

ASSOCIATED BRITISH PORTS HOLDINGS LIMITED

(Company Number 1612178)

ANNUAL REPORT AND ACCOUNTS 2010



ASSOCIATED BRITISH PORTS HOLDINGS LIMITED

ANNUAL REPORT AND ACCOUNTS 2010

	Page
Business review	1
Group overview	1
Strategy update	2
Operating and financial review	4
Risks and uncertainties	16
Resources and key relationships	20
Outlook	22
Directors' report	23
Statement of directors' responsibilities	26
Independent auditor's report	27
Group income statement and statement of comprehensive income	29
Balance sheets	30
Statements of cash flows	31
Statements of changes in equity	32
Notes to the financial statements	33

Business review

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

The group 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 2010

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 2010 and expected trends for 2011, details of the group's financial position at 31 December 2010 and discussion of critical accounting policies and judgments applied in the preparation of the group's 2010 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

The group's core ports and transport business benefited from improved volumes across a number of key trades and the impact of cost reduction initiatives implemented in 2009 to deliver a strong improvement in its operating performance during 2010.

Revenue from ports and transport activities increased by 1.6 per cent to £404.1m (2009: £397.7m). Revenue contribution from the group's property investment and property development activities decreased marginally to £4.0m (2009: £4.2m) and consequently overall group revenue increased by 1.5 per cent to £408.1m (2009: £401.9m). Underlying operating profit (before movement in fair value of investment properties and amortisation of acquisition related adjustments) from the group's ports and transport activities increased by 15.0 per cent to £207.4m (2009: £180.3m). Underlying operating profit contribution from the group's property investment and property development activities decreased by £0.1m to £3.2m (2009: £3.3m). Group underlying operating profit, as set out in table 1, increased by 14.7 per cent to £210.6m (2009: £183.6m). The growth achieved by the group's core ports and transport business reflected the impact of a 5.4 per cent increase in throughput together with the full year impact of cost reduction initiatives undertaken in 2009. During 2010, the group continued 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.

Business review (continued)**1. Group overview (continued)****Table 1**

	2010	2009	Change from
Operating profit by business segment	£m	£m	2009
Ports & transport	207.4	180.3	+15.0%
Property investment	3.1	3.3	-6.1%
Property development	0.1	-	-
Underlying operating profit	210.6	183.6	+14.7%
Increase / (decrease) in fair value of investment properties	23.8	(6.6)	+460.6%
Group operating profit	234.4	177.0	+32.4%

The group's annual review of its investment property portfolio led to an increase in carrying values recognised in the income statement of £23.8m (2009 decrease of £6.6m)

Deepsea container volumes handled by the group's associates, DPWS and TCS, increased by 12.9 per cent to 2,045,000 twenty foot equivalent units (TEUs) during 2010. Increased volumes coupled with the impact of cost reduction initiatives implemented during 2009 led to the group's share of profit in associates increasing by £6.3m to £2.7m (2009 net loss of £3.6m). It should also be noted that the group share of loss in associates for 2009 was impacted by a one-off charge of £2.6m being the group's share of losses relating to the decommissioning from service of certain crane units at DPWS.

Finance costs amounted to £9.6m (2009 £11.9m) and included interest costs of £8.4m (2009 £10.4m) in relation to the group's senior debt. Finance income amounted to £40.5m (2009 £30.4m) and included £37.1m (2009 £27.7m) in relation to loans from the company's parent undertaking.

The overall tax charge for 2010 amounted to £51.2m (2009 £45.0m) and comprised a current tax charge of £61.0m (2009 £51.6m) and a deferred tax credit of £9.8m (2009 £6.6m). 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.

During 2010, we continued to benefit from strong growth in cruise traffic with international cruise passenger volumes at Southampton increasing by 16.8 per cent. In order to accommodate expected future growth in cruise volumes and build upon Southampton's position as one of Europe's leading cruise ports we plan to invest £30m in developing a fifth cruise terminal and related parking facilities. This investment is to be supported by an agreement with a leading cruise line operator.

Business review (continued)

2. Strategy update (continued)

Also at Southampton we have now received the planning consent to undertake quayside infrastructure improvements needed to increase deepsea container capacity. Deepsea container volumes have recovered well during 2010 and the group continues to believe that increased capacity is required to support the expected long-term growth in deepsea container volumes at the Port. Commercial discussions in support of this expansion remain ongoing and the group intends to progress the overall expansion project on a phased basis over the coming years.

At the Port of Hull, we submitted a planning consent application to develop a new riverside bulk terminal during March 2010. This potential investment is to be undertaken to support proposed new biomass power station facilities to be developed at the Port.

Also at Hull, in view of reduced shortsea container volumes, we are now progressing the approval process to amend an existing consent for the development of a riverside terminal for the handling of shortsea containers to allow the development of a wind turbine manufacturing facility and the associated quayside infrastructure. This project will be supported by a long-term customer agreement with an initial exclusivity agreement having been concluded with Siemens Plc during January 2011 binding both parties to work together on detailed specifications, design, engineering and delivery of these facilities. The proposed development will include the provision of storage space, the construction of the manufacturing facility and the creation of a new riverside quay. Definitive agreements to proceed with the proposed scheme are expected to be executed in 2011.

In addition to the above, we continue 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 there continues to exist scope to invest in the expansion of capacity at our existing deepwater jetty to facilitate the import of coal and woodchip volumes. This potential investment will be undertaken to support the customer-led development of a new 350MW renewable energy plant, which has already been consented 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 there is significant additional scope for the group to benefit from opportunities related to the development of new biomass and 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 a variety of 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.

Business review (continued)**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 98.5 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 2009*.

Table 2

(million tonnes)	2009 ABP market position	2009 ABP market share	2009 ABP	2009 market	2008 market	2007 market	2006 market	2005 market
Cargoes								
Liquid bulks	1	21.9%	50.1	229.1	241.0	250.6	252.3	265.4
Dry bulks	1	31.7%	33.4	105.4	132.9	133.7	141.8	134.9
Containers, roll-on/ roll-off and vehicles	2	16.1%	23.7	147.1	162.0	166.2	159.3	154.7
Other general cargo	1	26.9%	5.2	19.3	26.3	31.0	30.3	30.7
Total	1	22.4%	112.4	500.9	562.2	581.5	583.7	585.7
Change				-10.9%	-3.3%	-0.4%	-0.3%	2.2%
International ferry passengers (thousands)	4	6.4%	1,382	21,627	22,842	23,668	23,465	23,693
Change				-5.3%	-3.5%	+0.9%	-1.0%	-8.2%
International cruise passengers (thousands)	1	74.0%	1,037	1,402	1,413	1,132	1,064	987
Change				-0.8%	24.8%	6.4%	7.8%	22.3%

*Source: DfT Transport Statistics Report Maritime Statistics 2009, 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 2009 amounted to 500.9m tonnes with 303.6m tonnes or 60.6 per cent being represented by imports and 197.3m tonnes or 39.4 per cent being represented by exports. With 21 strategically located ports the group remains the largest and leading ports operator in the UK. During 2009 the group's ports accounted for 22.4 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 1,037,000 international cruise passengers during 2009 representing 74.0 per cent of the overall UK volumes. The group's international ferry passenger volumes for 2009 amounted to 1,382,000, being 6.4 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 2009. 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.

Business review (continued)**3. Operating and financial review (continued)**

During 2009 the top 20 ports accounted for 86.1 per cent of the overall market volumes. The aggregated Port of Grimsby and Immingham with cargo throughput of 54.7m tonnes remained 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 origin of a cargo and the efficiency of ports services are also important considerations.

The overall growth in cargo volumes handled by UK is impacted by a number of factors including growth in the country's GDP, exchange rates, changes in preferences for method of transport and changes in trends associated with globalisation of production facilities etc. During the 5 years ended 31 December 2009 cargo volumes handled by the UK's ports declined at a compound annual rate of 2.6 per cent mainly due to the significant contraction in global port volumes experienced during the 2009 economic/credit crisis. Volumes for most of our key cargoes have recovered well during 2010 and notwithstanding the uncertain short-term macro-economic uncertainties the group continues to believe that long-term volume growth prospects for containers, renewable energy, 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 which 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 limited.

During the five-year period ended 31 December 2009 the UK's international cruise passenger volumes grew at a compound annual rate of 11.7 per cent. The growth in cruise volumes continues to be driven by ongoing investment in new vessels and market development by cruise operators, the popularity of cruising with younger passengers and increased demand for shorter cruises. Our cruise volumes at Southampton have outperformed the strong growth rates achieved by the wider market and the group's recent and planned future investments mean that we remain 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 3.5% during the five years to December 2009. This reduction reflects the impact of competition from rail services via the channel tunnel and the growth of low-cost air travel.

