcles Roll-on/roll-off traffic (excludıng vehıcles) decreased by 7.3 per cent due to general reductıons ın trade volumes Import/export vehıcle volumes decreased by 19 2 per cent wıth the ımpact of exceptıonally weak demand and destockıng durıng the fırst half of the year beıng partıally offset by ımproved volumes ın the second half of the year The volume ımprovement durıng the second half of the year can be partly attrıbuted to the government's ıntroductıon of the car scrappage scheme, whıch was ımplemented to ımprove demand
- Other general cargo volumes decreased by 25 7 per cent with steel and forest product well below the levels achıeved ın 2008 due to decreases ın constructıon actıvıty ın the UK

Table 4 provıdes an analysıs of the changes ın the group's UK passenger volumes for 2009 compared wıth 2008

Table 4

Changes in ABP's UK ports passenger volumes	**2009 (000s)**	**2008 (000s)**	**Change from 2008**
Internatıonal ferry passengers	**1,382**	1,497	-7 7%
Internatıonal cruıse passengers	**1,037**	956	+8 5%
Domestıc cruıse and ferry passengers	**291**	293	-0 7%
Total	**2,710**	2,746	-1 3%

The group's ınternatıonal ferry volumes relate to the Hull to Rotterdam and Zeebrugge servıces operated by P&O and the Plymouth to Roscoff and Santander servıces operated by Brıttany Ferrıes Durıng 2009 ınternatıonal ferry passenger volumes at both Hull and Plymouth were below levels achıeved durıng 2008 wıth Plymouth's volumes beıng more severely ımpacted due to the reduced number of saılıngs offered by the operator

The Port of Southampton's status as the UK's leadıng cruıse port was further enhanced by the commıssıonıng of the new £19m Ocean Cruıse Termınal durıng the first half of 2009 The Port of

Southampton remains the UK's number-one cruise port and has continued to grow its volumes with 2009 international cruise passenger numbers up 8 4 per cent on the previous year The number of cruise calls handled, at 271 (2008 278), was down 2 5 percent reflecting the ongoing trend towards the deployment of larger vessels amongst major cruise line operators This trend leaves the port well positioned to benefit from future growth in cruise market volumes as it has continued to invest in facilities capable of handling the latest generation of vessels being introduced by the cruise lines

Domestic cruise and ferry passenger volumes relate mainly to services operating from Troon and Fleetwood

Ports & transport

The table below provides a summary of the operating result for our ports and transport business

Table 5

Ports & transport	2009 £m	2008 £m	Change from 2008
Revenue	**397.7**	417 6	-4 8%
Underlying operating profit	**180.3**	182 1	-1 0%

The performance of the group's ports and transport business continues to be supported by long-term contracts in place with a broad mix of customers, many of which are blue-chip multinational organisations

During 2009 revenue decreased by 4 8 per cent to £397 7m (2008 £417.6m) and underlying operating profit declined by 1 0 per cent to £180 3m (2008 £182 1m) The operating result for our ports and transport activities reflects the impact of volume developments discussed above being largely mitigated by the long-term agreements the group has in place with a variety of customers and the cost reduction initiatives implemented towards the end of 2008 and during the first half of 2009 The cost savings initiatives implemented during the year included a reduction of around 10 per cent in the group's employee headcount One-off costs of around £3 5m associated with this exercise were charged to the income statement during the period

In keeping with its strategy, the group continues to focus on developing the business through investment in existing facilities on the back of customer-supported major projects One of the highlights from our ongoing investment programme was the commissioning during the first half of a new £19m cruise terminal developed on the back of a long-term agreement with Carnival Plc at the Port of Southampton As detailed in the strategy update, notwithstanding the current economic climate, the group continues to pursue a number of short and long-term opportunities to further develop our ports and transport business on the back of strong demand for port facilities required to service the rapid expansion in the UK's renewable energy sector Further comments on the regional operations included with the group's ports and transport segment are provided below

Revenue at Hull and Goole decreased by 6 9 per cent due to reduced throughputs for biomass, coal, containers, steel and roll-on/roll-off. We are continuing to work with a number of potential customers to support the construction of a riverside terminal for handling imported biomass Subject to planning consents and customer support, the new terminal will be constructed to service the development of new biomass power generation facilities at the Port of Hull. Also at Hull we already have consent to develop a riverside terminal for the handling of shortsea containers However, in view of our current volumes and the capacity available at our existing facilities at Hull and at Immingham, the addition of further container capacity on the Humber is no longer considered to be a near term priority

Revenue at Grimsby and Immingham decreased by 1 3 per cent with the impact of reduced throughputs for coal, containers, iron ore, liquid bulks, roll-on/roll-off and vehicles being only marginally offset by increased temporary storage revenues A £4 5m investment to reconfigure and upgrade Immingham's Exxtor shortsea container terminal was completed during February This project included the addition of two new rubber-tyre gantry cranes and surfacing works to improve the terminal's layout and increase its capacity Also at Immingham a £1 0m upgrade and refurbishment of existing dry bulk storage facilities was completed during February and an additional investment of £3 9m towards the development of a new facility comprising a footprint of 11,000m^2 became operational during August These investments have been undertaken to meet increased customer demand for dry bulk storage facilities at the Port.

Revenue at Southampton decreased by 12 2 per cent reflecting the impact of reduced container import/export vehicles and liquid bulk volumes being partly offset by growth in cruise traffic and income generated from temporary storage Revenue for Southampton was also impacted by the group's decision to exit certain low margin ancillary activities during the second half of 2008 Southampton continues to be the leading port for cruise in the UK Building on this, during May 2009, the group completed a £19 0m investment in the development of a new cruise terminal which is supported by a 20-year agreement with Carnival Plc This investment ensures that the Port remains well positioned to benefit from the increasing trend towards the deployment of larger vessels amongst its cruise line customers A £5.9m investment in a new lift-on/lift-off logistics terminal at the Port was completed in April. This new terminal supports the relocation of Heulin-Renouf's services to the Channel Islands to the port In addition, the group intends to invest £0 5m in the enhancement of existing facilities for Vestas Technology on the back of a new term agreement

Southampton is also home to the second largest deepsea container terminal in the UK and notwithstanding the short-term reductions in global container volumes, we remain confident about the long-term growth prospects for this trade In order to accommodate the expected future growth we have submitted dredging consent applications in connection with our plans to update and improve capacity at the Port and we await the Marine and Fisheries Agency's response This expansion project focuses on the sustainable development and re-use of existing dock infrastructure and will facilitate significant improvements in efficiency through state-of-the-art container-handling technology

Revenue for the South Wales region decreased by 11 8 per cent due to reduced volumes of aggregates, coal, forest products, iron ore and liquid bulks At Cardiff, a £0 9m investment in a new bulk storage capacity was completed in August. Also at Cardiff, a £0 6m investment in the re-development of warehousing and storage facilities became operational in November 2009 This investment is supported by a 15-year agreement with FW Morgan At Newport a £0.8m investment in a timber and board storage facility which is supported by long-term contract with Premier Forest Products Limited became operational in October and a £0 3m outdoor storage and distribution terminal for Hill and Smith Limited became operational during November Also at Newport, we intend to invest £7 4m in craneage and terminal infrastructure to service biomass imports for a 49MW power station proposed by Nevis Power The power plant is fully consented and subject to conclusion of the necessary financing arrangements, construction is expected to commence in 2010 At Swansea, £0 5m in a metals recycling and export facility for Sims Group and a £0 6m investment in a marine aggregate terminal for Swansea Bulk Handling became operational during October

Revenue for the group's 11 shortsea ports increased by 2 6 per cent with impact of growth in agribulks and roll-on/roll-off coupled with increased dredging revenue being partly offset by reductions in aggregates and ferry passenger volumes At Barrow, the group agreed to invest £0 3m to provide improved quayside facilities to support the construction of the Ormonde Offshore Wind

Farm The new facilities are expected to become operational in early 2010. A £1 4m expansion of the group's existing marina facilities at Fleetwood was completed during December At Lowestoft the group completed a £1.8m investment in the development of a bespoke operating and maintenance support base for Greater Gabbard Offshore Wind Farm during December This project is supported by a long-term agreement with Greater Gabbard Offshore Winds Limited

Property investment

The group's property investment activities consist of income generated from tenants on its port estates who do not make use of its port facilities With the group's property disposal programme now largely complete, the level of contribution from property investment activities is expected to remain stable during the coming years Table 6 provides a summary of the contribution from the group's property investment activities for 2009

Table 6

Property investment	2009 £m	2008 £m	Change from 2008
Revenue	**4.2**	4 3	-2 3%
Operating profit	**3.3**	3 5	-5 7%

Revenue from continuing activities was in line with the prior year, although operating profit decreased by 5 7 per cent to £3 3m (2008 £3 5m) The majority of this income continues to be generated from non port-related tenants at Southampton and in South Wales

Property development

With its original property disposal programme largely complete, the timing and scope of future property disposals is now more difficult to predict, particularly given the long-term nature of the group's remaining property projects and the increasingly protracted and complex planning requirements that need to be satisfied prior to a disposal The group did not complete any property disposals during 2009 and consequently did not generate any revenue (£2008 £1 7m) or operating profit (2008 £1 1m) from its property development activities

Associates

The group's associates comprise a 49 per cent interest in Southampton Container Terminals Limited, which trades under the name DP World Southampton ("DPWS") and a 33 per cent interest in Tilbury Container Services Limited (TCS)

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

Table7

Associates	**2009 £m**	**2008 £m**	**Change from 2008**
Throughput ('000s of twenty-foot equivalent units)	**1,811**	2,162	-16 2%
Group's share of revenue in associates	**54.0**	67 2	-19 6%
Group's share of underlying operating (loss) / profit in associates	**(3.6)**	7 5	-148 0%
Group's share of net interest costs in associates	**(0.7)**	(0 2)	-250 0%
Group's share of taxation credit / (expense) in associates	**0.7**	(5 0)	+114.0%
Group's share of (loss) / profit in associates	**(3.6)**	2 3	**-256.5%**
Group's share of net (borrowings) / cash in associates	**(5.1)**	9 6	-153 1%

Throughput levels for 2009 at both DPWS and TCS were impacted by the reduction in economic activity and destocking initiatives undertaken by manufacturers and retailers DPWS's volumes for the year decreased by 16 2 per cent to 1,355,000 Twenty Foot Equivalent Units (TEUs) (2008 1,617,000 TEUs) and TCS's volumes decreased by 16 3 per cent to 456,000 TEUs (2008 545,000 TEUs)

As a result of the reduced volumes, the group's share of revenue in associates decreased by 19 6 per cent to £54 0m (2008: £67 2m) The group's share of the underlying operating results in associates decreased by 148 0 per cent to a loss of £3 6m (2008 profit £7 5m) The operating result for 2009 was impacted by a loss of £2 6m representing the group's share of a non-cash charge incurred by DPWS following the earlier than expected decommissioning from service of three cranes whilst the prior year comparative benefited from a £1 2m gain associated with the settlement of an insurance claim in relation to a damaged crane

The group's share of interest expense in associates amounted to £0 7m (2008 £0 2m) and the group's share of taxation was a credit of £0 7m (2008 charge of £5 0m) The tax credit for 2009 reflects the impact of the operating loss incurred during the year whilst the prior year expense included a £2 7m one-off tax charge representing the group's share of the deferred tax assets written off following the government's abolition of industrial buildings allowances The group's share of net loss in associates amounted to £3.6m (2008 profit £2 3m). At 31 December 2009 the group's share of net borrowings in associates amounted to £5 1m (2008 net cash £9 6m)

Net finance income

Table 8 below provides a summary of the group's net finance income

Table 8

Net finance income	**2009 £m**	**2008 £m**	**Change from 2008**
Interest expense – bank loans and overdrafts	**(10.4)**	(36 2)	+71 3%
Finance leases	**(0.2)**	(0 3)	+33 3%
Less Finance costs capitalised on payments for non current assets	**0.8**	0 2	+300 0%
Other	**(2.1)**	(1 6)	-31 3%
Finance costs	**(11.9)**	(37.9)	+68 6%
Interest receivable on loan to parent undertaking	**27.7**	16 2	+71 0%
Other interest receivable and similar income	**2.7**	5 3	-49 1%
Net finance income / (costs)	**18.5**	(16 4)	**+212.8%**

The group's debt is denominated in sterling The Bank of England base rate for 2009 averaged 0 64 per cent (2008 4 68 per cent)

Interest costs associated with loans and overdraft decreased by 71 3 per cent to £10.4m (2008 £36 2m) primarily due the impact of lower interest rates on the group's borrowings During 2009, average debt associated with bank loans, overdrafts and finance leases net of cash in hand amounted to £494 5m (2008. £506 6m)

Interest receivable associated with the loan to the company's parent undertaking amounted to £27 7m (2008 £16 2m). The increase in interest income associated with this loan reflects the increase in outstanding loan balance due from the parent undertaking.

Interest receivable and similar income decreased by £2 6m to £2 7m (2008 £5 3m) reflecting a reduction in interest received on cash balances

Increase in fair value of investment properties

A significant proportion of the group's non-current assets are accounted for by its investment property portfolio In accordance with the requirements of IAS 40 – Investment Property, the fair value for this portfolio is reviewed on an annual basis. The 2009 review of the fair value of the group's investment property portfolio resulted in a loss of £7 5m (2008 gain of £32 6m) with £6.6m (2008· gain of £31 7m) of the loss being recognised in the income statement and £0 9m (2008 gain of £0 9m) being recognised in equity The decrease in carrying value reflected the impact of the expiration of some leases partially offset by some lettings and rent reviews concluded during the year

Taxation

The overall tax charge for 2009 amounted to £45 0m (2008 139 0m) and compnsed a current tax charge of £51.6m (2008· £41 6m) and a deferred tax credit of £6 6m (2008 charge of £97 4m) The 2008 tax charge included a charge relating to the write-off of a deferred tax asset of £80 2m associated with future capital allowances following the government's abolition of industrial buildings allowances in March 2008 The group's share of taxation of associated undertakings reported within its share of profits from associated undertakings amounted to a credit of £0 7m (2008 charge of £5.0m)

Dividends

The company did not pay any dividends during 2009 (2008 £nil)

Cash flows

Table 9 below provides a summary of the group's cash flows for 2009

Table 9

Cash flows summary	2009 £m	2008 £m	Change from 2008
Group operating profit	**177.0**	218 4	-19 0%
Depreciation and amortisation	**40.8**	38 4	+6 3%
Disposal of property, plant and equipment	**0.8**	1.2	-33 3%
Net working capital and provisions	**(139.3)**	(132.6)	-5 1%
Increase in net retirement benefit asset	**(3.4)**	(5 8)	+41 4%
Share based payment charge	**0.1**	0 4	-75 0%
Dividends from associates	**-**	1 0	-100 0%
Maintenance capex	**(21.8)**	(29 6)	+26 4%
Revaluation of investment property	**6.6**	(31 7)	+120 8%
Taxation	**-**	0 9	-100 0%
Cash flows before debt service and growth capex	**60.8**	60 6	+0 3%
Net debt service costs – bank loans, cash and leases	**(10.8)**	(33 8)	+68 0%
Growth capex	**(29.4)**	(42 6)	+31 0%
Other	**1.6**	1 7	-5 9%
Decrease / (increase) in net borrowings from cash flows	**22.2**	(14.1)	+257 4%
Movement in bank loan interest accrual	**0.3**	0 6	-50 0%
Decrease / (increase) in bank debt and finance leases	**22.5**	(13 5)	+266 7%

Not withstanding a marginal reduction in underlying operating profit the group continued to generate strong cash flows with cash flows before debt service and growth capex increasing to £60 8m (2008 £60 6m) This improvement in cash flows before debt service and growth capex reflected reductions in maintenance capex offsetting the impact of the reduction in underlying operating profit. 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 the most significant use of its cash flows Total capital expenditure for the year decreased to £51 2m (2008 £72 2m) There are two elements to the group's capital expenditure· maintenance or infrastructure expenditure and revenue-earning capital projects

Maintenance expenditure during 2009 amounted to £21 8m (2008 £29 6m) and was once again below the level of depreciation The group will aim to maintain this performance during 2010 By contrast, the only restriction the group places on revenue-earning capital projects is that they earn an internal rate of return on investment of at least 15 per cent The group does not intend to enter into any major speculative investments Growth capex for 2009 amounted to £29 4m (2008 £42 6m) and included expenditure associated with the development of the new cruise terminal of £10 9m, the lift-on/lift-off facility for Huelin Renouf of £2.1m, both at Southampton, and £3 5m associated with the new dry bulk warehouse at Immingham

Balance sheet

The group's balance sheet position as at 31 December 2009 is summarised in table 10 below

Table 10

Balance sheet	2009 £m	2008 £m	Change from 2008
Goodwill and intangible assets	**14.9**	14 9	-
Property, plant and equipment	**958.0**	942 2	+1 7%
Investment property	**642.3**	657 7	-2 3%
Investment in associates	**48.2**	57 9	-16 8%
Property developments and land held for sale	**3.0**	3 1	-3.2%
Net retirement benefit asset	**0.8**	50 5	-98.4%
Deferred tax liabilities	**(152.2)**	(170 3)	+10 6%
Loan to parent	**336.8**	222 5	+51 4%
Net borrowings	**(520.2)**	(542.7)	+4 1%
Other	**14.7**	12 4	+18 5%
Net assets	**1,346.3**	1,248 2	+7 9%

Property, plant and equipment, port-related investment property and other property assets
The group owns and operates 21 ports around the UK Consequently, a majority of its capital is invested in port infrastructure and investment property located at its port facilities Fair values for the group's investment property portfolio are reviewed annually, while property plant and equipment is carried in the balance sheet at cost or previous balance sheet valuation if transferred from another category During 2009, the group's capital invested in property, plant and equipment increased by £15 8m, with the impact of additions and transfers in from investment property exceeding depreciation The decrease of £15 4m in its port-related investment property and other property assets included a total decrease of £7.5m, which resulted from the review of fair values conducted as at 31 December 2009, net additions of £4 6m and net transfers to other categories of £12.5m

Retirement benefits

The group's major retirement benefits scheme is a defined benefits scheme – the Associated British Ports Group Pension Scheme The defined benefits section of this scheme was closed to new members in April 2002 The group accounts for retirement benefits in accordance with IAS 19 – Employee Benefits During 2009, in relation to this scheme, the group recorded £5 2m (2008 £6 9m) for current service cost and recognised net finance income of £2 4m (2008 £7 5m) within its operating profit As a result of the actuarial assumptions not having been borne out during 2009, the group also recognised an actuarial loss of £53 1m (2008 £27 3m) within other comprehensive income This loss arose due to an increase in liabilities of £75 5m reflecting a 55 basis point decrease in the discount rate applied, an experience loss of £3 1m in respect of changes to membership, being partially offset by better than expected returns on the scheme's assets of £25 5m Full details of all of the group's retirement benefit plans are provided in note 12

Net borrowings

Table 11 below provides a summary of the group's net borrowings.

Table 11

Net borrowings	Maturity	2009 £m	2008 £m	Change from 2008
Senior bank debt	2013	**560.0**	565 0	-0.9%
Finance leases		**1.3**	1 6	-18.8%
Accrued interest – bank loans and overdrafts		**0.4**	0 7	-42 9%
Net cash		**(41.5)**	(24 6)	-68 7%
Net borrowings		**520.2**	542 7	-4 1%

The group's borrowings are managed through a centralised treasury function, which closely monitors and manages the group's compliance with financial covenants and risks in relation to liquidity, interest rates and counterparties Borrowings comprised £560 0m (2008 £565 0m) of borrowings outstanding under the senior secured credit facility, £1 3m (2008 £1 6m) of obligations under finance leases and £0 4m (2008 £0 7m) of balances associated with interest accruals

The group can access committed undrawn borrowings of £350 0m under its senior credit facility (2008· £345 0m) These undrawn facilities can be utilised to fund working capital and capital expenditure

Changes in net assets

Net assets increased by £98 1m to £1,346 3m (2008 increase of £60 4m to £1,248.2m) The corresponding increase in shareholders' funds comprises

- Increase of £146 9m in respect of the profit for the year (2008 £65 3m)
- Decrease of £38 3m due to net actuarial losses recognised in relation to the group's pension scheme (net of deferred tax) (2008 £19.4m)
- Decrease of £0 9m in relation to property revaluation losses recognised in equity (2008 increase of £0 9m)
- Decrease of £1 3m in relation to fair value loss on forward foreign exchange contract (net of deferred tax) (2008: increase of £0 8m)
- Decrease of £6 1m due to net actuarial loss recognised in an associate's pension scheme (2008 £0 2m)
- Decrease of £2.6 due to deferred tax arising on revaluation of investment property (2008 increase of £10.5m)
- Increase of £nil in relation to fair value gain in an associate's forward foreign exchange contract (2008 £0.1m)
- Increase of £1 7m due to the issue of ordinary shares (2008 £1 7m)
- Decrease of £1 3m in relation to share based payments (2008 increase £0 7m)

Critical accounting policies, estimates and judgments

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

The 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 and discount rates. Based on the assumptions adopted the current reviews indicate that the group's forecast future trading provides significant 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 third largest asset by value The group's policy is to undertake internal valuations annually and independent external valuations at least once every five years The portfolio was valued internally at £642 3m (2008 £657.7m) at 31 December 2009, 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 last carried out as at 31 December 2006 As at 31 December 2009, 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 £3 7m at the end of 2009 The valuations of a retirement benefit scheme require 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

The group provides for deferred tax liabilities in respect of all temporary differences in accordance with the requirements of IAS 12 – Income Taxes 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 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

Treasury policies and liquidity

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

Liquidity, interest rate and capital risk
The group's liquidity, interest rate and capital risks are managed by its parent company ABP Acquisitions UK Limited

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

Capital risk
The group finances its business with a mixture of retained earnings of £363 5m (2008 £256 5m), committed bank borrowings of £560 0m (2008 £565.0m) and finance leases of £1 3m (2008 £1 6m). It also has a committed but unutilised working capital facility of £100m (2008 £95m) The group keeps its capital 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 the agreement of any transaction 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

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

Economic outlook

The UK's ports represent the primary gateway for the country's international trade flows and given this our business cannot be expected to be immune from the impacts of the reduction in global economic activity levels While a significant proportion of the group's ports business continues to be secured by customer contracts, significant future deterioration in volumes handled by the UK ports could lead to its operating performance falling below current expectations It should also be noted that although the wider group continues to trade comfortably within its financial covenant limits, significant future reductions in the group's trading performance could adversely impact the group's current and future financing arrangements In order to mitigate the potential impact from a weaker than anticipated economic environment the group continues to focus on the management of its cost base, 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 business rates, 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 Although, under the accounting basis, the group's pension scheme was full fully funded at 31 December 2009, it has the potential to impact the group's future cash flows and cost base depending on changes in market conditions The next full actuarial valuation of this scheme, due at 31 December 2009, is expected to be completed during the first half of 2010.

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

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 focussed on developing its facilities to meet the needs of its customers and during 2009 invested £29 4m 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 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

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 successfully completed a number of major projects during recent years and has in place the appropriate resources to undertake its major developments planned for the future.

Potential impacts from terrorist incident 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 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 is a continuous risk Effective management of health and safety matters can prevent serious injury, damage to infrastructure and can limit social and financial ramifications. Further, the group is legally obliged to implement safe systems of work in the conduct of its operations

The group manages this risk through the enforcement of rigorous policies and procedures that are backed by a strong commitment from the board and designed to achieve continuous improvement Components of the group's health and safety risk management systems include the clear allocation of management responsibility at group and business unit level, 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 2009 will be included in the group's annual Corporate Responsibility (CR) report, which is due to be published in May 2010

Progress against the group's primary health and safety performance indicators is detailed in table 12 below

Table 12

	2009	**2008**	**Change from 2008**
Fatal accidents to employees / contractors*	-	-	-
Reportable injuries per thousand employees	**3.9**	6 2	-37 1%
Percentage of employees provided with accredited training	**96.0**	95 0	+1 1%

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

Fatalities are the worst thing that can happen in our business and we naturally do everything we can to prevent them There were no fatal accidents to employees during 2008 and 2009 The investigation by the Health and Safety Executive into the 2007 fatality involving an employee at the Port of Ipswich was concluded during the year and resulted in a prosecution under the Health and Safety at Work Act, for which the group was fined £266,000 Following the incident the group undertook a series of actions designed to prevent similar accidents occurring in the future

The group remains committed to continuous improvement in its health and safety performance and it is pleasing to report that the 2009 incidence rate for reportable injuries was the lowest ever achieved by the group at 3.9 per thousand employees and was 37 1 per cent lower than the level achieved in 2008 As usual, we continue to review the circumstances surrounding all incidents to assess what if any lessons can be learnt to improve our future performance

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 exceeded its target of having 95 per cent of employees 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 sea-bed 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 2009 CR report Table 13 below provides details of the group's progress during 2009 against its more significant environmental indicators

Table 13

	2009	2008	Change from 2008
CO_2 emissions (tonnes)*	**81,191.8**	**82,671 4	-1 8%
Electricity consumption (million kWh)*	**78.7**	81 7	-3.7%
Water consumption (million litres)*	**1,380.2**	1,340.8	+2 9%

**The group's target for CO_2 emissions, electricity consumption and water consumption was to maintain these at 2008 levels on a like-for-like basis compared with revenue*
***2008 CO_2 emissions updated for revised conversion factors issued by the Environment Agency*

The group sets targets on resource consumption in order to increase the efficiency of its operations and to minimise their impact on the environment The group continued to implement a range of initiatives to improve resource efficiency and its 2009 performance on resource consumption in respect of CO_2 emissions and electricity consumption was marginally below its target on a like-for-like basis, whilst water consumption increased due to drier conditions in 2009 leading to increased spraying of cargoes to suppress dust. During the year the group became the first ports business to gain Carbon Trust certification, for demonstrating good carbon management From April 2010 onwards the group is required to participate in the government's new Carbon Reduction Commitment Energy Efficiency Scheme, which will incentivise the reduction in energy consumption and carbon generation In addition, the environment team made good progress on a range of initiatives against which we had set targets at the beginning of 2009, further details of which will be provided in the CR report

Management of social and community issues

The group remains committed to ensuring that its business units are a positive influence on their local communities Social and community matters are managed proactively on a business unit and corporate basis All major developments are subject to a detailed social impact analysis and community integration remains a key priority for all business units The group's social and community initiatives are focused on education, charities, arts sponsorship, engagement with civic organisations and the provision of free access to its facilities where practical and appropriate. In common with other areas of the group's discretionary spend, both cash and in-kind contributions decreased during the year The group continued to participate in the BiTC Corporate Responsibility index in 2009 and received a creditable silver award, we will continue to participate in the index in 2010 with the aim of improving on the performance achieved in 2009 Table 14 below provides details of the group's 2009 performance in relation to social and community matters

Table 14

	2009	2008	Change from 2008
Total cash and in-kind contributions	**£332,000**	£412,000	-19 4%
Ranking in BiTC Corporate Responsibility Index	**Silver award**	Gold award	n/a

Further details on social and community related initiatives and investment will be included in the group's 2009 CR report

5. Resources and key relationships

The group's core ports and transport business generated 98 9 per cent of group revenue and 98 2 per cent of underlying group operating profit during 2009 The group's future prospects are therefore closely linked to the performance of its ports and transport business The group believes that its core business benefits from many characteristics that position it to deliver sustainable future returns Key resources and relationships that could influence the group's future performance are discussed below

Market leading, diversified business, supported by strong asset base

The group's 21 ports located around the UK mean that its core business is the number one operator within its market by a considerable margin The size and spread of its UK ports portfolio also means that the group's core business is highly diversified in terms of the variety of cargoes handled and the origination and destination markets for its cargoes This diversification further contributes towards the stability of the group's revenues Furthermore the group's market position is supported by a very strong asset base At the end of 2009 the group's tangible fixed assets amounted to £1,600.3m (2008 £1,599 9m)

Customers and suppliers

Like all businesses the group's future success is dependent upon the maintenance and development of its relations with current and potential customers 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 2009 we invested £29 4m in customer demand driven growth projects Over 50 per cent of the 2010 budgeted revenue for the group's UK ports business is expected to be earned from existing customer agreements 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 our business performance. The group aims to agree terms and conditions before business takes place and to settle amounts due to its suppliers in line with the terms agreed

Our people

During 2009, the monthly average number of persons employed in the business was 2,069 (2008 2,266). As an infrastructure-based provider of services, the success of our business is dependent on our employees, who have a direct impact on the delivery of our services to our customers as well as on the efficient running of our operations The quality and effectiveness of the management of our people is therefore critical to the attainment of our business objectives Industrial action by the group's employees can affect its ability to provide facilities and services to its customers. The group is committed to the development of its employees and manages industrial relations by maintaining an ongoing dialogue and constructive relationships with employees and, where appropriate, their representatives

Components of our personnel resources strategy include commitments to the highest possible standards of health and safety, equal opportunities, employee development, clear and fair terms of employment, access to information, provision of market-competitive salaries and benefits, as well as the maintenance of effective relationships with unions and contractors The group monitors a range of indicators to assist it with the management of its employees Table 15 below sets out the group's performance in relation to the management of its employees during 2009.