2010 throughput volumes

During 2010, the cargo volumes handled by the group's UK ports increased by 5.4 per cent to 118.5m tonnes (2009: 112.4m tonnes). Table 3 provides an analysis of the changes in the group's 2010 UK ports volumes by cargo category compared with 2009.

Table 3

Changes in ABP's UK ports volumes	2010	2009	Change from
Cargo	million tonnes	million tonnes	2009
Liquid bulks	51.4	50.1	+2.6%
Dry bulks	35.3	33.4	+5.7%
Containers, roll-on/roll-off and vehicles	25.8	23.7	+8.9%
Other general cargo	6.0	5.2	+15.4%
Total Tonnage	118.5	112.4	+5.4%

Business review (continued)**3. Operating and financial review (continued)**

The group's throughput volumes for 2010 increased by 5.4 per cent to 118.5m tonnes reflecting improvements in the wider economic climate. Significant developments for individual cargo volumes included the following:

- Liquid bulks: growth of 2.6 per cent with increased volumes of petroleum exports partially offset by reduced imports of crude oil and chemicals
- Dry bulks: overall dry bulks volumes increased by 5.7 per cent with growth in volumes for iron ore, coking coal, agribulks, aggregates and minerals partially offset by a reduction in power station coal volumes
- Containers: container volumes increased by 11.6 per cent with improvement on the prior year reflecting a return to more normal economic conditions and the cessation of destocking activity undertaken by retailers during 2009
- Roll-on/roll-off and vehicles: Roll-on/roll-off traffic (excluding vehicles) increased by 0.8 per cent with improved volumes at Immingham from new services being partially offset by reductions on some shortsea trades. Import/export vehicle volumes increased by 14.0 per cent on the back of much improved activity and demand for new vehicles compared with 2009
- Other general cargo increased by 15.4% with steel volumes recovering strongly on the back of increased manufacturing activity. The group's scrap volumes were also well ahead of the prior year

Table 4 provides an analysis of the changes in the group's UK passenger volumes for 2010 compared with 2009

Table 4

Changes in ABP's UK ports passenger volumes	2010 (000s)	2009 (000s)	Change from 2009
International ferry passengers	1,463	1,382	+5.9%
International cruise passengers	1,211	1,037	+16.8%
Domestic cruise and ferry passengers	322	291	+10.7%
Total	2,996	2,710	+10.6%

The group's international ferry volumes relate to the Hull to Rotterdam and Zeebrugge services operated by P&O and the Plymouth to Roscoff and Santander services operated by Brittany Ferries

International ferry passenger volumes on the group's major routes increased during 2010 mainly due to the reintroduction of the Swansea-Cork ferry service

The Port of Southampton remains the UK's number-one cruise port and has continued to grow its cruise passenger volumes with 2010 international cruise passenger numbers up 16.8 per cent on the previous year. The number of cruise calls handled, at 301 (2009: 271), was up 11.1 percent reflecting the continued growth in popularity of cruising and the introduction of additional capacity by cruise line operators

Domestic cruise and ferry passenger volumes relate mainly to ferry services operating from Troon and Fleetwood. Domestic cruise and ferry passenger volumes increased by 10.7 per cent reflecting increased domestic cruise passenger numbers at the Port of Southampton

Business review (continued)**3. Operating and financial review (continued)****Ports & transport**

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

Table 5

Ports & transport	2010 £m	2009 £m	Change from 2009
Revenue	404.1	397.7	+1.6%
Underlying operating profit	207.4	180.3	+15.0%

The performance of our ports and transport business continues to be underpinned by an extremely well diversified cargo base and long-term contracts with a broad range of customers, many of which are blue-chip multinational organisations

During 2010 revenue increased by 1.6 per cent to £404.1m (2009 £397.7m) and underlying operating profit improved by 15.0 per cent to £207.4m (2009 £180.3m). The operating result for our ports and transport activities reflects the impact of volume developments discussed above and the full year impact of cost reduction initiatives implemented in 2009. Growth against the prior year also reflects the impact of £3.5m of one-off restructuring costs which were charged to the income statement during 2009.

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. As detailed in the strategy update we are continuing to progress a number of significant short and long-term opportunities to further develop our ports and transport business through significant future investment in customer-backed projects across a number of our key trades. Further comments on the regional operations included with the group's ports and transport segment are provided below.

Revenue at Hull and Goole increased by 0.5 per cent with the impact of increased volumes of steel, containers and agribulks being partially offset by the impact of reduced volumes for liquid bulks and coal. In March 2010 we submitted a planning consent application to develop a new riverside bulk terminal to support the potential development of new biomass power generation facilities at the Port of Hull. In July 2010 we announced plans to invest up to £4.8m to significantly enhance a number of customer facilities located at King George Dock, Hull. This project includes the improvement of certain facilities and the development of new facilities including the construction of a new 8,500sqm storage facility and provision of an additional 24,000sqm of hard standing areas on the back of new term agreements with a number of customers. The Port of Hull is investing £0.7m in the enhancement of existing storage facilities on the back of a term agreement with Ahlmark line. Also at Hull, we have invested £0.3m in facilities for the handling of rice products supported by a term agreement with Westmill Foods. In addition, we recently concluded an exclusivity agreement with Siemens Plc in relation to a proposed development of a wind turbine manufacturing facility and related quayside infrastructure at the Port of Hull. This project could lead to a potential investment of c£100m being supported by a long-term agreement with Siemens Plc. Definitive agreements are expected to be concluded during 2011.

Revenue at Grimsby and Immingham decreased by 1.4 per cent with the impact of reduced throughputs for power station coal being partially offset by the impact of increased volumes for liquid bulks, ro-ro, import/export vehicles, iron ore and salt.

Business review (continued)

3. Operating and financial review (continued)

Revenue at Southampton increased by 8.1 per cent, reflecting the impact of improved container, import/export vehicles and cruise passenger volumes. International cruise volumes at the Port of Southampton grew by 16.8 per cent during the 2010 and, in order to accommodate anticipated future growth in passenger numbers, we recently announced plans to develop a fifth cruise terminal and related car parking facilities. Estimated investment of £30m in these new facilities is to be underpinned by extension of an existing agreement with a leading cruise line operator. Our existing cruise facilities at Southampton are also being enhanced for the 2011 season with a £4.2m investment in additional car parking facilities and a £0.7m investment in storage facilities at the Ocean Cruise Terminal.

Also at Southampton we are investing £2.4m to improve the Port's marina facilities and office/retail premises located at the Town Quay site and the group has agreed to invest £2.4m in craneage equipment on the back of a 20-year agreement with Solent Stevedores Ltd. Our intermodal terminal, Hams Hall, which is managed by the team at Southampton, has continued to develop well during 2010 and in order to support new business volumes the group is investing £1.0m to improve the infrastructure and equipment at this facility.

Southampton is also home to the second largest deepsea container terminal in the UK and we remain committed to ensuring that it remains one of the leading container ports in the country. The group has now received the planning consent to undertake quayside infrastructure improvements needed to increase deepsea container capacity. Deepsea container volumes have recovered well during 2010 and the group continues to believe that increased capacity is required to support the expected long-term growth in deepsea container volumes at the Port. Commercial discussions in support of this expansion remain ongoing and the group intends to progress the overall expansion project on a phased basis over the coming years.

Revenue for the South Wales region increased by 2.8 per cent with the benefit of improved volumes of aggregates, agribulks, break bulks and iron ore being partially offset by a reduction in power generation coal volumes. At Cardiff the group is investing £0.6m in improvements to warehousing and quayside facilities to support new business volumes secured under a term agreement with Bemaco Steel. Also at Cardiff the group's lo-lo business, Cardiff Container Line, is investing £0.8m in the acquisition of specialist equipment and terminal improvements to support new business volumes. At the Port of Newport we remain committed to an investment of £7.4m in craneage and terminal infrastructure to service biomass imports for a 49MW power station proposed by Nevis Power. Work on this project is now expected to commence in 2011, with the new facilities expected to be operational in 2013. At Port Talbot there continues to exist scope to invest in the expansion of capacity at our existing deepwater jetty to facilitate the import of coal and woodchip volumes.

This potential investment will be undertaken to support the customer-led development of a new 350MW renewable energy plant, which has already been consented by the relevant planning authorities.

Revenue for the group's 11 shortsea ports decreased by 3.1 per cent reflecting reduced dredging revenue and ro-ro volumes being partly offset by increased volumes of agribulks, aggregates and salt imports. At the Port of Barrow the group is investing £0.3m to provide improved quayside facilities to support the construction of the Ormonde Offshore Wind Farm. Also at Barrow we are investing £0.6m in the provision of a compound and a pontoon facility to support works being undertaken by Siemens in relation to the construction of the Walney offshore wind farm development. At Ipswich we are investing £0.9m to expand the existing marina facilities through

Business review (continued)**3. Operating and financial review (continued)**

creation of 88 additional berths. Our existing marina facilities at the port are fully occupied and this new investment is being undertaken to meet strong customer demand for additional capacity.