Table 15

	2009	2008	Change from 2008
Sickness and absenteeism rate	**3.4%**	3.5%	-2.9%
	7.7 days per employee	7 9 days per employee	
Annual appointments as a percentage of headcount	**4.2%**	9.5 %	-55 8%
Annual leavers as a percentage of headcount	**16.3%**	13 9%	+17.3%
Annual compulsory redundancies as a percentage of headcount	**6.4%**	0.5%	+1180%
Female employees as a percentage of headcount	**11.4%**	11 1%	+2.7%

The group's objective is to monitor and benchmark the above data to ensure that it is in line with industry norms for each business unit, exceptions are identified and addressed through the implementation of specific initiatives to promote best practice and improve performance The group also monitors the ethnic diversity of its employees and is committed to ensuring that all segments of its communities have the opportunity to participate in and contribute towards the success of its business 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 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, due to be published in May 2010 We intend to continue the development of our people during 2010 and beyond.

Committed long-term shareholders

The group's investors include 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

Notwithstanding an exceptionally challenging economic environment, the group delivered a resilient performance in 2009 During the more recent months the group has experienced modest volume recovery across a number of cargoes. These volume improvements coupled with the expected benefit of the cost reduction initiatives implemented in 2009 lead us to believe that subject to there being no further deterioration in the economic environment the group is well placed to deliver an improved operating performance during 2010.

By Order of the Board

Peter Jones
Chief Executive
23 February 2010

Zafar Khan
Chief Financial Officer

Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 2009

Principal activities

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

Dividends

The company did not pay any dividends during the current or prior year.

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 Mr Chris Clark, Chairman, and Messrs Peter Jones, Chief Executive, Zafar Khan, Chief Financial Officer and Doug Morrison, Executive Director. ABPH 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 since the period end, and lists the organisations that the non executive directors represent:

Director	Appointed by
Mr Fred Biro[1]	Borealis International Investments Corporation
Mr Peter-Paul Bloemen[2]	Borealis International Investments Corporation
Mr Philippe Camu[2]	GS Infrastructure Partners
Mr Chris Clark[1,2]	
Mr James Cooper[1,2]	Infracapital Partners LP
Mr Tom Ferguson[1]	GS Infrastructure Partners
Mr Peter Jones	
Mr George Kay[2]	GIC Special Investments Pte
Mr Zafar Khan	
Mr Doug Morrison	
Mr Michael Rolland	Borealis International Investments Corporation
Mr Ang Eng Seng	GIC Special Investments Pte
Mr Robert Walvis[1]	GIC Special Investments Pte

[1] Member of audit committee
[2] Member of remuneration and nomination committee

In addition, the following served as Alternate Directors during the year

Mr Edward Clarke (resigned 20 November 2009)
Mr Kenton Bradbury (appointed 20 November 2009)

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

The board meets eight times a year and has a specific schedule of matters reserved for its consideration Board discussions in respect of operational matters are chaired by Mr Chris Clark, who is an independent non-executive director and Chairman of the company. 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 James Cooper. 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 Chairman, the executive directors of the company and other senior managers within the group.

Directors' report (continued)

The group's audit committee is chaired by Mr Tom Ferguson 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 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 maintains directors' and officers' liability insurance and pension fund trustees' liability insurance which give appropriate cover for any legal action brought against its directors No other indemnities have been granted by the company to its directors

Supplier payment policy

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

At year-end, the group owed the equivalent of 30 days of purchases (2008 30 days) to trade creditors, based on the average daily amount invoiced by suppliers during the year

Charitable and political donations

The group donated £90,176 (2008 £140,466) to charities during the year It did not make any contributions for political purposes (2008 nil)

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 the relevant audit information and to establish that the company's auditor is aware of that information

Elective resolutions

The company has, by elective resolutions, resolved to dispense with the need to lay reports and accounts before the members of the company in general meeting, to hold annual general meetings and to re-appoint auditors annually

By Order of the Board

AC Garner
Company Secretary
Aldwych House
71-91 Aldwych
London WC2B 4HN
23 February 2010

Statement of directors' responsibilities for the preparation of the annual report and financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group and parent company financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the group and of the profit or loss of the group for that period In preparing these financial statements, the directors are required to

- select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently,
- 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 is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the group's financial position and financial performance, and
- state that the group has complied with IFRSs, subject to any material departures disclosed and explained in the financial statements

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and enable them to ensure that the group financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the group 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
23 February 2010

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 2009 which comprise the Group Income Statement, the Group Statement of Comprehensive Income, the Group and Parent Company Balance Sheet, the Group and Parent Company Statement of Cash Flows, the Group and Parent Company 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 24, 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 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

Opinion

In our opinion

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2009 and of the group's profit for the year then ended,
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matters 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 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' remuneration 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
24 February 2010

Group income statement for the year ended 31 December

	Note	2009 £m	2008 £m
Group revenue	2	**401.9**	423 6
Cost of sales		**(168.5)**	(182 4)
Gross profit		**233.4**	241 2
Administrative expenses		**(49.8)**	(54 5)
(Decrease) / increase in fair value of investment properties	10	**(6.6)**	31 7
Group operating profit	2, 4	**177.0**	218.4
Analysed between			
Group operating profit before movement in fair value of investment properties		**183.6**	186 7
(Decrease) / increase in fair value of investment properties	10	**(6.6)**	31 7
Finance costs	3	**(11.9)**	(37 9)
Finance income	3	**30.4**	21 5
Share of (loss) / profit in associated undertakings	11	**(3.6)**	2 3
Profit before taxation	2	**191.9**	204.3
Taxation	6	**(45.0)**	(139 0)
Profit attributable to equity shareholder	2, 22	**146.9**	65 3

The company has not presented its own income statement as permitted by Section 408 of the Companies Act 2006 The parent company's result attributable to equity shareholders amounted to a profit of £55 5m (2008 £92.9m) The company did not pay any dividends during the current or prior year All results are derived from continuing operations in the United Kingdom

Statement of comprehensive income for the year ended 31 December

	Note	2009 £m	2008 £m
Profit attributable to equity shareholder	22	**146.9**	65 3
Other comprehensive income / (expense):			
(Deficit) / surplus arising on revaluation of investment property	10, 22	**(0.9)**	0 9
Share of associated undertakings' actuarial loss relating to net retirement benefit liabilities	11, 22	**(6.1)**	(0 2)
Share of associated undertakings' gain on derivative financial instruments	11, 22	**-**	0 1
Actuarial loss relating to net retirement benefit assets	12, 22	**(53.1)**	(27 3)
Fair value (loss) / gain on forward foreign exchange contract	16, 22	**(1.8)**	1 4
Deferred tax associated with actuarial loss relating to net retirement benefit assets	19, 22	**14.8**	7.9
Deferred tax associated with fair value (loss) / gain on forward foreign exchange contract	19, 22	**0.5**	(0.6)
Deferred tax arising on revaluation of investment property	19, 22	**(2.6)**	10 5
Other comprehensive expense for the period, net of tax		**(49.2)**	(7 3)
Total comprehensive income for the period, net of tax, attributable to equity shareholders		**97.7**	58.0

The notes on pages 31 to 76 form part of these financial statements

Balance sheets as at 31 December

	Note	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
Assets					
Non-current assets					
Goodwill	7	**14.5**	14 5	-	-
Intangible assets	8	**0.4**	0 4	-	-
Property, plant and equipment	9	**958.0**	942 2	-	-
Investment property	10	**642.3**	657 7	-	-
Investments	11	**48.2**	57 9	**152.1**	151 9
Retirement benefit assets	12	**3.7**	52 9	-	-
Derivative financial instruments	16	-	0 4	-	-
Trade and other receivables	13	**1.1**	35 3	-	-
		1,668.2	1,761 3	**152.1**	151 9
Current assets					
Property developments and land held for sale	14	**3.0**	3 1	-	-
Derivative financial instruments	16	**0.3**	1 7	-	-
Trade and other receivables	13	**457.7**	307 3	**989.5**	933 1
Cash and cash equivalents	15	**41.5**	24 6	-	-
		502.5	336 7	**989.5**	933 1
Total assets		**2,170.7**	2,098 0	**1,141.6**	1,085 0
Liabilities					
Current liabilities					
Financial liabilities – borrowings	15	**(0.8)**	(1 0)	**(0.2)**	(0 3)
Trade and other payables	17	**(76.3)**	(58 2)	**(25.7)**	(26 4)
Current tax liabilities		**(3.1)**	(3 1)	-	-
Provisions	18	**(12.4)**	(11 6)	-	-
		(92.6)	(73 9)	**(25.9)**	(26 7)
Non-current liabilities					
Financial liabilities – borrowings	15	**(560.9)**	(566 3)	**(560.0)**	(560 0)
Retirement benefit obligations	12	**(2.9)**	(2 4)	-	-
Deferred tax liabilities	19	**(152.2)**	(170 3)	-	-
Provisions	18	**(13.1)**	(13 8)	-	-
Other non-current liabilities	20	**(2.7)**	(23 1)	-	-
		(731.8)	(775 9)	**(560.0)**	(560 0)
Total liabilities		**(824.4)**	(849 8)	**(585.9)**	(586 7)
Net assets	2	**1,346.3**	1,248 2	**555.7**	498 3
Shareholder's equity					
Share capital	21, 22	**77.4**	77 2	**77.4**	77.2
Share premium account	22	**128.6**	127 1	**128.6**	127.1
Revaluation reserve	22	**729.3**	737 3	-	-
Other reserves	22	**47.5**	50 1	**40.3**	40 1
Retained earnings	22	**363.5**	256 5	**309.4**	253 9
Total shareholder's equity		**1,346.3**	1,248 2	**555.7**	498 3

The financial statements on pages 27 to 76 were approved by the board of directors on 23 February 2010 and signed on its behalf by

ZI Khan
Director

Statement of cash flows for the year ended 31 December

		Group		Company	
	Note	2009 £m	2008 £m	2009 £m	2008 £m
Cash flows from operating activities					
Cash generated from / (absorbed by) operations	23	**81.0**	87 1	**8.9**	(36.8)
Interest paid		**(11.2)**	(37 2)	**(10.5)**	(36 9)
Interest received		**0.4**	3 4	-	-
Taxation refunded		-	0 9	-	-
Net cash inflow / (outflow) from operating activities		**70.2**	54 2	**(1.6)**	(73 7)
Cash flows from investing activities					
Dividends received from associated undertakings		-	1 0	-	-
Proceeds from sale of property, plant and equipment		**0.9**	1 2	-	-
Proceeds from sale of investment property		**0.7**	-		
Purchase of intangible assets		**(0.3)**	(0 1)	-	-
Purchase of property, plant and equipment		**(46.0)**	(62 9)	-	-
Purchase of investment property		**(4.9)**	(9 2)	-	-
Net cash outflow from investing activities		**(49.6)**	(70 0)	-	-
Cash flows from financing activities					
Dividends received		-	-	-	72.0
(Decrease) / increase in borrowings		**(5.0)**	5 0	-	-
Repayment of obligations under finance leases		**(0.3)**	(0 2)	-	-
Proceeds from issue of share capital		**1.6**	1 7	**1.6**	1 7
Net cash (outflow) / inflow from financing activities		**(3.7)**	6 5	**1.6**	73.7
Increase / (decrease) in cash and cash equivalents during the year		**16.9**	(9 3)	-	-
Cash and cash equivalents at 1 January		**24.6**	33 9	-	-
Cash and cash equivalents at 31 December	23	**41.5**	24 6	-	-

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

		Group		Company	
	Note	2009 £m	2008 £m	2009 £m	2008 £m
Increase / (decrease) in cash and cash equivalents during the year		**16.9**	(9 3)	-	-
Decrease / (increase) in borrowings		**5.0**	(5 0)	-	-
Repayment of obligations under finance leases		**0.3**	0 2	-	-
Decrease / (increase) in net borrowings resulting from cash flows		**22.2**	(14.1)	-	-
Decrease in interest payable		**0.3**	0.6	**0.1**	0 7
Change in net borrowings during the year		**22.5**	(13 5)	**0.1**	0 7
Net borrowings at 1 January		**(542.7)**	(529.2)	**(560.3)**	(561 0)
Net borrowings at 31 December	15	**(520.2)**	(542 7)	**(560.2)**	(560 3)

Statement of changes in equity for the year ended 31 December

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 2009	77 2	127 1	737 3	1 6	25 5	23 0	256 5	1,248 2
Profit for the year	-	-	-	-	-	-	146 9	146 9
Other comprehensive expense	-	-	(8 0)	(1 3)	-	-	(39 9)	(49 2)
Total comprehensive (expense) / income	-	-	(8 0)	(1 3)	-	-	107 0	97 7
Issue of ordinary shares	0 2	1 5	-	-	-	-	-	1 7
Share based payments	-	-	-	-	-	(1 3)	-	(1 3)
At 31 December 2009	**77.4**	**128.6**	**729.3**	**0.3**	**25.5**	**21.7**	**363.5**	**1,346.3**

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 2008	77 1	125 5	704 7	0 7	25 5	22 3	232 0	1,187 8
Profit for the year	-	-	-	-	-	-	65 3	65 3
Other comprehensive income / (expense)	-	-	32 6	0 9	-	-	(40 8)	(7 3)
Total comprehensive income	-	-	32 6	0 9	-	-	24 5	58 0
Issue of ordinary shares	0 1	1 6	-	-	-	-	-	1 7
Share based payments	-	-	-	-	-	0 7	-	0 7
At 31 December 2008	**77.2**	**127.1**	**737.3**	**1.6**	**25.5**	**23.0**	**256.5**	**1,248.2**

Company

	Share capital £m	Share premium account £m	Capital redemption reserve £m	Share options reserve £m	Retained earnings £m	Total £m
At 1 January 2009	77 2	127 1	25 5	14 6	253 9	498 3
Profit for the year	-	-	-	-	55 5	55 5
Other comprehensive income	-	-	-	0 2	-	0 2
Total comprehensive income	-	-	-	0 2	55 5	55 7
Issue of ordinary shares	0 2	1 5	-	-	-	1 7
At 31 December 2009	**77.4**	**128.6**	**25.5**	**14.8**	**309.4**	**555.7**

Company

	Share capital £m	Share premium account £m	Capital redemption reserve £m	Share options reserve £m	Retained earnings £m	Total £m
At 1 January 2008	77 1	125 5	25 5	14 2	161 0	403 3
Profit for the year	-	-	-	-	92 9	92 9
Other comprehensive income	-	-	-	0 4	-	0 4
Total comprehensive income	-	-	-	0 4	92 9	93 3
Issue of ordinary shares	0 1	1 6	-	-	-	1 7
At 31 December 2008	**77.2**	**127.1**	**25.5**	**14.6**	**253.9**	**498.3**

Notes to the financial statements

1. Accounting policies

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

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 IFRS or in isolated cases UK GAAP converted to IFRS 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)

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may ultimately differ from those estimates

Management believes that the most critical accounting policies and the most significant areas of judgment and estimation are revenue and profit recognition, property, plant and equipment, intangible assets, impairment of assets, investment property, taxation, and retirement benefits

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

1 2 Changes in accounting policy

The company has reviewed IFRS standards, amendments and interpretations that became or become mandatory for accounting periods beginning on or after 1 January 2009 and consider that none of these have an immediate impact on its financial statements, with the exception of

- the new presentation requirements of IAS 1 Presentation of Financial Statements issued in September 2007,
- the new disclosure requirements of amendments to IFRS 7 Improving Disclosures about Financial Instruments issued in March 2009; and
- the amendment to IAS 40, issued in May 2008 as part of the annual improvements to IFRS, which requires investment property in the course of construction to be measured at fair value where an entity is able to measure the fair value reliably The group has historically recorded investment property under construction at cost. There were no investment properties in the course of construction as at 31 December 2009. The changes may impact the timing of recognition of gains or losses on measurement at fair value of investment properties in the course of construction in future years

Notes to the financial statements

1. **Accounting policies** (continued)

1 2 **Changes in accounting policy** (continued)

The company also adopted IFRS 8 Operating Segments in the year which requires a "management approach" to the reporting of segment information The adoption of this standard, which is not mandatory for the group, has not had a significant impact on the reporting of segmental information in the financial statements

The IASB and IFRIC have issued the following standards and interpretations with an effective date of implementation for accounting periods beginning after the date on which the group's financial statements for the current year commenced The directors do not anticipate that the adoption of these standards 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
IFRIC14 (amendment)	Prepayments of a minimum funding requirement	01 01 2011
IFRS 9	Financial Instruments	01 01 2013
IAS 24 (revised)	Related Party Transactions	01 01 2011
IAS 32 (amendment)	Classification of Rights issues	01 02 2010
IFRS 1 (amendment)	Additional Exemptions for First-time Adopters	01 01 2010
IFRS 2 (amendment)	Group cash-settled share-based payment transactions	01 01 2010
Annual Improvements 2008-2009	Amendments to various standards	01 10 2009
IFRIC 9 and IAS 39 (amendments)	Embedded derivatives	30.06 2009
IFRS 1 (revised)	First Time Adoption of IFRS – improved structure	01 07 2009
IAS 39 (amendment)	Financial Instruments – Eligible hedged items	01 07 2009
IFRIC 18	Transfers of Assets from Customers	01 07 2009
IFRIC 17	Distributions of non-cash assets to owners	01 07 2010

In January 2008 the IASB issued amendments to IFRS 3R Business Combinations and IAS 27R Consolidated and Separate Financial Statements, which become effective for financial years beginning on or after 1 July 2009 IFRS 3R introduces a number of changes in accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results The changes to IFRS 3R and IAS 27R have not yet been adopted by the group and will affect future acquisitions or loss of control and transactions with minority interests

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 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

Notes to the financial statements

1 **Accounting policies** (continued)

1 3 **Critical accounting policies, estimates and judgments** (continued)

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

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 higher of market value on the date of transfer or the carrying value at the last balance sheet date

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

Intangible assets
Purchased intangible assets, primarily customer relationships and computer software, are capitalised at fair value on the date of acquisition and capitalised at cost, respectively. These assets are amortised on a straight-line basis over their useful economic lives, which range from 3 to 30 years Development costs incurred on internal projects are only capitalised where the future economic benefit can reasonably be assessed as assured

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 subsidiaries 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

Notes to the financial statements

1. **Accounting policies** (continued)

1 3 **Critical accounting policies, estimates and judgments** (continued)

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 cash-generating unit'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

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 cash-generating unit (or group of cash-generating units) to which the goodwill relates Where the recoverable amount of the cash-generating unit 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 cash generating unit 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 rental yields and are not occupied by the group Investment properties and land held for development are stated at fair value In accordance with IAS 40 Investment Property, revaluations are conducted annually by the directors and by external valuers at least once every five years Assumptions considered in arriving at fair values include such factors as the tenure/tenancy details, the strength of the covenant and prevailing market yields 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 or property development and land held for sale are made at the carrying amount of the asset 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 profit or loss Losses on the initial valuation of properties transferred from property, plant and equipment are recognised in profit and loss unless they reverse gains previously recognised in other comprehensive income on the same asset

Notes to the financial statements

1 **Accounting policies** (continued)

1 3 **Critical accounting policies, estimates and judgments** (continued)

Obligations in relation to leasehold properties classified as investment property are recorded as finance leases Investment property in the course of construction is measured at cost including interest and other 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

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

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

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

Deferred tax liabilities are measured at the average tax rates that are expected to apply in the periods in which the temporary differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date The group's deferred tax provision is measured on an undiscounted basis

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

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, service costs are spread systematically over the expected service lives of employees and financing costs are recognised in the periods in which they arise Actuarial gains and losses are recognised immediately in the statement of comprehensive income.

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

Notes to the financial statements

1 **Accounting policies** (continued)

1.3 **Critical accounting policies, estimates and judgments** (continued)

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

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 don't 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)

Investment in subsidiaries
Investments in subsidiaries are stated at cost and reviewed for impairment at least annually

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

Transfers of property from property developments and land held for sale to non-current assets are made at the lower of its 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

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

Notes to the financial statements

1. **Accounting policies** (continued)

1 4 **Other accounting policies** (continued)

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

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 will not be able to collect all amounts recorded within the balance sheet. Costs for impairment of receivables are recorded within administrative expenses

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

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 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

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 financial statements The ineffective portion of such gains or losses is recognised in the financial statements 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.

Notes to the financial statements

1. **Accounting policies** (continued)

1 4 **Other accounting policies** (continued)

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 three principal reportable operating segments

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

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, which is being adopted for the first time in the current period The identified operating segments are the same as last year

There are immaterial 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

	2009 £m	2008 £m
Group revenue		
Ports & transport	**397.7**	417 6
Property investment	**4.2**	4 3
Property development	**-**	1 7
Group revenue	**401.9**	423 6
Group operating profit		
Ports & transport	**180.3**	182 1
Property investment	**3.3**	3 5
Property development	**-**	1 1
Group underlying operating profit	**183.6**	186 7
(Decrease) / increase in fair value of investment properties [1]	**(6.6)**	31 7
Group operating profit	**177.0**	218 4
Net finance income / (costs)	**18.5**	(16 4)
Share of (loss) / profit in associated undertakings [2]	**(3.6)**	2 3
Profit before taxation	**191.9**	204 3
Taxation	**(45.0)**	(139 0)
Profit attributable to equity shareholder	**146.9**	65 3

[1]*Decrease in fair value of investment properties comprised £6 1m (2008 increase of £29 4m) in relation to the group's ports and transport segment, £0 5m (2008 increase of £2 4m) in relation to the group's property investment segment and £nil (2008 £nil) in relation to the group's property development segment.*
[2]*Share of (loss) / profit in associated undertakings relates to the group's ports and transport segment*

Notes to the financial statements

2 Segmental analysis (continued)

	2009 £m	2008 £m
Segment assets		
Total segment assets		
Ports & transport	**1,979.5**	1,862.9
Property investment	**57.6**	59.8
Property development	**39.9**	37 8
Share of associated undertakings [1]	**48.2**	57 9
	2,125.2	2,018 4
Segment liabilities		
Total segment liabilities		
Ports & transport	**(78.2)**	(84.3)
Property investment	**-**	-
Property development	**(26.3)**	(22 4)
	(104.5)	(106 7)
Net segment assets before group items	**2,020.7**	1,911.7
Group items		
Net borrowings	**(520.2)**	(542.7)
Derivative financial instruments	**0.3**	2.1
Retirement benefit assets	**3.7**	52 9
Retirement benefit obligations	**(2.9)**	(2 4)
Other liabilities	**(155.3)**	(173.4)
Net assets	**1,346.3**	1,248.2
Total capital expenditure [2]		
Ports & transport	**49.3**	73 2
Property investment	**0.1**	3.3
Total capital expenditure	**49.4**	76.5
Total depreciation and amortisation		
Ports & transport	**40.8**	38.4

[1] *Share of associated undertakings relates to the group's ports and transport segment.*
[2] *Capital expenditure comprises the balance sheet additions for intangible assets, property, plant & equipment, and investment property*

Notes to the financial statements

3 Finance costs / (income)

	2009 £m	2008 £m
Bank loans and overdrafts	**10.4**	36 2
Fınance leases	**0.2**	0 3
Other	**2.1**	1 6
Less finance costs capıtalısed on non-current assets (note 9)	**(0.8)**	(0 2)
Finance costs	**11.9**	37 9
Loan to parent undertakıng	**(27.7)**	(16 2)
Other	**(2.7)**	(5 3)
Finance income	**(30.4)**	(21 5)
Net finance (income) / costs	**(18.5)**	16 4

4. Operating profit

Operatıng profit ıs stated after chargıng / (credıtıng)

	2009 £m	2008 £m
Depreciatıon		
Owned property, plant and equıpment – other	**40.2**	37 7
Leased property, plant and equıpment	**0.3**	0 3
Amortısatıon		
Amortısatıon of ıntangıble assets	**0.3**	0 4
Profit on dısposal of non-current assets	**(0.8)**	-
Other operatıng lease rentals payable		
Plant and equıpment	**2.8**	2 9
Property	**0.9**	1 8
Repaırs and maıntenance expendıture on property, plant and equıpment	**14.4**	16 7
Trade receıvables ımpaırment IFRS 7	**0.9**	1 0
Audıtor's remuneratıon		
Audıt servıces – statutory audıt	**0.3**	0 3

Included ın audıtor's remuneratıon above ıs £20,000 (2008 £20,000) ın respect of the audıt of the company and the consolıdated accounts In addıtıon to the above servıces, Ernst & Young LLP (2008 Ernst & Young LLP) acted as audıtor to the group's maın defined benefits scheme - The Assocıated Brıtısh Ports Group Pensıon Scheme The appoıntment of audıtors to the group's pension schemes and the fees paıd ın respect of those audıts are agreed by the trustees of each scheme, who act ındependently from the management of the group The aggregate fees paıd to the group's audıtor for audıt servıces to the pensıon schemes durıng the perıod were £23,200 (2008 £26,800)

Notes to the financial statements

5 Directors and employees

Staff costs are analysed as follows

	2009 £m	2008 £m
Staff costs		
Wages and salanes	**65.3**	72.5
Social security costs	**6.1**	6 8
Pension costs (see note 12)	**4.5**	1 3
Total staff costs	**75.9**	80 6

The monthly average number of people employed during the period was 2,069 (2008 2,266), of which 2,047 (2008 2,243) people were employed in the ports and transport segment, 20 (2008 13) in the property investment segment and 2 (2008 10) in the property development segment

Key management compensation is analysed as follows

	2009 £m	2008 £m
Key management compensation		
Short-term employee benefits	**2.6**	3 0
Post-employment benefits	**0.5**	0 5
Other long-term benefits	**0.4**	-
Termination benefits	**-**	-
Total key management compensation	**3.5**	3 5

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

Three directors are eligible to join the Associated British Ports Group Pension Scheme, under which they are entitled to earn pension benefits dependent on their length of service. At 31 December 2009 one (2008 one) director was a member of this scheme. Two directors (2008 two) received an allowance for contributions towards pension schemes unconnected with the group During the year none (2008 none) of the directors exercised options over shares of 25p each in Associated British Ports Holdings Limited

Highest paid director	2009 £m	2008 £m
Short-term employee benefits	**0.6**	1.0
Post-employment benefits	**0.1**	0 1
Other long-term benefits	**0.2**	-

Notes to the financial statements

6. Taxation

Analysis of charge / (credit) for the year	2009 £m	2008 £m
Current tax – current year	**51.6**	42 5
Current tax – prıor year	-	(0 9)
Deferred tax (note 19)	**(6.6)**	97 4
Taxation	**45.0**	139 0

Tax on items charged to equity	2009 £m	2008 £m
Deferred tax credıt on actuarıal loss relatıng to net retırement benefit asset	**14.8**	7 9
Deferred tax credıt / (charge) on foreıgn exchange hedge	**0.5**	(0 6)
Deferred tax (charge) / credıt arısıng on revaluatıon of ınvestment property	**(2.6)**	10 5
Deferred tax (charge) / credıt on share-based payments	**(1.2)**	0 3

Taxation charge for the year ıs lower (2008 hıgher) than the standard rate of taxatıon ın the UK of 28 0% (2008 28 5%) The dıfferences are explaıned below

	2009 £m	2008 £m
Profit before taxation	**191.9**	204 3
Profit before taxatıon multıplıed by standard rate of corporatıon tax ın the UK of 28 0% (2008. 28 5%)	**53.7**	58 2
Effects of		
Tax credıt assocıated wıth the exercıse of share optıons not prevıously recognısed ın deferred tax	**(0.2)**	(0 8)
Impact from the abolıtıon of Industrıal Buıldıng Allowance	-	80 2
(Income) / expenses not chargeable to / deductıble for tax	**(4.5)**	0 8
Share of loss / (profit) ın assocıated undertakıngs	**1.0**	(0 6)
Property dısposals	-	(0 1)
Reductıon ın deferred taxes due to reductıon ın tax rate	-	(0 3)
Tax ın respect of prıor years	**(5.0)**	1.6
Total tax charge for the group	**45.0**	139.0

Notes to the financial statements

7 Goodwill

Group	2009 £m	2008 £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 company as at 31 December 2009 The pre-tax discount rate applied to future cash flows was 6 8 per cent (2008 6 8 per cent) reflecting the specific risks relevant to the ports and transport segment

Growth rate estimates – Rates are based on published industry research appropriate to the group's ports and transport segment The growth rate used was 3 per cent (2008 3 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

In 2009 the company had goodwill of £nil (2008 £nil).