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 2010.

Table 6

	2010 £m	2009 £m	Change from 2009
Property investment			
Revenue	3.9	4.2	-7.1%
Operating profit	3.1	3.3	-6.1%

Property investment revenue decreased by 7.1 per cent to £3.9m (2009: £4.2m) and operating profit decreased by 6.1 per cent to £3.1m (2009: £3.3m). The majority of this income continues to be generated from non port-related tenants at Southampton and in South Wales. The reduction in revenue and operating profit from property investment activities reflects the transfer of certain assets from property investment to ports and transport activities.

Property development

With the group's 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. During 2010 the group generated property development revenue of £0.1m (2009: £nil) and operating profit of £0.1m (2009: nil).

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.

Business review (continued)**3. Operating and financial review (continued)****Table 7**

Associates	2010 £m	2009 £m	Change from 2009
Throughput (000s of twenty-foot equivalent units)	2,045	1,811	+12.9%
Group's share of revenue in associates	58.5	54.0	+8.3%
Group's share of underlying operating profit / (loss) in associates	4.6	(3.6)	+227.8%
Group's share of net interest costs in associates	(1.1)	(0.7)	-57.1%
Group's share of taxation (charge) / credit in associates	(0.8)	0.7	-214.3%
Group's share of profit / (loss) in associates	2.7	(3.6)	+175.0%
Group's share of net borrowings in associates	(0.3)	(5.1)	+94.1%

Throughput levels at both DPWS and TCS recovered strongly during 2010 reflecting the benefit of a more stable economic backdrop and the cessation of destocking activity undertaken by manufacturers and retailers during 2009. DPWS's volumes for the year increased by 13.3 per cent to 1,535,000 Twenty Foot Equivalent Units (TEUs) (2009: 1,355,000 TEUs) and TCS's volumes increased by 11.8 per cent to 510,000 TEUs (2009: 456,000 TEUs).

As a result of the improvement in volumes the group's share of revenue in associates increased by 8.3 per cent to £58.5m (2009: £54.0m). Increased volumes and lower costs led to the group's share of the underlying operating profit in associates increasing by £8.2m to £4.6m (2009: loss of £3.6m). It should also be noted that 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 certain crane units and other restructuring costs incurred at both DPWS and TCS.

The group's share of net finance costs in associates amounted to £1.1m (2009: £0.7m) and the group's share of the taxation charge was £0.8m (2009: credit of £0.7m). The group's share of net profit in associates amounted to £2.7m (2009: net loss £3.6m). At 31 December 2010 the group's share of net borrowings in associates amounted to £0.3m (2009: £5.1m).

Business review (continued)**3. Operating and financial review (continued)****Net finance costs**

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

Table 8

Net finance costs	2010 £m	2009 £m	Change from 2009
Interest expense – bank loans and overdrafts	(8.4)	(10.4)	+19.2%
Finance leases	(0.2)	(0.2)	-
Less finance costs capitalised on non current assets	0.3	0.8	-62.5%
Other	(1.3)	(2.1)	+38.1%
Finance costs	(9.6)	(11.9)	+19.3%
Interest receivable - loan to parent undertaking	37.1	27.7	+33.9%
Discount on debt buy-back	1.5	-	-
Other finance income	1.9	2.7	-29.6%
Net finance income	30.9	18.5	+67.0%

The group's debt is denominated in sterling. The Bank of England base rate for 2010 averaged 0.5 per cent (2009 0.64 per cent)

Interest costs associated with loans and overdraft decreased by 19.2 per cent to £8.4m (2009. £10.4m) due to the impact of lower net borrowings and a reduction in margin payable in relation to the group's main debt facility. During 2010 average debt associated with bank loans, overdrafts and finance leases net of cash in hand amounted to £477.5m (2009 £494.5m)

Interest receivable associated with the loan to the company's parent undertaking amounted to £37.1m (2009 £27.7m). The increase in interest income associated with this loan reflects the increase in outstanding loan balance due from the parent undertaking.

Other finance income decreased by £0.8m to £1.9m (2009 £2.7m). The group also recorded a gain of £1.5m (2009 £nil) in relation to the buy back of debt.

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 2010 review of the fair value of the group's investment property portfolio resulted in a gain of £24.3m (2009 loss of £7.5m) with £23.8m (2009 loss of £6.6m) of the gain being recognised in the income statement and a gain of £0.5m (2009. loss of £0.9m) being recognised in equity.

Taxation

The overall tax charge for 2010 amounted to £51.2m (2009 £45.0m) and comprised a current tax charge of £61.0m (2009 £51.6m) and a deferred tax credit of £9.8m (2009 credit of £6.6m). The group's share of taxation in associated undertakings reported within its share of profits from associated undertakings amounted to £0.8m (2009 loss of £0.7m).

Business review (continued)**3. Operating and financial review (continued)****Dividends**

The company did not pay any dividends during 2010 (2009 £nil)

Cash flows

Table 9 below provides a summary of the group's cash flows for 2010

Table 9

Cash flows summary	2010 £m	2009 £m	Change from 2009
Group operating profit	234.4	177.0	+32.4%
Depreciation and amortisation	42.5	40.8	+4.2%
Disposal of property, plant and equipment	0.3	0.8	-62.5%
Net working capital and provisions	(213.4)	(139.3)	-53.2%
Increase in net retirement benefit asset	(8.9)	(3.4)	-161.8%
Share based payment charge	0.1	0.1	-
Maintenance capital expenditure	(18.6)	(21.8)	+14.7%
(Gain) / loss on revaluation of investment property	(23.8)	6.6	-460.6%
Cash flows before debt service and growth capex	12.6	60.8	-79.3%
Net debt service costs – bank loans, cash and leases	(8.2)	(10.8)	-24.1%
Growth capital expenditure	(13.8)	(29.4)	+53.1%
Other	1.0	1.6	-37.5%
Decrease in net borrowings from cash flows	(8.4)	22.2	-137.8%
Movement in bank loan interest accrual	0.1	0.3	-66.7%
Discount on buy-back of debt	1.5	-	-
Decrease in bank debt and finance leases	(6.8)	22.5	-130.2%

Cash flow before debt service and growth capex decreased by £48.2m to £12.6m (2009 £60.8m) which reflected an increase in amounts owed by the company's parent undertaking which was only partially offset by increases in operating cash flow resulting from the significant improvement in the group's underlying earnings. The group continues to closely monitor and manage its working capital and capital expenditure requirements.

Given the group's commitment to growing the business through investment in its operations, capital expenditure represents one of the more significant uses of its cash flow. Total capital expenditure for the year decreased to £32.4m (2009 £51.2m). There are two elements to the group's capital expenditure: maintenance or infrastructure expenditure and revenue-earning capital projects. Maintenance expenditure during 2010 amounted to £18.6m (2009 £21.8m) and was once again below the level of depreciation. 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 2010 amounted to £13.8m (2009 £29.4m) and included expenditure associated with the development of new cruise passenger car parking facilities of £2.2m, the purchase of new craneage equipment at Southampton of £2.2m and re-configuration of King George Dock at Hull of £0.8m.

Business review (continued)**3. Operating and financial review (continued)****Balance sheet**

The group's balance sheet position as at 31 December 2010 is summarised in table 10 below.

Table 10

Balance sheet	2010 £m	2009 £m	Change from 2009
Goodwill and intangible assets	14.9	14.9	-
Property, plant and equipment	948.0	958.0	-1.0%
Investment property	667.3	642.3	+3.9%
Investments	51.8	48.2	+7.5%
Property developments and land held for sale	2.5	3.0	-16.7%
Net retirement benefit asset	16.9	0.8	+2,012.5%
Deferred tax liabilities	(145.0)	(152.2)	+4.7%
Loan to parent	531.2	336.8	+57.7%
Net borrowings	(527.0)	(520.2)	-1.3%
Other	9.5	14.7	-35.4%
Net assets	1,570.1	1,346.3	+16.6%

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

The group owns and operates 21 ports around the UK. Consequently, the majority of its capital is invested in port infrastructure and investment property located at its port facilities. 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 2010 the group's capital invested in property, plant and equipment decreased by £10.0m, with the impact of depreciation exceeding additions and transfers in from investment property. The increase of £25.0m in its port-related investment property and other property assets included an increase of £24.3m, which resulted from the review of fair values conducted as at 31 December 2010, net additions of £1.2m and net transfers to other categories of £0.5m.

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 2010, in relation to this scheme, the group recorded £6.3m (2009 £5.2m) for current service cost and recognised net finance income of £5.3m (2009 £2.4m) within its operating profit. As a result of the actuarial assumptions not having been borne out during 2010, the group also recognised an actuarial gain of £7.3m (2009 loss of £53.1m) within other comprehensive income. This gain resulted from the better than expected returns on the scheme's assets of £27.9m being partially offset by an increase in liabilities of £5.2m (reflecting the negative impact of a 25 basis point decrease in the discount rate applied and changes in mortality assumptions being partially offset by the positive impact of changes in the inflation assumption) and an experience loss of £15.4m in respect of changes to membership assumptions. 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

Business review (continued)**3. Operating and financial review (continued)****Table 11**

Net borrowings	Maturity	2010 £m	2009 £m	Change from 2009
Senior bank debt	2013	546.4	560.0	-2.4%
Finance leases		0.9	1.3	-30.8%
Accrued interest – bank loans and overdrafts		0.4	0.4	-
Net cash		(20.7)	(41.5)	+50.1%
Net borrowings		527.0	520.2	+1.3%

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 £546.4m (2009: £560.0m) of borrowings outstanding under the group's £560m senior credit facility, £0.9m (2009: £1.3m) of obligations under finance leases and £0.4m (2009: £0.4m) of balances associated with interest accruals.

The group can access committed undrawn borrowings of £342.5m under its senior credit facility (2009: £350.0m). These undrawn facilities can be utilised to fund working capital and capital expenditure.

Changes in net liabilities

Net assets increased by £223.8m to £1,570.1m (2009: increase of £98.1m to £1,346.3m). The corresponding increase in shareholders' funds comprises:

- Increase of £216.8m in respect of the profit for the year (2009: £146.9m)
- Increase of £5.3m due to net actuarial gain recognised in relation to the group's pension scheme (net of deferred tax) (2009: decrease of £38.3m)
- Increase of £0.5m in relation to property revaluation gains recognised in equity (2009: loss of £0.9m)
- Decrease of £0.2m in relation to fair value loss on forward foreign exchange contract (net of deferred tax) (2009: decrease of £1.3m)
- Increase of £0.9m due to net actuarial loss recognised in an associate's pension scheme (2009: decrease of £6.1m)
- Decrease of £0.2m due to deferred tax arising on revaluation of investment property (2009: £2.6m)
- Increase of £1.0m due to the issue of ordinary shares (2009: £1.7m)
- Decrease of £0.3m in relation to share based payments (2009: £1.3m)

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

Business review (continued)

3. Operating and financial review (continued)

The carrying values for the group's goodwill and other intangible assets are reviewed for impairment on an annual basis. It should be noted that these reviews require an element of judgment in terms of the assumptions applied in relation to future forecasts of cash flows and discount rates. Based on the assumptions adopted the current reviews indicate that the group's forecast future trading provides 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 £667.3m (2009 £642.3m) at 31 December 2010. 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 as at 31 December 2009 is currently in progress. As at 31 December 2010 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 £16.9m at the end of 2010. The valuation of retirement benefit schemes requires an element of judgment in terms of the assumptions applied, although the directors have taken advice from the scheme actuary on the determination of these assumptions, there can be no certainty that these will be borne out in the future. Further details are shown in note 12 to the financial statements.

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

Revenue comprises the amounts receivable in respect of ports and transport services provided to third parties, income from investment properties and sales of property developments, excluding related sales taxes. Revenue and profit, in relation to the provision of ports and transport services and income from investment property, are recognised in line with the provision of the service. The recognition of revenue is not subject to a significant level of estimation or judgment. Where judgment is necessary, the group takes a prudent approach and applies relevant International Financial Reporting Standards. 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.

Business review (continued)

3. Operating and financial review (continued)

Capital risk

The group finances its business with a mixture of retained earnings of £562.5m (2009 £363.5m) committed bank borrowings of £546.4m (2009 £560.0m) and finance leases of £0.9m (2009 £1.3m). It also has a committed but unutilised working capital facility of £92.5m (2009 £100.0m) and a committed but unutilised capital expenditure facility of £250.0m (2009 £250.0m). 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 changes in global economic activity levels. Although our volumes have recovered well during 2010, the economic outlook continues to remain uncertain and could impact the group's ability to attain its future financial targets. It should also be noted that whilst the wider group continues to trade comfortably within its financial covenant limits, significant future reductions in the group's trading performance and the wider economic climate could adversely impact the group's current and future financing arrangements. In mitigation of the above risks the group has the benefit of a strong and supportive shareholder group, has many long-term contracts with a broad mix of customers and continues to maintain a strong focus on cost control, working capital and capital expenditure.

Operating costs

Increases in overall costs that the group is unable to pass on to its customers can be expected to impact its future financial performance. The group's fuel, utilities and dredging costs can fluctuate in response to external factors and future increases in these costs over and above those anticipated in the group's plans could impact on its future operating performance.

Business review (continued)

4. Risks and uncertainties (continued)

The valuation of the group's pension scheme and ongoing service costs attached to the provision of retirement benefits can vary depending on market conditions. A full actuarial valuation of this scheme at 31 December 2009 is close to being finalised and is expected to indicate a funding deficit. In anticipation of the funding position resulting from this valuation the group increased its contributions to the scheme during 2010. However, significant future deterioration in the funding levels of this scheme could lead to additional strain on the group's cash flow.

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 focused on developing its facilities to meet the needs of its customers and during 2010 invested £13.8m 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

Business review (continued)**4. Risks and uncertainties** (continued)

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 2010 will be included in the group's annual Corporate Responsibility (CR) report, which is due to be published in May 2011

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

Table 12

	2010	2009	Change from 2009
Fatal accidents to employees / contractors*	1	-	-
Reportable injuries per thousand employees	7.3	3.9	+87.2%
Percentage of employees provided with accredited training	94.0	96.0	-2.1%

**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 Tragically one of our employees at the Port of Ipswich was fatally injured whilst undertaking routine engineering maintenance work in March 2010 The incident is currently the subject of ongoing investigations both internally and by the Health and Safety Executive Following the incident the group closely liaised with the Health and Safety Executive and put in place interim measures designed to prevent similar accidents occurring in the future

The group remains committed to continuous improvement in its health and safety performance The incidence rate for reportable injuries for the year increased to 7.3 per thousand employees (2009 3.9) Whilst the increase in reportable injuries is disappointing, our 2010 Performance continues to compare favourably with the average rate of incidence for the UK ports industry 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 fallen slightly short of its target of ensuring 95 per cent of employees are provided with accredited training Every employee within the group's businesses continues to be set the objective of improving health and safety performance

Management of environmental matters

The group's UK port estates comprise over 12,000 acres of 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

Business review (continued)**4. Risks and uncertainties (continued)**

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 2010 CR report.

Table 13 below provides details of the group's progress during 2010 against its more significant environmental indicators.

Table 13

	2010	2009	Change from 2009
CO ₂ emissions (tonnes)*	83,897	**84,473	-0.7%
Electricity consumption (million kWh)	77.6	78.7	-1.4%
Water consumption (million litres)***	1,417.4	1,380.2	+2.7%

*The group's target for CO₂ emissions was to reduce absolute carbon emissions versus prior year levels and reduce like-for-like carbon emissions compared with revenue by 3% per annum against the 2009 base-line figure.

**2009 CO₂ emissions have been restated using current conversion factors. Reported last year as 81,192.

***The group's target for water consumption was to reduce absolute consumption by 3% against prior year.

The group sets targets on resource consumption in order to increase the efficiency of its operations and to minimise their impact on the environment. The group continued to implement a range of initiatives to improve resource efficiency and it achieved an absolute reduction in CO₂ emissions of 0.7 per cent equivalent to a decrease of 2.1 per cent on a like-for-like basis compared with revenue. Water consumption increased by 2.7 per cent due to increased dust suppression activity. In addition, the environment team made good progress on a range of initiatives against which we had set targets at the beginning of 2010, 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 have 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. Cash and in-kind contributions increased during the year by 5.1 per cent which exceeded our target of increasing cash and in-kind contributions by RPI. Table 14 below provides details of the group's 2010 performance in relation to social and community matters.

Business review (continued)**4. Risks and uncertainties (continued)****Table 14**

	2010	2009	Change from 2009
Total cash and in-kind contributions	£349,000	£332,000	+5.1%

Further details on social and community related initiatives and investment will be included in the group's 2010 CR report

5. Resources and key relationships

The group's core ports and transport business generated 99.0 per cent of group revenue and 98.5 per cent of underlying group operating profit during 2010. 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 sustained growth in its future financial performance. Key resources and relationships that could influence the group's future performance are discussed below.