Notes to the financial statements

8 Intangible assets

Group acquired intangible assets	2009 £m	2008 £m
2009		
At 1 January	1 4	4 0
Additions	0 3	0 1
At 31 December	**1.7**	**4.1**
Amortisation		
At 1 January	(1 0)	(3 3)
Charge for the year	(0 3)	(0 4)
At 31 December	**(1.3)**	**(3.7)**
Net book value		
At 1 January	0 4	0 7
At 31 December	**0.4**	**0.4**

All intangible assets above relate to purchased computer software They have finite lives and are being amortised over periods of between 3 years and 5 years on a straight-line basis The amortisation costs included within cost of sales amounted to £0 2m (2008 £0 3m) and the amortisation costs included within administrative expenses amounted to £0 1m (2008 £0.1m)

In 2009 the company had intangible assets of £nil (2008 £nil)

Notes to the financial statements

9 Property, plant & equipment

Group	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
2009							
Cost							
At 1 January 2009	373 8	134 9	476 1	50 4	244 2	45 4	1,324.8
Additions	0 2	4 5	7 2	1 2	5.9	25 5	44.5
Transfers within property, plant and equipment	-	14 7	10 9	-	11 4	(37 0)	-
Transfers (to) / from investment property (note 10)	16 8	(1 3)	(1 9)	-	(0 2)	(0 9)	12 5
Disposals	(0 2)	(0 3)	-	(0 2)	(2 8)	-	(3 5)
At 31 December 2009	**390.6**	**152.5**	**492.3**	**51.4**	**258.5**	**33.0**	**1,378.3**
Depreciation							
At 1 January 2009	-	(44 5)	(166 9)	(34 7)	(136 5)	-	(382.6)
Charge for year	-	(5 9)	(16 2)	(3.0)	(15.4)	-	(40.5)
Disposals	-	0 2	-	0 2	2.4	-	2.8
At 31 December 2009	**-**	**(50.2)**	**(183.1)**	**(37.5)**	**(149.5)**	**-**	**(420.3)**
Net book value							
At 1 January 2009	373 8	90 4	309 2	15 7	107 7	45 4	942 2
At 31 December 2009	**390.6**	**102.3**	**309.2**	**13.9**	**109.0**	**33.0**	**958.0**

Notes to the financial statements

9 **Property, plant & equipment** (contınued)

Group	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
2008							
Cost							
At 1 January 2008	355 1	125 0	451 1	51 4	237 9	25 4	1,245 9
Addıtıons	0 1	4 7	5 6	1 3	5 2	50 5	67 4
Transfers wıthın property, plant and equıpment	2 4	1 8	19 3	0 4	6 0	(29 9)	-
Transfers (to) / from property developments and land held for sale (note 14)	(0.1)	(0 1)	-	-	-	-	(0 2)
Transfers (to) / from ınvestment property (note 10)	16 3	3 5	0 1	-	-	(0 6)	19 3
Dısposals	-	-	-	(2 7)	(4 9)	-	(7 6)
At 31 December 2008	**373.8**	**134.9**	**476.1**	**50.4**	**244.2**	**45.4**	**1,324.8**
Depreciation							
At 1 January 2008	-	(38 9)	(151 7)	(33 4)	(126 7)	-	(350 7)
Charge for year	-	(5 2)	(15 2)	(2 9)	(14 7)	-	(38 0)
Transfers (to) / from ınvestment property (note 10)	-	(0 4)	-	-	-	-	(0 4)
Dısposals	-	-	-	1 6	4.9	-	6 5
At 31 December 2008	**-**	**(44.5)**	**(166.9)**	**(34.7)**	**(136.5)**	**-**	**(382.6)**
Net book value							
At 1 January 2008	355 1	86 1	299.4	18 0	111 2	25 4	895 2
At 31 December 2008	**373.8**	**90.4**	**309.2**	**15.7**	**107.7**	**45.4**	**942.2**

All property, plant and equipment ıs stated at cost wıth the exceptıon of operational land Operatıonal land ıs included at valuation as at 31 December 1998 or, ıf transferred from ınvestment property after 31 December 1998, at the carryıng value of the last balance sheet date pnor to transfer Operatıonal land, buıldıngs and dock structures are held freehold

Plant and equıpment includes assets held under finance leases wıth a book cost and accumulated depreciatıon at 31 December 2009 totallıng £3 1m (2008 £3 1m) and £2 3m (2008 £2 1m) respectıvely The depreciation charge for the year ıncludes £0 3m (2008 £0 3m) ın respect of these assets Such assets ınclude manne vessels operated by the group's ports and transport busıness The remaınıng terms for these leases range from 1 to 5 years

The amount of borrowıng costs capıtalısed durıng the year ended 31 December 2009 was £0 8m (2008 £0.2m) The weıghted average rate used to determıne the amount of borrowıng costs elıgıble for capıtalisatıon was 5.91% (2008: 5 91%)

The net book values for property, plant and equıpment are reported net of government grants receıved durıng the year of £4 6m (2008 £6 2m)

In 2009 the company had property, plant and equıpment of £nıl (2008 £nıl)

Notes to the financial statements

10 Investment property

Group	Port-related investment properties £m	Other investment properties £m	Land at ports held for development £m	Total £m
2009				
At valuation				
At 1 January 2009	597 9	35 9	23 9	657.7
Additions	4 5	0.1	-	4 6
Transfers within investment property	2 2	(2.3)	0 1	-
Transfers (to) / from property, plant and equipment (note 9)	(12 8)	0 3	-	(12 5)
	591.8	**34.0**	**24.0**	**649.8**
Deficit on revaluation (note 22)	(0 9)	-	-	(0 9)
Loss on re-measurement	(6 1)	(0 5)	-	(6 6)
At 31 December 2009	**584.8**	**33.5**	**24.0**	**642.3**

Group	Port-related investment properties £m	Other investment properties £m	Land at ports held for development £m	Total £m
2008				
At valuation				
At 1 January 2008	580 2	34.2	20 5	634 9
Additions	5 7	0 5	2 8	9 0
Transfers within investment property	-	0 3	(0 3)	-
Transfers to property, plant and equipment (note 9)	(18 4)	(0 3)	(0 1)	(18 8)
	567.5	**34.7**	**22.9**	**625.1**
Surplus on revaluation (note 22)	1 0	-	(0 1)	0 9
Income on re-measurement	29.4	1.2	1 1	31.7
At 31 December 2008	**597.9**	**35.9**	**23.9**	**657.7**

In 2009 the company had investment property of £nil (2008 £nil)

Investment properties, other than those in the course of construction, have been valued on the basis of market value in accordance with the Appraisal and Valuation Standards issued by The Royal Institution of Chartered Surveyors The valuations were carried out as at 31 December 2009 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 From 2009 investment properties in the course of construction are stated at fair value where it is possible to measure their fair value reliably There were no investment properties under construction as at 31 December 2009 Prior to 2009, investment properties in the course of construction were stated at cost, including interest and other net outgoings Costs of £1 3m in respect of these properties are included in the carrying value of port-related investment properties at 31 December 2008

Notes to the financial statements

10 **Investment property** (continued)

Of the loss on revaluation during the year of £7 5m (2008 surplus of £32 6m), a loss of £6 6m (2008 gain of £31 7m) was included within the income statement as a decrease (2008 increase) in the fair value of investment property with the balance of £0 9m (2008 £0 9m) being charged (2008 credited) directly to the revaluation reserve, as it related to the initial revaluation of properties transferred from property, plant and equipment to investment property.

Rental income generated from the group's investment property portfolio amounted to £57 7m (2008 £59.7m), and related operating expenses amounted to £2 3m (2008: £2 4m). 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:

	Group		Company	
	2009	**2008**	**2009**	**2008**
	£m	**£m**	**£m**	**£m**
Not later than one year	**54.9**	54 9	-	-
More than one year but not more than five years	**147.1**	153 8	-	-
More than five years	**471.4**	617 3	-	-
	673.4	826 0	-	-

11 **Investments**

	Group		Company	
	Interest in associated undertakings		**Interest in subsidiary undertakings**	
	2009	**2008**	**2009**	**2008**
	£m	**£m**	**£m**	**£m**
At 1 January	**57.9**	56 7	**151.9**	151.5
Share of (loss) / profit for the year	**(3.6)**	2 3	-	-
Dividend received	-	(1 0)	-	-
Actuarial loss relating to group's share of net pension liabilities of associated undertakings	**(6.1)**	(0 2)	-	-
Investment in subsidiary undertaking	-	-	**0.2**	0 4
Gain on derivative financial instruments	-	0 1	-	-
At 31 December	**48.2**	57 9	**152.1**	151.9

Investments in group undertakings are stated at cost Associated undertakings are accounted for under the equity method of accounting A list of the company's principal subsidiary and associated undertakings is set out in note 27.

Notes to the financial statements

11 **Investments** (contınued)

Summarısed ınformatıon ın respect of the group's assocıated undertakings ıs set out below

	2009 £m	2008 £m
Share of revenue ın assocıated undertakıngs	**54.0**	67 2
Share of expenses ın assocıated undertakings	**(57.6)**	(59 7)
Share of operatıng (loss) / profit ın assocıated undertakıngs	**(3.6)**	7 5
Share of net finance costs ın assocıated undertakıngs	**(0.7)**	(0 2)
Share of taxatıon ın assocıated undertakıngs	**0.7**	(5 0)
Share of (loss) / profit in associated undertakings	**(3.6)**	2.3
Non-current assets	**161.4**	146 1
Current assets	**48.8**	53 5
Current lıabılıtıes	**(24.0)**	(38 8)
Non-current lıabılıtıes	**(79.3)**	(32.6)
Net assets	**106.9**	128 2
Share of net assets in associated undertakings	**48.2**	57 9

12 **Pension commitments**

A. Description of plans

The group particıpates in a number of pension schemes, prıncipally ın the UK The main scheme is a funded defined benefıts scheme - The Assocıated British Ports Group Pensıon Scheme ("ABPGPS") The defined benefits sectıon of thıs scheme ıs closed to new members New members joınıng thıs scheme are offered membershıp of a defıned contrıbutıons sectıon, whıch at 31 December 2009 constıtuted less than 3 per cent of the total asset value The group also provıdes defined contrıbutıon arrangements, makes contrıbutıons to three ındustry-wide defined benefıt schemes and has unfunded retirement benefit arrangements in respect of former employees Except for unfunded retırement benefit arrangements, the assets of the group's pensıon schemes are held ın trust funds ındependent of the group

B. Summary

(i) Income statement

The total pensıon charge ıncluded ın the group ıncome statement was as follows

	2009 £m	2008 £m
Defined benefits scheme and unfunded retırement benefit arrangements (note 12C)	**5.2**	6.9
Defined contrıbutıon arrangements (note 12D)	**1.4**	1 6
Industry-wıde schemes (note 12E)	**0.3**	0 3
Gross pensıon costs	**6.9**	8 8
Fınance ıncome	**(2.4)**	(7.5)
Net pension charge recognised within operating profit (note 5)	**4.5**	1.3

Notes to the financial statements

12 **Pension commitments** (continued)

(ii) Balance sheet

The retirement benefit assets and obligations as at 31 December were

	2009 £m	2008 £m
Retirement benefit assets	**3.7**	52 9
Retirement benefit liabilities	**(2.9)**	(2 4)
Net retirement benefit asset	**0.8**	50 5

C. Defined benefits scheme and unfunded retirement benefit arrangements

The most recent formal valuation of the Associated British Ports Group Pension Scheme was carried out as at 31 December 2006 The valuation of the liabilities as at 31 December 2009 detailed below has been derived by projecting forward the position as at 31 December 2006 It was performed by an independent actuary, Hewitt 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, Hewitt, using the same assumptions as those used to calculate the Associated British Ports Group Pension Scheme liabilities

(i) Assumptions

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

	2009	2008
Inflation	**3.55%**	2 80%
Rate of increase in pensionable salaries	**4.30%**	3 55%
Rate of increase for pensions in payment (earned before 1 April 2006)	**3.35%**	2 75%
Rate of increase for pensions in payment (earned on or after 1 April 2006)	**2.55%**	2 25%
Rate of increase for deferred pensions	**3.35%**	2 75%
Discount rate	**5.75%**	6 30%
Expected return on plan assets	**6.70%**	6 10%

The mortality assumption used in determining the group's expected pension liabilities is based on the standard actuarial tables PA 92, projected forward to 2016 for current pensioners and to 2026 for future pensioners with the "Medium Cohort" adjustment applied Based on these tables, life expectancies from age 60 for people retiring today are estimated as being 24 0 years for males and 26.7 years for females and for people retiring in 10 years' time are estimated at 24 8 years for males and 27 5 years for females. Mortality rates applied have been increased by 35 per cent to reflect the nature of the scheme's membership and its past experience The effect of an increase of one year in the life expectancy of a 60-year old would be to increase the liabilities of the ABPGPS by an estimated £12 8m

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

Notes to the financial statements

12 **Pension commitments** (continued)

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 effect of a decrease of 0 1 per cent in the discount rate would be to increase the liabilities of the ABPGPS by an estimated £7 6m

(ii) Operating profit

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

	2009 £m	2008 £m
Current service cost	**5.2**	6.9
Expected return on scheme assets	**(24.9)**	(31 1)
Interest cost on scheme liabilities	**22.3**	23 4
Interest cost on unfunded retirement benefit liabilities	**0.2**	0 2
Net pension charge / (credit) recognised within operating profit	**2.8**	(0 6)

The current service cost of £5 2m (2008: £6 9m) represented 21 0 per cent (2008 24 7 per cent) of the applicable pensionable payroll The group recognised £nil (2008. £nil) of its net pension charge for the year within cost of sales and £2.8m (2008 credit of £0 6m) within administrative expenses

The group made total contributions of £6 2m (2008 £5 2m) towards funded and unfunded schemes The level of contributions is expected to change in 2010 following the formal triennial actuarial valuation of the scheme 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 gain on assets for 2009 was £50 4m (2008 loss of £49 4m).

(iii) Balance sheet

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

	2009 £m	2008 £m
Fair value of scheme assets	**447.6**	418 9
Present value of funded obligations	**(443.9)**	(366 0)
Present value of unfunded obligations	**(2.9)**	(2 4)
Net assets recognised in the balance sheet	**0.8**	50 5

As at 31 December 2009, approximately 49 5 per cent (2008 42 7 per cent) of the scheme's assets were represented by investments in equities, 39 8 per cent (2008 52.5 per cent) by bonds, 7 2 per cent (2008 4 5 per cent) by property and 3.5 per cent (2008 0.3 per cent) by cash

Notes to the financial statements

12 **Pension commitments** (continued)

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

	2009 £m	2008 £m
Fair value of scheme assets at 1 January	**418.9**	487 8
Expected return	**24.9**	31 1
Actuarial gain / (loss)	**25.5**	(80 5)
Contributions by employees	**0.5**	0 5
Contributions by employer	**6.2**	5 2
Benefits paid	**(29.0)**	(25 2)
Severance payments	**0.6**	-
Fair value of scheme assets at 31 December	**447.6**	418 9

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

	2009 £m	2008 £m
Fair value of scheme liabilities at 1 January	**(368.4)**	(415 8)
Current service cost	**(5.2)**	(6 9)
Interest cost	**(22.5)**	(23 6)
Actuarial (loss) / gain	**(78.6)**	53 2
Contributions by employees	**(0.5)**	(0 5)
Benefits paid	**29.0**	25 2
Severance payments	**(0.6)**	-
Fair value of scheme liabilities at 31 December	**(446.8)**	(368 4)

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

	2009 £m	2008 £m
At 1 January	**50.5**	72 0
Net pension (charge) / credit	**(2.8)**	0.6
Employer contributions	**6.2**	5 2
Actuarial loss relating to net retirement benefit assets recognised in the statement of comprehensive income	**(53.1)**	(27 3)
At 31 December	**0.8**	50 5

As at 31 December 2009, the cumulative actuarial loss recognised in the group's statement of comprehensive income amounted to £38 3m (2008 gain £14 8m)

The 2009 actuarial loss of £53 1m arose as a result of experience gains on scheme assets of £25 5m, an experience loss of £3.1m on scheme liabilities in respect of changes to membership and an actuarial loss of £75 5m due to the changes in assumptions associated with the scheme liabilities

Notes to the financial statements

12 **Pension commitments** (continued)

(vii) Historical record

Amounts for the current year and previous periods are as follows	**2009** £m	**2008** £m	**2007** £m	**2006** £m	**2005** £m
Fair value of scheme assets	**447.6**	418 9	487.8	482 4	476 5
Present value of funded scheme obligations	**(443.9)**	(366 0)	(413.0)	(450 5)	(469 4)
Present value of unfunded obligations	**(2.9)**	(2.4)	(2.8)	(2 9)	(3 2)
Net assets recognised in the balance sheet	**0.8**	50.5	72 0	29.0	3 9
Actuarial (loss) / gain due to changes in assumptions	**(75.5)**	56.7	35 5	22 3	(66 2)
Experience (loss) / gain on scheme liabilities	**(3.1)**	(3 5)	11 8	8 6	-
Experience gain / (loss) on scheme assets	**25.5**	(80 5)	(6 0)	(3.6)	41 1
Actuarial (loss) / gain relating to net retirement benefit assets recognised in the statement of comprehensive income	**(53.1)**	(27 3)	41 3	27.3	(25 1)

D. Defined contribution arrangements

The group incurred costs of £1 4m (2008 £1 6m) in relation to defined contribution arrangements provided by Associated British Ports At 31 December 2009, there were no amounts outstanding as being due to these arrangements from the group (2008 £nil)

E. Industry-wide schemes

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

The PNPF is an industry-wide defined benefits scheme. As at 31 December 2004, the date of the most recent full triennial valuation carried out by an independent actuary, the scheme had assets with a market value of £339m, representing 76 per cent of the benefits accruing to members after allowing for future increases As at that date, the funding level continued to exceed the minimum funding requirements The scheme actuary has estimated the IAS 19 deficit as at 31 December 2009 as being £152m (2008 £124m). Approximately 18 per cent of the scheme's assets were invested in equities (2008 15 per cent), 50 per cent in bonds (2008 52 per cent), 30 per cent in hedge funds (2008 30 per cent) and 2 per cent in cash (2008 3 per cent) The IAS 19 valuation assumptions adopted by the actuary were as follows

	2009	**2008**
Inflation	**3.55%**	2.80%
Rate of increase in pensionable salaries	**4.30%**	3.55%
Rate of increase for pensions in payment	**3.35%**	2 75%
Rate of increase for deferred pensions	**3.35%**	2 75%
Discount rate	**5.75%**	6 30%

The participating bodies for this scheme agreed a voluntary arrangement under which they could make increased contributions in order to reduce the deficit over the five-year period commencing on 1 January 2006 Under this arrangement the group would have made additional contributions of around £1.2m to this scheme during the period from 14 August 2006 to 31 December 2010

Notes to the financial statements

12. **Pension commitments** (continued)

During 2008 the trustees of the scheme ceased to collect these additional voluntary contributions from the participating bodies and are now in the process of seeking a court ruling to determine a mechanism for the allocation of the past deficit associated with this scheme The triennial actuarial valuation due at 31 December 2007 has been deferred until the outcome of the court ruling is known During 2009, the group made contributions of £91,000 (2008 £250,000) to this scheme in relation to its current active members and has recorded these as defined contribution costs within the income statement

The current scheme rules do not provide a mechanism for the allocation of past-service deficits A number of different legal opinions have been issued concerning this scheme and the group is unable to determine its share of the past-service deficit on a reasonable basis The potential IAS 19 pre-tax liability that could arise in relation to the past-service deficit for this scheme could range from £1 5m to £45 2m as at 31 December 2009

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

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

The FRDWPF is an industry-wide defined benefits scheme As at 5 April 2007, the date of the most recent full triennial valuation carried out by an independent actuary, the scheme had assets with a market value of £868 3m, representing 105 9 per cent of the benefits accruing to members after allowing for future increases. As at that date, the funding level on a buy-out basis was 102 per cent

As at 5 April 2007, approximately 20 per cent of the scheme's assets were invested in equities, 78 per cent in bonds and 2 per cent in property and cash. The valuation assumptions adopted by the actuary at the time of the last valuation were as follows

Inflation	3.20%
Rate of increase in pensionable salaries	4 20%
Rate of increase for pensions in payment	3 50%
Rate of increase for deferred pensions	3 20%
Discount rate	4 70%

During 2009, the group made contributions of £54,000 (2008 £nil) 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 scheme.

Notes to the financial statements

12 **Pension commitments** (continued)

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

The MNOPF is an industry-wide defined benefits scheme. The scheme is divided into two sections, the Old Section and the New Section, both of which are closed to new members The latest valuation of the Old Section was carried out on 31 March 2009 As at 31 March 2009, the Old Section had assets of £1,113m, representing 89 per cent of the benefits accrued to members. The actuarial valuation at 31 March 2009 of the New Section has not yet been published At the date of its last published actuarial valuation, 31 March 2006, the New Section had assets of £1,931m, representing 93 per cent of the benefits accrued to members as at that date Following the 31 March 2006 valuation a past-service deficit was identified The group's share of this deficit amounted to £0 1m and is currently being settled in instalments up to 2014 In 2009 the group paid and expensed £14,000 (2008 £17,000) of regular contributions to this scheme as defined contribution pension costs

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

13. **Trade and other receivables**

	Group		Company	
	2009 £m	**2008 £m**	**2009 £m**	**2008 £m**
Non-current				
Trade receivables	**1.1**	1 0	-	-
Property completions due	-	34.3	-	-
Total non-current trade and other receivables	**1.1**	35.3	-	-
Current				
Gross trade receivables	**52.3**	57 4	-	-
Provision for doubtful receivables	**(4.8)**	(5 2)	-	-
Net trade receivables	**47.5**	52 2	-	-
Amounts owed by subsidiary undertakings	-	-	**615.3**	676.9
Amounts owed by parent undertaking	**336.8**	222 5	**374.2**	256.2
Amounts owed by associated undertakings	**6.6**	6 9	-	-
Other debtors	**10.8**	8.3	-	-
Prepayments and accrued income	**19.1**	17.0	-	-
Property completions due	**36.9**	0 4	-	-
Total current trade and other receivables	**457.7**	307 3	**989.5**	933 1

Current property completions due includes £36 5m (2008 £34 3m non-current) in respect of the sale of 81 acres of land at the Port of Barry, in partnership with the Welsh Assembly Government These proceeds are receivable by no later than September 2010, and have been discounted at a rate of 6 2 per cent The gross proceeds receivable are £38 0m

All other 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

Notes to the financial statements

13 **Trade and other receivables** (continued)

As at 31 December 2009 the group held trade receivables of £10 1m (2008 £13 1 m) 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

	Group	
	2009	**2008**
	£m	**£m**
Up to 3 months	**10.0**	12 4
3 to 6 months	**0.5**	0 8
Over 6 months	**(0.4)**	(0 1)
Total past due but not impaired receivables	**10.1**	13 1

As at 31 December 2009, the group held trade receivables of £7 3m (2008 £6 2m) 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

	Group	
	2009	**2008**
	£m	**£m**
Up to 3 months	**1.9**	1 0
3 to 6 months	**0.9**	1 0
Over 6 months	**3.6**	4 2
Total fully / partially impaired receivables	**6.4**	6 2

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 will 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

	Group	
	2009	**2008**
	£m	**£m**
At 1 January	**5.2**	6 5
Provision for the impairment of trade receivables	**0.9**	1 0
Receivables written off as uncollectible	**(1.1)**	(2 1)
Impairment provisions released	**(0.2)**	(0 2)
At 31 December – provisions for doubtful receivables	**4.8**	5 2

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 (2008. £nil) and therefore no provision for impairment (2008 £nil) The amounts owed by group undertakings to the company have no fixed terms of repayment and none of the group undertakings has a recent history of default

Notes to the financial statements

13. **Trade and other receivables** (continued)

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 2009 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

14 **Property developments and land held for sale**

	Group	
	2009	**2008**
	£m	**£m**
At 1 January	**3.1**	3 9
Disposals	**(0.1)**	(1 0)
Transfers from property, plant and equipment	-	0 2
At 31 December	**3.0**	3 1

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 2009 The historical cost of property developments and land held for sale totalled £3 0m (2008 £3 1m) These assets relate to surplus property and land, which are held for sale and reported as part of the group's property development activities

In 2009 the company had property developments and land held for resale of £nil (2008 £nil)

15. **Financial liabilities - borrowings**

	Group		Company	
	2009	**2008**	**2009**	**2008**
	£m	**£m**	**£m**	**£m**
Current				
Interest payable – accrual	**0.4**	0 7	**0.2**	0 3
Obligations under finance leases - secured	**0.4**	0 3	-	-
Current borrowings	**0.8**	1 0	**0.2**	0 3
Non-current				
Bank loans – secured	**560.0**	565 0	**560.0**	560 0
Obligations under finance leases - secured	**0.9**	1 3	-	-
Non-current borrowings	**560.9**	566 3	**560.0**	560.0

Notes to the financial statements

15 **Financial liabilities – borrowings** (continued)

The group's borrowings are all denominated in sterling

Net borrowings	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
Current borrowings	**0.8**	1 0	**0.2**	0 3
Non-current borrowings	**560.9**	566 3	**560.0**	560 0
	561.7	567 3	**560.2**	560 3
Less: cash and cash equivalents	**(41.5)**	(24 6)	-	-
Net borrowings	**520.2**	542.7	**560.2**	560 3

The group's share of net borrowings in associated undertakings not included above totalled £5 1m (2008: net cash of £9 6m)

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

Bank loans are repayable between 2010 and 2013 and bear interest linked to London inter-bank borrowing rates. Obligations under finance leases are secured on related leased assets As at 31 December 2009, the group's bank loans are exposed to repricing within 12 months of the balance sheet date.