Market leading, diversified business, supported by strong asset base

With 21 ports located around the UK the group's core business is the number one operator by tonnage within its market by a considerable margin. The size and spread of its UK ports portfolio also means that the group's core business is highly diversified in terms of the variety of cargoes handled and the origination and destination markets for its cargoes. This diversification further contributes towards the stability of the group's revenues. Furthermore the group's market position is supported by a very strong asset base. At the end of 2010 the group's tangible fixed assets amounted to £1,615.3m (2009: £1,600.3m).

Customers and suppliers

Like all businesses the group's future success is dependent upon the management and development of its relations with current and potential customers. In order to ensure that it is able to earn an appropriate return on capital invested in customer-driven schemes, the group enters into long-term agreements that normally include minimum annual revenue commitments from customers. These agreements not only enable the group to invest in the development of its infrastructure on the back of secure and predictable future revenue streams but also provide our customers with long-term security over the availability of the associated facilities. During 2010 we invested £13.8m in customer demand driven growth projects. Over 50 per cent of the 2011 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.

Business review (continued)**5. Resources and key relationships (continued)***Our people*

During 2010 the monthly average number of persons employed in the business was 1,926 (2009: 2,069). As an infrastructure-based provider of services, the success of our business is dependent on our employees, who have a direct impact on the delivery of our services to customers as well as on the efficient running of our operations. The quality and effectiveness of the management of our people is therefore critical to the attainment of our business objectives. Industrial action by the group's employees can affect its ability to provide facilities and services to its customers. The group is committed to the development of its employees and manages industrial relations by maintaining an ongoing dialogue and constructive relationships with employees and, where appropriate, their representatives.

Components of our personnel resources strategy include commitments to the highest possible standards of health and safety, equal opportunities, employee development, clear and fair terms of employment, access to information, 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 2010.

Table 15

	2010	2009	Change from 2009
Sickness and absenteeism rate	3.0% 6.8 days per employee	3.4% 7.7 days per employee	-11.8%
Annual appointments as a percentage of headcount	7.8%	4.2%	+85.7%
Annual leavers as a percentage of headcount	11.1%	16.3%	-31.9%
Annual compulsory redundancies as a percentage of headcount	1.4%	6.4%	-78.1%
Female employees as a percentage of headcount	11.8%	11.4%	+3.5%

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 2011. We intend to continue the development of our people during 2011 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.

Business review (continued)

5. Resources and key relationships (continued)

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

Improvement in the wider economic climate coupled with the benefit of cost reduction implemented in 2009 underpinned the strong financial performance achieved by the group during 2010. Looking ahead, although the impact of the government's austerity measures on consumer confidence and GDP growth remains unclear, the group's diversified cargo base, long-term contracts with a broad mix of customers and its ongoing focus on cost control means that it remains well placed to achieve further growth in 2011.

By Order of the Board



Peter Jones
Chief Executive



Zafar Khan
Chief Financial Officer

23 February 2011

Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 2010

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 (resigned 31 December 2010), and Messrs Peter Jones, Chief Executive (and chair of meetings of the board from 26 January 2011), Zafar Khan, Chief Financial Officer and Doug Morrison, Executive Director. Associated British Ports Holdings Limited is the immediate holding company for Associated British Ports, which is the group's main trading subsidiary. The following table lists the directors who served during the year and 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}	(resigned 31 December 2010)	
Mr James Cooper ^{1,2}		Infracapital Partners LP
Mr Tom Ferguson ¹	(resigned 31 March 2010)	GS Infrastructure Partners
Mr Peter Jones		
Mr George Kay ²		GIC Special Investments Pte
Mr David Kerr	(appointed 23 February 2010)	GIC Special Investments Pte
Mr Zafar Khan		
Mr Peter Lyneham ¹	(appointed 31 March 2010)	GS Infrastructure Partners
Mr Doug Morrison		
Mr Michael Rolland		Borealis International Investments Corporation
Mr Ang Eng Seng	(resigned 23 February 2010)	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 Kenton Bradbury

Mr Tom Ferguson (from 31 March 2010)

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 were chaired by Mr Chris Clark, an independent non-executive director and Chairman of the company, until 31 December 2010.

Directors' report (continued)

From 26 January 2011, meetings of the board of the company are chaired by Mr Peter Jones, Chief Executive 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, with effect from 31 March 2010, is chaired by Mr George Kay (previously 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 directors of the company and other senior managers within the group.

With effect from 31 March 2010, the group's audit committee is chaired by Mr James Cooper (previously 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 approval and publication and amongst other things is responsible for ensuring that the group continues to comply with the relevant accounting standards and regulations.

Directors' indemnities

The company 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 46 days of purchases (2009: 30 days) to trade creditors, based on the average daily amount invoiced by suppliers during the year.

Charitable and political donations

The group donated £93,671 (2009: £90,176) to charities during the year. It did not make any contributions for political purposes (2009: nil).

Annual general meeting

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

Auditor re-appointment

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

Audit information

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

- so far as each director is aware, there is no relevant audit information (that is, information needed by the company's auditor in connection with preparing his report) of which the company's auditor is unaware, and

Directors' report (continued)

- 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

By Order of the Board



AC Garner
Company Secretary
Aldwych House
71-91 Aldwych
London WC2B 4HN
23 February 2011

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 adequate accounting records which disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the 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 2011

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 2010 which comprise the Group Income Statement, the Group Statement of Comprehensive Income, the Group and Parent Company Balance Sheets, the Group and Parent Company Statements of Cash Flows, the Group and Parent Company Statements 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 26, 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 2010 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

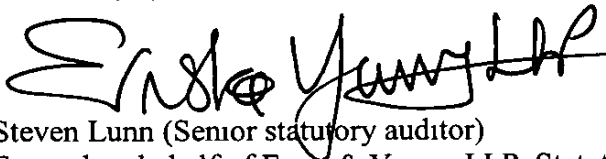
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

02 MAR 2011

Group income statement for the year ended 31 December

	Note	2010 £m	2009 £m
Group revenue	2	408.1	401.9
Cost of sales		(159.6)	(168.5)
Gross profit		248.5	233.4
Administrative expenses		(37.9)	(49.8)
Increase / (decrease) in fair value of investment properties	10	23.8	(6.6)
Group operating profit	2, 4	234.4	177.0
Analysed between			
Group operating profit before movement in fair value of investment properties		210.6	183.6
Increase / (decrease) in fair value of investment properties	10	23.8	(6.6)
Finance costs	3	(9.6)	(11.9)
Finance income	3	40.5	30.4
Share of profit / (loss) in associated undertakings	11	2.7	(3.6)
Profit before taxation	2	268.0	191.9
Taxation	6	(51.2)	(45.0)
Profit attributable to equity shareholder	2, 22	216.8	146.9

The company has not presented its own income statement as permitted by s408 of the Companies Act 2006. The parent company's result attributable to equity shareholder amounted to a profit of £54.8m (2009: £55.5m). The company did not pay any dividends during the current or prior year. All results are derived from continuing operations in the United Kingdom.

Group statement of comprehensive income for the year ended 31 December

	Note	2010 £m	2009 £m
Profit attributable to equity shareholder	22	216.8	146.9
Other comprehensive income / (expense):			
Surplus / (deficit) arising on revaluation of investment property	10, 22	0.5	(0.9)
Share of associated undertakings' actuarial gain / (loss) relating to net retirement benefit liabilities	11, 22	0.9	(6.1)
Actuarial gain / (loss) relating to net retirement benefit assets	12, 22	7.3	(53.1)
Fair value loss on forward foreign exchange contract	16, 22	(0.2)	(1.8)
Deferred tax associated with actuarial (gain) / loss relating to net retirement benefit assets	19, 22	(2.0)	14.8
Deferred tax associated with fair value loss on forward foreign exchange contract	19, 22	-	0.5
Deferred tax arising on revaluation of investment property	19, 22	(0.2)	(2.6)
Other comprehensive income / (expense) for the period, net of tax		6.3	(49.2)
Total comprehensive income for the period, net of tax, attributable to equity shareholder		223.1	97.7

The notes on pages 33 to 78 form part of these financial statements.

ASSOCIATED BRITISH PORTS HOLDINGS LIMITED ANNUAL REPORT AND ACCOUNTS 2010

Balance sheets as at 31 December

		<u>Group</u>		<u>Company</u>	
	Note	2010 £m	2009 £m	2010 £m	2009 £m
Assets					
Non-current assets					
Goodwill	7	14.5	14.5	-	-
Intangible assets	8	0.4	0.4	-	-
Property, plant and equipment	9	948.0	958.0	-	-
Investment property	10	667.3	642.3	-	-
Investments	11	51.8	48.2	152.2	152.1
Retirement benefit assets	12	20.0	3.7	-	-
Trade and other receivables	13	0.8	1.1	-	-
		1,702.8	1,668.2	152.2	152.1
Current assets					
Property developments and land held for sale	14	2.5	3.0	-	-
Derivative financial instruments	16	0.1	0.3	-	-
Trade and other receivables	13	629.2	457.7	1,025.2	989.5
Cash and cash equivalents	15	20.7	41.5	-	-
		652.5	502.5	1,025.2	989.5
Total assets	2	2,355.3	2,170.7	1,177.4	1,141.6
Liabilities					
Current liabilities					
Financial liabilities – borrowings	15	(0.9)	(0.8)	(0.2)	(0.2)
Trade and other payables	17	(63.7)	(76.3)	(26.7)	(25.7)
Current tax liabilities		(3.1)	(3.1)	-	-
Provisions	18	(14.8)	(12.4)	-	-
		(82.5)	(92.6)	(26.9)	(25.9)
Non-current liabilities					
Financial liabilities – borrowings	15	(546.8)	(560.9)	(538.9)	(560.0)
Retirement benefit obligations	12	(3.1)	(2.9)	-	-
Deferred tax liabilities	19	(145.0)	(152.2)	-	-
Provisions	18	(7.8)	(13.1)	-	-
Other non-current liabilities	20	-	(2.7)	-	-
		(702.7)	(731.8)	(538.9)	(560.0)
Total liabilities	2	(785.2)	(824.4)	(565.8)	(585.9)
Net assets		1,570.1	1,346.3	611.6	555.7
Shareholder's equity					
Share capital	21, 22	77.4	77.4	77.4	77.4
Share premium account	22	129.6	128.6	129.6	128.6
Revaluation reserve	22	753.6	729.3	-	-
Other reserves	22	47.0	47.5	40.4	40.3
Retained earnings	22	562.5	363.5	364.2	309.4
Total shareholder's equity		1,570.1	1,346.3	611.6	555.7

The financial statements on pages 29 to 78 were approved by the board of directors on 23 February 2011 and signed on its behalf by



ZI Khan
Director

Statements of cash flows for the year ended 31 December

	Note	Group		Company	
		2010 £m	2009 £m	2010 £m	2009 £m
Cash flows from operating activities					
Cash generated from operations	23	26.6	81.0	26.6	8.9
Interest paid		(8.6)	(11.2)	(8.1)	(10.5)
Interest received		0.4	0.4	-	-
Net cash inflow / (outflow) from operating activities		18.4	70.2	18.5	(1.6)
Cash flows from investing activities					
Proceeds from sale of property, plant and equipment		4.6	0.9	-	-
Proceeds from sale of investment property		-	0.7	-	-
Purchase of intangible assets		(0.2)	(0.3)	-	-
Purchase of property, plant and equipment		(31.0)	(46.0)	-	-
Purchase of investment property		(1.2)	(4.9)	-	-
Net cash outflow from investing activities		(27.8)	(49.6)	-	-
Cash flows from financing activities					
Dividends received		-	-	-	-
Decrease in borrowings		(12.0)	(5.0)	(19.5)	-
Repayment of obligations under finance leases		(0.4)	(0.3)	-	-
Proceeds from issue of share capital		1.0	1.6	1.0	1.6
Net cash (outflow) / inflow from financing activities		(11.4)	(3.7)	(18.5)	1.6
(Decrease) / increase in cash and cash equivalents during the year		(20.8)	16.9	-	-
Cash and cash equivalents at 1 January		41.5	24.6	-	-
Cash and cash equivalents at 31 December	23	20.7	41.5	-	-

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

	Note	Group		Company	
		2010 £m	2009 £m	2010 £m	2009 £m
(Decrease) / increase in cash and cash equivalents during the year		(20.8)	16.9	-	-
Decrease in borrowings		12.0	5.0	19.5	-
Repayment of obligations under finance leases		0.4	0.3	-	-
(Increase) / decrease in net borrowings resulting from cash flows		(8.4)	22.2	19.5	-
Discount on debt buy-back		1.5	-	1.5	-
Decrease in interest payable		0.1	0.3	0.1	0.1
Change in net borrowings during the year		(6.8)	22.5	21.1	0.1
Net borrowings at 1 January		(520.2)	(542.7)	(560.2)	(560.3)
Net borrowings at 31 December	15	(527.0)	(520.2)	(539.1)	(560.2)

Statements 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 2010	77.4	128.6	729.3	0.3	25.5	21.7	363.5	1,346.3
Profit for the year	-	-	-	-	-	-	216.8	216.8
Other comprehensive income / (expense)	-	-	24.3	(0.2)	-	-	(17.8)	6.3
Total comprehensive income / (expense)	-	-	24.3	(0.2)	-	-	199.0	223.1
Issue of ordinary shares	-	1.0	-	-	-	-	-	1.0
Share based payments	-	-	-	-	-	(0.3)	-	(0.3)
At 31 December 2010	77.4	129.6	753.6	0.1	25.5	21.4	562.5	1,570.1

								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

	Company					
	Share capital £m	Share premium account £m	Capital redemption reserve £m	Share options reserve £m	Retained earnings £m	Total £m
At 1 January 2010	77.4	128.6	25.5	14.8	309.4	555.7
Profit for the year	-	-	-	-	54.8	54.8
Other comprehensive income	-	-	-	0.1	-	0.1
Total comprehensive income	-	-	-	0.1	54.8	54.9
Issue of ordinary shares	-	1.0	-	-	-	1.0
At 31 December 2010	77.4	129.6	25.5	14.9	364.2	611.6

	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

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 where otherwise indicated.

1.2 Changes in accounting policy

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

The group has reviewed IFRS standards, amendments and interpretations that became mandatory for accounting periods beginning after 1 January 2009 and considers that none of these have an immediate or material impact on its financial statements.

Notes to the financial statements

1 Accounting policies (continued)

1.2 Changes in accounting policy (continued)

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

		Effective for accounting periods beginning on or after
IFRS 7 (amendment)	Disclosures – Transfers of Financial Assets (not EU endorsed)	01 07 2011
Improvements to IFRSs	Amendments to various standards (not EU endorsed)	01 01 2011
IFRS 1 (amendment)	Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters	01 07 2010
IFRIC 14 (amendment)	Prepayments of a Minimum Funding Requirement	01 01 2011
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	01 07 2010
IFRS 9	Financial Instruments (not EU endorsed)	01 01 2013
IAS 24 (revised)	Related Party Transactions	01 01 2011
IAS 32 (amendment)	Classification of Rights Issues	01 02 2010

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.

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.

Notes to the financial statements

1 Accounting policies (continued)

1.3 Critical accounting policies, estimates and judgments (continued)

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 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.

Notes to the financial statements

1 Accounting policies (continued)

1.3 Critical accounting policies, estimates and judgments (continued)

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 the income statement. Losses on the initial valuation of properties transferred from property, plant and equipment are recognised in the income statement unless they reverse gains previously recognised in other comprehensive income on the same asset.

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 substantively enacted by the balance sheet date.

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

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

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available to facilitate the realisation of such assets.

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

Fixed deposits, 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 income statement. The ineffective portion of such gains or losses is recognised in the income statement immediately.

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

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

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. 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

	2010 £m	2009 £m
Group revenue		
Ports & transport	404.1	397.7
Property investment	3.9	4.2
Property development	0.1	-
Group revenue	408.1	401.9
Group operating profit		
Ports & transport	207.4	180.3
Property investment	3.1	3.3
Property development	0.1	-
Group underlying operating profit	210.6	183.6
Increase / (decrease) in fair value of investment properties ¹	23.8	(6.6)
Group operating profit	234.4	177.0
Net finance income	30.9	18.5
Share of profit / (loss) in associated undertakings ²	2.7	(3.6)
Profit before taxation	268.0	191.9
Taxation	(51.2)	(45.0)
Profit attributable to equity shareholder	216.8	146.9

¹ Increase in fair value of investment properties comprised £22.4m (2009 decrease of £6.1m) in relation to the group's ports and transport segment, £1.4m (2009 decrease of £0.5m) in relation to the group's property investment segment and £nil (2009 £nil) in relation to the group's property development segment

² Share of profit / (loss) in associated undertakings relates to the group's ports and transport segment

Notes to the financial statements

2. Segmental analysis (continued)

	2010 £m	2009 £m
Segment assets		
Total segment assets		
Ports & transport	2,201.3	1,979.5
Property investment	58.6	57.6
Property development	2.8	39.9
Share of associated undertakings ¹	51.8	48.2
Total segment assets	2,314.5	2,125.2
Group assets		
Derivative financial instruments	0.1	0.3
Cash and cash equivalents	20.7	41.5
Retirement benefit assets	20.0	3.7
Total group assets	40.8	45.5
Total assets	2,355.3	2,170.7
Segment liabilities		
Ports & transport	(84.1)	(78.2)
Property investment	-	-
Property development	(2.2)	(26.3)
Total segment liabilities	(86.3)	(104.5)
Group liabilities		
Borrowings	(547.7)	(561.7)
Retirement benefit obligations	(3.1)	(2.9)
Other liabilities	(148.1)	(155.3)
Total group liabilities	(698.9)	(719.9)
Total liabilities	(785.2)	(824.4)
Total capital expenditure ²		
Ports & transport	33.0	49.3
Property investment	-	0.1
Total capital expenditure	33.0	49.4
Total depreciation and amortisation		
Ports & transport	42.5	40.8