Details of the group's contingent liabilities in relation to its borrowings are set out in note 26

16 **Financial instruments**

A. Maturity of financial liabilities

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

				Group
	Trade and other payables £m	**Debt £m**	**Finance leases £m**	**Total £m**
2009				
Not later than one year	80 1	8 9	0 6	89 6
More than one year but not more than two years	2 7	8 6	0 5	11 8
More than two years but not more than five years	-	572 5	0 5	573 0
At 31 December	**82.8**	**590.0**	**1.6**	**674.4**

				Group
	Trade and other payables £m	**Debt £m**	**Finance leases £m**	**Total £m**
2008				
Not later than one year	58 2	18 4	0 5	77 1
More than one year but not more than two years	25 0	18 0	0 6	43 6
More than two years but not more than five years	-	609 3	1 0	610 3
At 31 December	**83.2**	**645.7**	**2.1**	**731.0**

Notes to the financial statements

16 **Financial instruments** (contınued)

The table below analyses the company's financıal lıabılıties based on undıscounted contractual payments.

	Company		
	Trade and other payables £m	Debt £m	Total £m
2009			
Not later than one year	25 6	8 5	34 1
More than one year but not more than two years	-	8 3	8 3
More than two years but not more than five years	-	572 0	572 0
At 31 December	**25.6**	**588.8**	**614.4**

	Company		
	Trade and other payables £m	Debt £m	Total £m
2008			
Not later than one year	26 4	18 0	44 4
More than one year but not more than two years	-	17 7	17 7
More than two years but not more than five years	-	603 4	603 4
At 31 December	**26.4**	**639.1**	**665.5**

The debt column ın the tables above ıncludes the followıng prıncıpal amount

Senıor secured credıt facılıty repayable 2013 £560 0m (2008 £565 0m).

Interest associated wıth the senıor secured credıt facılıty ıs lınked to LIBOR and currently settled ın cash

The table below analyses the group's derıvatıve financıal ınstruments whıch wıll be settled on a gross basis ınto relevant maturıty groupıngs, based on the remaınıng perıod at the balance sheet date to the contractual maturıty date The amounts dısclosed ın the table are the contractual undıscounted cash flows Balances due wıthın 12 months equal theır carryıng balances as the ımpact of dıscountıng ıs not sıgnıficant

	Group	
	2009 Total outflows	2009 Total inflows
Forward foreign exchange contract	**£m**	**£m**
Not later than one year	1 2	1 5
Total	**1.2**	**1.5**

Notes to the financial statements

16 **Financial instruments** (contınued)

Forward foreign exchange contract	Group 2008 Total outflows £m	2008 Total inflows £m
Not later than one year	4 9	6.6
More than one year but not more than two years	1 1	1 5
Total	**6.0**	**8.1**

The company had no denvatıve financıal ınstruments whıch wıll be settled on a gross basıs in eıther 2009 or 2008

The maturıty profile of the group's mınımum lease payments under fınance leases was as follows

Finance lease payments	Group 2009 £m	2008 £m
Not later than one year	**0.6**	0 4
More than one year but not more than five years	**1.0**	1 7
	1.6	2 1
Future finance charges on fınance leases	**(0.3)**	(0 5)
Present value of finance lease liabilities	**1.3**	1 6

The company had no finance leases ın eıther 2009 or 2008

B. Market price risk
The group's borrowıngs, excluding finance leases, have been fınanced through floatıng rate debt and are therefore subject to re-prıcing rısk. As at 31 December 2009 £560 0m (2008: £565 0m) of the group's gross borrowıngs were subject to re-prıcıng rısk A one per cent ıncrease ın ınterest rates would ıncrease the group's ınterest costs by £5.6m per annum (2008 £5 7m) and a one per cent decrease in ınterest rates would reduce the group's ınterest costs by £5 6m per annum (2008 £5 7m)

C. Undrawn borrowing facilities
The group had the followıng commıtted but undrawn floatıng rate borrowıng facılıtıes avaılable at 31 December ın respect of whıch all condıtions precedent had been met·

	Group 2009 Total £m	Group 2008 Total £m	Company 2009 Total £m	Company 2008 Total £m
Expırıng ın:				
More than two years but not more than five years	**350.0**	345 0	**250.0**	250 0
Undrawn borrowing facilities	**350.0**	345.0	**250.0**	250 0

D. Fair value of financial assets and liabilities
(i) Financial assets

The carryıng value for financıal assets equates to the estımated faır value The group consıders that ıts maxımum exposure to credit rısk ın respect of financıal assets equates to theır carryıng value The carrying value of the group's assets ıs not subject to changes ın foreıgn currency exchange rates

Notes to the financial statements

16. Financial instruments (continued)

(ii) Financial liabilities

				Group
		2009		2008
	Book value £m	Fair value £m	Book value £m	Fair value £m
Borrowings	**560.4**	**560.4**	565 7	565 7
Finance leases	**1.3**	**1.3**	1 6	1 6
	561.7	**561.7**	567.3	567 3

				Company
		2009		2008
	Book value £m	Fair value £m	Book value £m	Fair value £m
Borrowings	**560.2**	**560.2**	560 3	560 3

The group's bank borrowings are subject to variable rates of interest and therefore the group considers the fair value of these to be representative of their carrying value The effective interest rate associated with the group's total borrowings was 1 7 per cent (2008 6 7 per cent) The carrying value of the group's liabilities is not subject to changes in foreign currency exchange rates.

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

				Group
		2009		2008
	Assets £m	Liabilities £m	Assets £m	Liabilities £m
Forward foreign exchange contracts – held as cash flow hedge	**0.3**	**-**	2 1	-

The maximum exposure to credit risk at 31 December 2009 is the fair value of the derivative instruments

The fair value of the forward foreign exchange contracts is allocated between current £0 3m (2008 £1.7m) and non-current £nil (2008 £0 4m) based on the maturity of the hedged item

The notional principal amount of the outstanding forward foreign exchange contracts at 31 December 2009 was £1 2m (2008 £6.0m) These contracts were transacted in order to hedge the group's currency exposure in relation to contracted future payments for the purchase of property, plant and equipment denominated in foreign currency which are expected to be made at various dates during the next 2 years The change in the fair value of forward foreign exchange contracts arises entirely as a result of foreign exchange rate movements The sensitivity of this valuation to exchange rate movements is not considered to be material

The company had no derivative financial instruments in either 2009 or 2008

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

Notes to the financial statements

17 Trade and other payables

	Group		Company	
	2009	**2008**	**2009**	**2008**
	£m	**£m**	**£m**	**£m**
Trade payables	**13.2**	17 0	-	-
Amounts owed to subsidiary undertakings	-	-	**25.1**	25 1
Other creditors	**8.7**	4 2	-	-
Taxation	**2.0**	2 4	-	0 1
Accruals	**31.1**	34 6	**0.6**	1.2
Property completions payable	**21.3**	-	-	-
Trade and other payables	**76.3**	58 2	**25.7**	26.4

Property completions payable are monies due to a third party, the Welsh Assembly Government, under the terms of the sale of 81 acres of land at the Port of Barry. The Welsh Assembly Government's outstanding share of the consideration due is payable by the group upon receipt of the outstanding proceeds from the purchaser. The outstanding proceeds are payable by the purchaser not later than September 2010 (note 13) The amount payable at 31 December 2009 of £21 3m is discounted at a rate of 6 2 per cent and represents a gross amount payable of £21.9m

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

18 Provisions

					Group
	Restructuring	Property provision	Self insurance	Other	Total
	£m	**£m**	**£m**	**£m**	**£m**
At 1 January 2009	0 7	7 0	15 6	2 1	25.4
Charged / (credited) to income statement during the year	-	0 2	1 3	(0 1)	1 4
Utilised in the year	(0 3)	(0 8)	0.1	(0 7)	(1 7)
Amortisation of discounting	-	0 1	0.3	-	0 4
At 31 December 2009	**0.4**	**6.5**	**17.3**	**1.3**	**25.5**
Expected utilisation with one year	0 4	0 3	11.4	0 3	12 4

Provisions are analysed between non-current and current as follows·

	Group	
	2009	**2008**
	£m	**£m**
Current	**12.4**	11 6
Non-current	**13.1**	13 8
	25.5	25 4

The company had no provisions in either 2009 or 2008

Restructuring

Following the loss of a customer during 2007, the group incurred, and provided for, exceptional impairment and restructuring costs The balance of this provision relates to a number of cost reduction exercises due to be completed in the future

Notes to the financial statements

18 **Provisions** (contınued)

Property provisions
Property provısıons ınclude amounts provıded ın relation to property leases, where the unavoıdable costs under the lease exceed the economıc benefit and amounts provıded in relatıon to other exposures assocıated wıth the group's property portfolıo.

Self insurance
The group self-ınsures varıous matters relatıng prımarıly to property, employer's lıabılıtıes and general thırd party lıabılıtıes assocıated wıth ıts busıness In determınıng the provısıon, cash flows, where approprıate, have been dıscounted on a pre-tax basıs usıng a dıscount rate of 5 6% The group reassesses thıs lıabılıty on an annual basıs The potentıal lıabılıtıes have been projected forward untıl 2037

Other
Other provısıons prımarıly relate to oblıgatıons from commıtments entered ınto as part of the development of certaın port facılıtıes.

19 **Deferred tax**

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 28 0 per cent (2008 28 0 per cent)

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

Group	2008 £m	Adjustments in respect of previous periods (credited) / charged to income statement £m	(Credited) / charged to income statement £m	(Credited) / charged to equity £m	Total 2009 £m
Accelerated tax depreciatıon	146 0	(5.2)	(1 1)	-	**139.7**
Revaluatıon of operatıonal land and ınvestment propertıes	16 1	-	(1 8)	3 7	**18.0**
Capıtal losses	(2.2)	-	-	(1 1)	**(3.3)**
Retırement benefit oblıgatıons	14.1	-	0 9	(14.8)	**0.2**
Other	(3.7)	0 2	0 4	0.7	**(2.4)**
Net deferred tax liability	170.3	(5 0)	(1 6)	(11 5)	**152.2**

Notes to the financial statements

19 **Deferred tax** (continued)

Group	2007 £m	Adjustments in respect of previous periods (credited) / charged to income statements £m	(Credited) / charged to income statement £m	(Credited) / charged to equity £m	Total 2008 £m
Accelerated tax depreciation	60 7	1 5	83 8	-	**146.0**
Revaluation of operational land and investment properties	16 8	-	8 9	(9 6)	**16.1**
Capital losses	(2 2)	0 9	-	(0 9)	**(2.2)**
Retirement benefit obligations	20 2	-	1 8	(7 9)	**14.1**
Other	(4 6)	0 1	0 4	0 4	**(3.7)**
Net deferred tax liability	90.9	2 5	94 9	(18 0)	**170.3**

The group has unrecognised capital losses of £374 0m (2008: £332 8m restated from £477 7m to reflect current basis) that are only available for offset against future sales of land and buildings from the port estates.

The group has crystallised capital losses of £47 1m (2008 £45 8m) on which a deferred tax asset has not been recognised

The group had no unrecognised deferred income tax assets (2008 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 and there is an intention to settle the balances net Consequently, the group has provided for its deferred tax liabilities at 31 December 2009 of £152 2m (2008 £170 3m) on a net basis The group does not expect this liability to crystallise within the foreseeable future and has classified the balance as being non-current

The company has crystallised capital losses of £47 1m (2008 £45 8m) on which a deferred tax asset has not been recognised

20 **Other non-current liabilities**

	Group		Company	
	2009 £m	**2008 £m**	**2009 £m**	**2008 £m**
Property completions payable	-	20 0	-	-
Other creditors	**2.7**	3 1	-	-
Other non-current liabilities	**2.7**	23 1	-	-

Property completions payable are monies due to a third party The amount due at 31 December 2008 includes amounts due under the terms of the sale of 81 acres of land at the Port of Barry in partnership with the Welsh Assembly Government. The Welsh Assembly Government's outstanding share of the consideration due is payable by the group upon receipt of the outstanding proceeds from the purchaser The outstanding proceeds are payable by the purchaser not later than September 2010 (note 13) The amount payable at 31 December 2008 was discounted at a rate of 6 2 per cent and represents a gross amount payable of £21 9m.

Notes to the financial statements

21 Share capital

A Issued and fully paid

Ordinary shares of 25p each	Shares	2009 £m	Shares	2008 £m
At 1 January	**308,990,580**	**77.2**	308,468,510	77 1
Allotted under share option schemes	**451,720**	**0.2**	522,070	0 1
At 31 December	**309,442,300**	**77.4**	308,990,580	77.2

The company did not repurchase any of its own shares during 2009 or 2008

B. Potential issue of shares

(i) Outstanding share options

During the year, options exercised resulted in the issue of 451,720 (2008 522,070) ordinary shares of 25p each The company received a total of £1 7m (2008 £1 7m) in respect of these shares A summary of options granted to employees and outstanding at 31 December 2009 under share option schemes is given below

	Date granted	Price per share	Date option normally exercisable	Number of options outstanding
Savings-related scheme	October 2002	327 0p	2010	42,945
Savings-related scheme	October 2003	337 0p	2010 to 2011	42,868
Savings-related scheme	October 2004	354.0p	2010 to 2012	274,482
Savings-related scheme	October 2005	398.0p	2010 to 2013	211,625
				571,920

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(ii) of the scheme To the extent permitted by the relevant savings contracts, holders of options under the SRSOS were allowed to exercise their options early following the group's acquisition by ABP Acquisitions UK Limited Options lapsing due to early exercise were cash compensated by ABP Acquisitions UK Limited

Historically the company also operated an Executive Share Option Scheme (ESOS), a Long-Term Incentive Plan (LTIP) and a Performance Share Plan (PSP) Following the acquisition of the company on 14 August 2006 no further grants were made under any of these schemes Historically the company also operated a Share Incentive Plan (SIP) that was closed following the acquisition of the company on 14 August 2006

Notes to the financial statements

21 **Share capital** (continued)

(ii) Changes in share options

A reconciliation of the changes in share options is shown below

	2009		2008	
	Number of shares	Weighted average exercise price (pence)	Number of shares	Weighted average exercise price (pence)
Outstanding at 1 January	**1,033,899**	**363.7**	1,753,918	351 8
Lapsed	**(10,259)**	**367.3**	(197,949)	348 3
Exercised	**(451,720)**	**259.6**	(522,070)	329 6
Outstanding at 31 December	**571,920**	**367.0**	1,033,899	363 7
Exercisable at 31 December	**-**	**-**	-	-

Summary data for options outstanding at period end is set out below

	2009				2008			
Range of exercise prices	Weighted average exercise price (pence)	Number of shares	Weighted average remaining life expected (years)	Weighted average remaining life contracted (years)	Weighted average exercise price (pence)	Number of shares	Weighted average remaining life expected (years)	Weighted average remaining life contracted (years)
£3-4	**367.0**	**571,920**	**2.0**	**1.7**	363 7	1,033,899	2 3	2 0

The weighted average share price during the year for options exercised over the year was 910.0p (2008 910 0p)

Notes to the financial statements

21 **Share capital** (continued)

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

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 IFRS2 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 Savings-related Share Option Scheme, the following amounts have been charged to the group's income statement in respect of IFRS 2 Share-based Payment

	2009 £m	**2008 £m**
Charge for grants in prior years	**0.1**	0 2
Charge for grants during 2005	**0.1**	0 2
Total income statement charge	**0.2**	0 4

(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 2009

Notes to the financial statements

22 Reserves and statement of changes in shareholder's equity

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 2009	77 2	127 1	737.3	1 6	25 5	23 0	256 5	1,248 2
Movement arising on revaluation of investment property (note 10)	-	-	(7 5)	-	-	-	6 6	(0 9)
Share of associated undertakings' actuarial loss relating to net retirement benefit liabilities (note 11)	-	-	-	-	-	-	(6 1)	(6 1)
Actuarial loss relating to net retirement benefit assets (note 12C)	-	-	-	-	-	-	(53 1)	(53 1)
Fair value loss on forward foreign exchange contract (note 16E)	-	-	-	(1.8)	-	-	-	(1 8)
Deferred tax associated with actuarial loss relating to net retirement benefit assets (note 19)	-	-	-	-	-	-	14 8	14 8
Deferred tax associated with fair value loss on forward foreign exchange contract (note 19)	-	-	-	0 5	-	-	-	0.5
Deferred tax arising on revaluation of investment property (note 19)	-	-	-	-	-	-	(2 6)	(2.6)
Issue of ordinary shares	0 2	1 5	-	-	-	-	-	1.7
Realisation of revaluation upon disposal	-	-	(0 5)	-	-	-	0 5	-
Share-based payments	-	-	-	-	-	(1 3)	-	(1 3)
Profit for the year	-	-	-	-	-	-	146 9	146 9
At 31 December 2009	**77.4**	**128.6**	**729.3**	**0.3**	**25.5**	**21.7**	**363.5**	**1,346.3**

Notes to the financial statements

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

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 2008	77 1	125 5	704 7	0 7	25 5	22 3	232 0	1,187.8
Movement arısıng on revaluatıon of ınvestment property (note 10)	-	-	32 6	-	-	-	(31 7)	0 9
Share of assocıated undertakıngs' actuarıal loss relatıng to net retırement benefit lıabılıtıes (note 11)	-	-	-	-	-	-	(0 2)	(0 2)
Share of assocıated undertakıngs' gaın on derıvatıve financıal ınstruments (note 11)	-	-	-	0 1	-	-	-	0 1
Actuarıal loss relatıng to net retırement benefit assets (note 12C)	-	-	-	-	-	-	(27 3)	(27 3)
Faır value gaın on forward foreıgn exchange contract (note 16E)	-	-	-	1 4	-	-	-	1 4
Deferred tax assocıated wıth actuarıal loss relatıng to net retırement benefit assets (note19)	-	-	-	-	-	-	7 9	7 9
Deferred tax assocıated wıth faır value gaın on forward foreıgn exchange contract (note19)	-	-	-	(0 6)	-	-	-	(0 6)
Deferred tax arısıng on revaluatıon of ınvestment property (note 19)	-	-	-	-	-	-	10 5	10.5
Issue of ordınary shares	0 1	1 6	-	-	-	-	-	1 7
Share-based payments	-	-	-	-	-	0 7	-	0 7
Profit for the year	-	-	-	-	-	-	65 3	65 3
At 31 December 2008	**77.2**	**127.1**	**737.3**	**1.6**	**25.5**	**23.0**	**256.5**	**1,248.2**

Revaluation reserve

The revaluatıon reserve ıs used to record ıncreases and decreases ın the faır value of ınvestment property Decreases are only recognısed to the extent that an ıncrease on the same asset has been prevıously recognısed ın equıty The balance of any decrease ın fair value of ınvestment property would be charged to the ıncome statement.

Hedging reserve

The hedgıng reserve ıs used to record the effectıve part of gaıns or losses on qualıfyıng cash flow hedges untıl the ımpact from the hedged ıtem ıs recognısed ın the financıal statements

Notes to the financial statements

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

Capital redemption reserve

The capıtal redemptıon reserve ıs a reserve to record the nomınal value of shares repurchased

Share options reserve

The share optıons reserve ıs a reserve to recognıse amounts ın respect of share based payments

						Company
	Share capital £m	Share premium account £m	Capital Redemption Reserve £m	Share options reserves £m	Retained Earnings £m	Total £m
At 1 January 2009	77 2	127 1	25 5	14 6	253 9	498 3
Profıt for the year	-	-	-	-	55 5	55 5
Issue of ordınary shares (note 21)	0 2	1 5	-	-	-	1 7
Share-based payments	-	-	-	0 2	-	0 2
At 31 December 2009	**77.4**	**128.6**	**25.5**	**14.8**	**309.4**	**555.7**
At 1 January 2008	77 1	125 5	25 5	14 2	161 0	403 3
Profit for the year	-	-	-	-	92 9	92 9
Issue of ordınary shares (note 21)	0 1	1 6	-	-	-	1 7
Share-based payments	-	-	-	0 4	-	0 4
At 31 December 2008	**77.2**	**127.1**	**25.5**	**14.6**	**253.9**	**498.3**

Notes to the financial statements

23 Cash generated from / (absorbed by) operations

	Group		Company	
Reconciliation of operating profit / (loss) to cash generated from / (absorbed by) operations:	**2009 £m**	**2008 £m**	**2009 £m**	**2008 £m**
Operating profit / (loss)	**177.0**	218 4	**(2.0)**	(1.8)
Depreciation of property, plant and equipment	**40.5**	38 0	**-**	-
Amortisation of intangible assets	**0.3**	0 4	**-**	-
Share-based payment	**0.1**	0.4	**-**	-
Profit on sale of property, plant and equipment	**(0.8)**	-	**-**	-
(Decrease) / increase in provisions	**(0.3)**	6 0	**-**	-
Revaluation of investment properties	**6.6**	(31 7)	**-**	-
Decrease in net retirement benefit asset	**(3.4)**	(5 8)	**-**	-
Operating cash flows before movements in working capital	**220.0**	225 7	**(2.0)**	(1 8)
Decrease in property developments and land held for sale	**0.1**	1.0	**-**	-
Decrease / (increase) in trade and other receivables	**0.3**	(7 7)	**11.5**	(34 0)
Decrease in trade and other payables	**(139.4)**	(131 9)	**(0.6)**	(1.0)
Cash generated from / (absorbed by) operations	**81.0**	87 1	**8.9**	(36 8)

	Group		Company	
Analysis of cash and cash equivalents	**2009 £m**	**2008 £m**	**2009 £m**	**2008 £m**
Cash at bank and in hand	**41.5**	24 6	-	-
Cash and cash equivalents	**41.5**	24 6	-	-

24 Related party transactions

The group has interests in two associated undertakings: Southampton Container Terminals Limited and Tilbury Container Services Limited The nature of these investments is described more fully in note 27 to the financial statements During the year, the group charged these undertakings a total of £27 8m (2008 £30.0m) in respect of property management and operational services. At the year-end, £6 6m (2008 £6 9m) remained owing by these undertakings in respect of these charges and in relation to tax losses surrendered by the group to these entities

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 (2008 £0 3m) in respect of administrative services At the year-end, £0 3m (2008 £0 2m) remained owing to the group by The Associated British Ports Group Pension Scheme in respect of these charges

Key management personnel had access to an employee scheme which provided relocation assistance including bridging loans on family homes The taxable benefits of this scheme have been included in the key management remuneration in note 5 The balance outstanding on the loans to key management at 31 December 2009 was £0.6m (2008: £1 1m). The balance arose during 2008 and is unsecured The bridging loan element of the scheme has since been withdrawn

Notes to the financial statements

24. **Related party transactions** (contınued)

Key management compensatıon is dısclosed ın note 5. Durıng the year, nıne of the dırectors of the company were representatıves of the shareholders of the ultımate parent undertakıng, ABP (Jersey) Lımıted Each shareholder is entıtled to receıve fees for the servıces of these dırectors and may request that the fees are paıd dırectly to a dırector The fees earned durıng the year were as follows

	2009 £	2008 £
Goldman Sachs Internatıonal and Goldman Sachs & Co (on behalf of Admıral Instıtutıonal Sarl and Admıral Global and Internatıonal Sarl)	**70,000**	60,000
Borealıs Internatıonal Investments Corporatıon and Borealıs (Luxembourg) S.C A	**105,000**	90,000
Cheyne Walk Investment Pte Lımıted	**105,000**	90,000
M&G Investment Management Lımıted (on behalf of Infracapıtal Partners LP)	**35,000**	30,000

Further detaıls of the shareholders' share ownershıp are set out ın note 28

The company has an interest bearıng loan arrangement wıth ıts ımmedıate parent undertakıng, ABP Acquısıtıons UK Limıted Durıng the year, the company was charged ınterest of £27 7m (2008 £16 2m). The balance outstanding under thıs loan facılıty as at 31 December 2009 was £374 2m (2008 £256 2m). The ınterest rate on thıs loan ıs 8 97% (2008 8 23%)

The company has an interest bearıng loan arrangement wıth ıts prıncıpal subsıdıary undertakıng, Assocıated Brıtısh Ports ("ABP") Durıng the year, the company charged ınterest of £54 6m (2008 £52 0m) to ABP The balance outstandıng under thıs loan facılıty as at 31 December 2009 was £610 6m (2008 £668 6m) The ınterest rate on thıs loan is 8.97% (2008 8 23%)

25 **Financial commitments**

	Group		Company	
	2009 **£m**	**2008** **£m**	**2009** **£m**	**2008** **£m**
Group capıtal expendıture contracted but not provıded for	**2.9**	24 4	-	-

The group's share of the capıtal commitment of ıts assocıated undertakıngs amounted to £3 7m (2008 £6 4m)

	Group		Company	
Total future mınımum lease instalments expected to be paıd under non-cancellable operatıng leases are as follows	**2009** **£m**	**2008** **£m**	**2009** **£m**	**2008** **£m**
Not more than one year	**3.4**	3 5	-	0 1
More than one year but not more than five years	**7.0**	8 5	-	0 1
More than five years	**23.2**	23 5	-	-
Total to be paid	**33.6**	35 5	-	0 2

The group leases varıous vehıcles and property under non-cancellable operatıng lease agreements, which have varıous terms and renewal rıghts

Notes to the financial statements

25 **Financial commitments** (continued)

	Group		Company	
Total future minimum lease instalments expected to be received under non-cancellable subleases are as follows	**2009 £m**	**2008 £m**	**2009 £m**	**2008 £m**
Not more than one year	**0.8**	0 6	-	-
More than one year but not more than five years	**2.3**	1 0	-	-
More than five years	**17.9**	17 4	-	-
Total to be received	**21.0**	19 0	-	-

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

26. **Contingent liabilities**

	Group		Company	
Contingent liabilities under claims, indemnities and bank guarantees	**2009 £m**	**2008 £m**	**2009 £m**	**2008 £m**
Bank guarantees in respect of group borrowings	**2,140.0**	2,155 0	**2,140.0**	2,160 0
Other guarantees and contingencies	**0.1**	0 3	-	-

The company has provided guarantees in respect of group borrowings and facilities totalling £2,700m (2008 £2,720m) Under these facilities £560m of indebtedness was incurred by the company as at 31 December 2009 (2008: £560m) and is included in the company's borrowings as set out in note 15 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 and a fixed and floating charge over various assets including its rights in relation to its principal subsidiary, Associated British Ports

Other guarantees and contingencies relate primarily to performance bonds

The group makes contributions to three industry-wide defined benefit pension schemes, which have various funding levels The group's ability to control these schemes is limited and therefore the impact on the group's future cash flows and cost base from these schemes is uncertain Further details on these schemes are set out in note 12

The bankers of a subsidiary undertaking, ABP Insurance Limited, have issued letters of credit totalling £5,025,000 in favour of the group's employer's liability insurers. The letters of credit are secured against cash deposits of £4,225,000

27 **Principal subsidiary and associated undertakings**

Principal subsidiary and associated undertakings are domiciled and operate in England and Wales The group's controlling interest in subsidiary undertakings is represented by ordinary shares All shares held are of the same class with voting rights in the same proportion to the shareholding

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	49
Tilbury Container Services Limited	33[2]

[1] *Under the Transport Act 1981, the company has powers over Associated British Ports corresponding to the powers of a holding company over a wholly owned subsidiary undertaking*
[2] *Associated British Ports also owns 49 per cent of the issued preference share capital in Tilbury Container Services Limited*

28 **Ultimate controlling parties**

The company is a limited liability company domiciled and incorporated in England and Wales Its immediate parent undertaking is ABP Acquisitions UK 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 IFRS and are available from Whiteley Chambers, Don Street, 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.a r.l (owned by GS Infrastructure Partners)	23 00	22.71
Admiral Institutional S a r.l (owned by GS Infrastructure Partners)	0 33	0 63
	100.00	**100.00**