¹ Share of associated undertakings relates to the group's ports and transport segment² 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)

	2010 £m	2009 £m
Bank loans and overdrafts	8.4	10.4
Finance leases	0.2	0.2
Other	1.3	2.1
Less finance costs capitalised on non-current assets (note 9)	(0.3)	(0.8)
Finance costs	9.6	11.9
Loan to parent undertaking	(37.1)	(27.7)
Discount on debt buy-back	(1.5)	-
Other	(1.9)	(2.7)
Finance income	(40.5)	(30.4)
Net finance income	(30.9)	(18.5)

4 Operating profit

Operating profit is stated after charging / (crediting)

	2010 £m	2009 £m
<i>Depreciation</i>		
Owned property, plant and equipment – other	42.0	40.2
Leased property, plant and equipment	0.3	0.3
<i>Amortisation</i>		
Amortisation of intangible assets	0.2	0.3
<i>Profit on disposal of non-current assets</i>	<i>(4.3)</i>	<i>(0.8)</i>
<i>Other operating lease rentals payable</i>		
Plant and equipment	2.7	2.8
Property	1.3	0.9
<i>Repairs and maintenance expenditure on property, plant and equipment</i>	<i>15.0</i>	<i>14.4</i>
<i>Trade receivables impairment IFRS 7</i>	<i>0.7</i>	<i>0.9</i>
<i>Auditor's remuneration</i>		
Audit services – statutory audit	0.3	0.3

Auditor's remuneration in respect of the audit of the company and its group accounts of £22,000 (2009 £20,000) is included in auditor's remuneration above. In addition to their remuneration for audit services shown above, Ernst & Young LLP (2009 Ernst & Young LLP) also received fees for tax services of £13,000 (2009 £11,000) and fees for corporate finance services of £10,000 (2009 £nil). In addition to the above services, Ernst & Young LLP (2009 Ernst & Young LLP) acted as auditor to the group's main defined benefits scheme - The Associated British Ports Group Pension Scheme. The appointment of auditors to the group's pension schemes and the fees paid in respect of those audits are agreed by the trustees of each scheme, who act independently from the management of the group. The aggregate fees paid to the group's auditor for audit services to the pension schemes during the period were £21,115 (2009 £23,200).

Notes to the financial statements

5 Directors and employees

Staff costs are analysed as follows

	2010 £m	2009 £m
Staff costs		
Wages and salaries	67.5	65.3
Social security costs	6.8	6.1
Pension costs (see note 12)	2.8	4.5
Total staff costs	77.1	75.9

The monthly average number of people employed during the period was 1,926 (2009 2,069), of which 1,908 (2009 2,047) people were employed in the ports and transport segment, 16 (2009 20) in the property investment segment and 2 (2009 2) in the property development segment

Key management compensation is analysed as follows

	2010 £m	2009 £m
Key management compensation		
Short-term employee benefits	3.7	2.6
Post-employment benefits	0.5	0.5
Other long-term benefits	0.8	0.4
Total key management compensation	5.0	3.5

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

Three directors of the company are eligible to join the Associated British Ports Group Pension Scheme, at 31 December 2010 one (2009 one) director was a member of this scheme, two directors (2009 two) received an allowance for contributions towards pension schemes unconnected with the group. During the year none (2009 none) of the directors of the company exercised options over shares of 25p each in Associated British Ports Holdings Limited

	2010 £m	2009 £m
Highest paid director		
Short-term employee benefits	1.0	0.6
Post-employment benefits	0.1	0.1
Other long-term benefits	0.3	0.2

Notes to the financial statements

6 Taxation

	2010 £m	2009 £m
Analysis of charge / (credit) for the year		
Current tax – current year	61.0	51.6
Deferred tax (note 19)	(9.8)	(6.6)
Taxation	51.2	45.0

	2010 £m	2009 £m
Tax on items (charged) / credited to equity		
Deferred tax (charge) / credit on actuarial (gain) / loss relating to net retirement benefit asset	(2.0)	14.8
Deferred tax credit on foreign exchange hedge	-	0.5
Deferred tax charge arising on revaluation of investment property	(0.2)	(2.6)
Deferred tax charge on share-based payments	(0.4)	(1.2)

The taxation charge for the year is lower (2009 lower) than the standard rate of taxation in the UK of 28.0% (2009 28.0%). The differences are explained below

	2010 £m	2009 £m
Profit before taxation	268.0	191.9
Profit before taxation multiplied by standard rate of corporation tax in the UK of 28.0% (2009 28.0%)	75.0	53.7
Effects of		
credit associated with the exercise of share options not previously recognised in deferred tax	(0.1)	(0.2)
ome / expenses not chargeable to / deductible for tax	(13.4)	(4.5)
re of (profit) / loss in associated undertakings	(0.8)	1.0
uction in deferred taxes due to reduction in tax rate	(5.3)	-
in respect of prior years	(4.2)	(5.0)
Total tax charge for the group	51.2	45.0

Notes to the financial statements

7 Goodwill

Group	2010 £m	2009 £m
Cost and net book value		
At 1 January	14.5	14.5
At 31 December	14.5	14.5

The group's goodwill balance relates to its ports and transport activities and is reviewed for impairment annually on a value in use basis

The group assesses impairment by reference to a comparison between the present value of forecast future cash flows and the carrying value (including goodwill) of the relevant business unit, in this case the UK-wide ports and transport segment. Forecast cash flows represent pre-tax projections covering a five-year period, based on financial budgets approved by senior management, excluding significant capital expenditure that would enhance performance. Cash flows beyond the five-year period are projected forward using an estimated growth rate. This growth rate does not exceed the long-term historical and projected growth rate for the ports and transport segment. The group expects its business units to remain operational for the foreseeable future.

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

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

Discount rates – The discount rate was estimated based on the weighted average cost of capital for the group as at 31 December 2010. The pre-tax discount rate applied to future cash flows was 7.5 per cent (2009: 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 (2009: 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 2010 the company had goodwill of £nil (2009: £nil)

Notes to the financial statements

8 Intangible assets

	2010 £m	2009 £m
Group acquired intangible assets		
2010		
At 1 January	1.7	1.4
Additions	0.2	0.3
At 31 December	1.9	1.7
Amortisation		
At 1 January	(1.3)	(1.0)
Charge for the year	(0.2)	(0.3)
At 31 December	(1.5)	(1.3)
Net book value		
At 1 January	0.4	0.4
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 £0.1m (2009: £0.2m) and the amortisation costs included within administrative expenses amounted to £0.1m (2009: £0.1m).

In 2010 the company had intangible assets of £nil (2009: £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
2010							
Cost							
At 1 January 2010	390.6	152.5	492.3	51.4	258.5	33.0	1,378.3
Additions	-	1.4	4.9	3.2	4.5	17.6	31.6
Transfers within property, plant and equipment	2.1	0.1	4.0	15.5	4.0	(25.7)	-
Transfers (to) / from investment property (note 10)	1.1	(0.3)	(0.1)	-	0.1	0.1	0.9
Disposals	-	-	-	(7.1)	(4.9)	-	(12.0)
At 31 December 2010	393.8	153.7	501.1	63.0	262.2	25.0	1,398.8
Depreciation							
At 1 January 2010	-	(50.2)	(183.1)	(37.5)	(149.5)	-	(420.3)
Transfer (from) / to investment property (note 10)	-	0.2	-	(0.1)	-	-	0.1
Charge for year	-	(6.6)	(16.8)	(3.3)	(15.6)	-	(42.3)
Disposals	-	-	-	6.9	4.8	-	11.7
At 31 December 2010	-	(56.6)	(199.9)	(34.0)	(160.3)	-	(450.8)
Net book value							
At 1 January 2010	390.6	102.3	309.2	13.9	109.0	33.0	958.0
At 31 December 2010	393.8	97.1	301.2	29.0	101.9	25.0	948.0

Notes to the financial statements

9 Property, plant & equipment (continued)

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

All property, plant and equipment is stated at cost with the exception of operational land. Operational land is included at valuation as at 31 December 1998 or, if transferred from investment property after 31 December 1998, at the carrying value of the last balance sheet date prior to transfer. Operational land, buildings and dock structures are held freehold.

Plant and equipment includes assets held under finance leases with a book cost and accumulated depreciation at 31 December 2010 totalling £3.1m (2009 £3.1m) and £2.6m (2009 £2.3m) respectively. The depreciation charge for the year includes £0.3m (2009 £0.3m) in respect of these assets. Such assets include marine vessels operated by the group's ports and transport business. The remaining terms for these leases range from 1 to 2 years.

The amount of borrowing costs capitalised during the year ended 31 December 2010 was £0.3m (2009 £0.8m). The weighted average rate used to determine the amount of borrowing costs eligible for capitalisation was 5.49% (2009 5.91%).

The net book values for property, plant and equipment are reported net of government grants received during the year of £7.1m (2009 £7.7m).

In 2010 the company had property, plant and equipment of £nil (2009 £nil).

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
2010				
At valuation				
At 1 January 2010	584.8	33.5	24.0	642.3
Additions	1.2	-	-	1.2
Transfers within investment property	0.9	(0.9)	-	-
Transfers from property developments land held for sale (note 14)	-	-	0.5	0.5
Transfers (to) / from property, plant and equipment (note 9)	(1.3)	-	0.3	(1.0)
	585.6	32.6	24.8	643.0
Surplus on revaluation (note 22)	0.8	-	(0.3)	0.5
Income on re-measurement (note 22)	22.3	1.4	0.1	23.8
At 31 December 2010	608.7	34.0	24.6	667.3

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)
Expense on re-measurement (note 22)	(6.1)	(0.5)	-	(6.6)
At 31 December 2009	584.8	33.5	24.0	642.3

In 2010 the company had investment property of £nil (2009 £nil)

Investment properties have been valued on the basis of market value in accordance with the Appraisal and Valuation Standards issued by The Royal Institution of Chartered Surveyors. The valuations were carried out as at 31 December 2010 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.

Notes to the financial statements**10. Investment property (continued)**

Of the gain on revaluation during the year of £24.3m (2009 loss of £7.5m), a gain of £23.8m (2009 loss of £6.6m) was included within the income statement as a increase (2009 decrease) in the fair value of investment property with the balance of £0.5m (2009 £0.9m) being credited (2009 charged) 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 £64.1m (2009 £57.7m) and related operating expenses amounted to £2.0m (2009 £2.3m). 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	
	2010	2009	2010	2009
	£m	£m	£m	£m
Not later than one year	53.3	54.9	-	-
More than one year but not more than five years	149.2	147.1	-	-
More than five years	456.6	471.4	-	-
	659.1	673.4	-	-

11 Investments

	Group		Company	
	Interest in associated undertakings		Interest in subsidiary undertakings	
	2010	2009	2010	2009
	£m	£m	£m	£m
At 1 January	48.2	57.9	152.1	151.9
Share of profit / (loss) for the year	2.7	(3.6)	-	-
Actuarial gain / (loss) relating to group's share of net retirement benefit liabilities of associated undertakings	0.9	(6.1)	-	-
Investment in subsidiary undertaking	-	-	0.1	0.2
At 31 December	51.8	48.2	152.2	152.1

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 (continued)**

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

	2010 £m	2009 £m
Share of revenue in associated undertakings	58.5	54.0
Share of expenses in associated undertakings	(53.9)	(57.6)
Share of operating profit / (loss) in associated undertakings	4.6	(3.6)
Share of net finance costs in associated undertakings	(1.1)	(0.7)
Share of taxation in associated undertakings	(0.8)	0.7
Share of profit / (loss) in associated undertakings	2.7	(3.6)
Non-current assets	165.3	161.4
Current assets	49.9	48.8
Current liabilities	(28.2)	(24.0)
Non-current liabilities	(71.3)	(79.3)
Net assets	115.7	106.9
Share of net assets in associated undertakings	51.8	48.2

12. Pension commitments**A. Description of plans**

The group participates in a number of pension schemes. The main scheme is a funded defined benefits scheme - The Associated British Ports Group Pension Scheme ("ABPGPS"). The defined benefits section of this scheme is closed to new members. New members joining this scheme are offered membership of a defined contributions section, which at 31 December 2010 constituted less than 4 per cent of the total asset value. The group also provides defined contribution arrangements, makes contributions to three industry-wide defined benefit schemes and has unfunded retirement benefit arrangements in respect of former employees. Except for unfunded retirement benefit arrangements, the assets of the group's pension schemes are held in trust funds independent of the group.

B. Summary**(i) Income statement**

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

	2010 £m	2009 £m
Defined benefits scheme and unfunded retirement benefit arrangements (note 12C)	6.3	5.2
Defined contribution arrangements (note 12D)	1.4	1.4
Industry-wide schemes (note 12E)	0.4	0.3
Gross pension costs	8.1	6.9
Finance income	(5.3)	(2.4)
Net pension charge recognised within operating profit (note 5)	2.8	4.5

Notes to the financial statements

12 Pension commitments (continued)

B. Summary (continued)**(ii) Balance sheet**

The retirement benefit assets and obligations as at 31 December were

	2010 £m	2009 £m
Retirement benefit assets	20.0	3.7
Retirement benefit liabilities	(3.1)	(2.9)
Net retirement benefit asset	16.9	0.8

C. Defined benefits scheme and unfunded retirement benefit arrangements

The most recent formal valuation of the ABPGPS was carried out as at 31 December 2006. The valuation of the liabilities as at 31 December 2010 detailed below has been derived by projecting forward the position as at 31 December 2006. It was performed by an independent actuary, Aon 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, Aon Hewitt, using the same assumptions as those used to calculate the ABPGPS liabilities.

(i) Assumptions

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

	2010	2009
Inflation (CPI/RPI)	2.55% / 3.45%	3.55%
Rate of increase in pensionable salaries	4.20%	4.30%
Rate of increase for pensions in payment (earned before 1 April 2007) (CPI/RPI)	2.50% / 3.30%	3.35%
Rate of increase for pensions in payment (earned on or after 1 April 2007) (CPI/RPI)	2.50%	2.55%
Rate of increase for deferred pensions	2.50% / 3.30%	3.35%
Discount rate	5.50%	5.75%
Expected return on assets	6.60%	6.70%

The mortality assumptions are based on the recent actual mortality experience of members within the scheme and the assumptions also allow for future mortality improvements. The assumptions are that a member currently aged 60 will live on average for a further 25.4 years if they are male and for a further 29.3 years if they are female. For a member who retires in 2020 at age 60 the assumptions are that they will live on average for a further 26.8 years after retirement if they are male and for a further 30.6 years after retirement if they are female. The effect of an increase of one year in the life expectancy of a 60-year old would be to increase the liabilities of the ABPGPS by an estimated £13.7m.

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

In July 2010 the UK Government announced its intention to introduce legislation to use CPI as the measure of inflation for pension increases and deferred valuations. This change has a consequential impact on parts of the ABPGPS which specify statutory rates of pension increases. Accordingly, inflation assumptions for both RPI and CPI have been made for the purposes of valuing the liabilities of the ABPGPS in 2010.

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 £7.1m.

(ii) Operating profit

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

	2010 £m	2009 £m
Current service cost	6.3	5.2
Expected return on scheme assets	(30.4)	(24.9)
Interest cost on scheme liabilities	24.9	22.3
Interest cost on unfunded retirement benefit liabilities	0.2	0.2
Net pension charge recognised within operating profit	1.0	2.8

The current service cost of £6.3m (2009: £5.2m) represented 27.4 per cent (2009: 21.0 per cent) of the applicable pensionable payroll. The group recognised £nil (2009: £nil) of its net pension charge for the year within cost of sales and £1.0m (2009: charge of £2.8m) within administrative expenses.

The group made total contributions of £9.8m (2009: £6.2m) towards funded and unfunded schemes. Returns on assets and interest on liabilities are determined by reference to the actuarial assumptions adopted at the beginning of each financial period. The actual gain on assets for 2010 was £58.3m (2009: gain of £50.4m).

(iii) Balance sheet

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

	2010 £m	2009 £m
Fair value of scheme assets	489.2	447.6
Present value of funded obligations	(469.2)	(443.9)
Present value of unfunded obligations	(3.1)	(2.9)
Net assets recognised in the balance sheet	16.9	0.8

As at 31 December 2010, approximately 51.8 per cent (2009: 49.5 per cent) of the scheme's assets were represented by investments in equities, 37.2 per cent (2009: 39.8 per cent) by bonds, 10.8 per cent (2009: 7.2 per cent) by property and 0.2 per cent (2009: 3.5 per cent) by cash.

Notes to the financial statements

12 Pension commitments (continued)

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

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

	2010 £m	2009 £m
Fair value of scheme assets at 1 January	447.6	418.9
Expected return	30.4	24.9
Actuarial gain	27.9	25.5
Contributions by employees	0.4	0.5
Contributions by employer	9.8	6.2
Benefits paid	(27.1)	(29.0)
Severance payments	0.2	0.6
Fair value of scheme assets at 31 December	489.2	447.6

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

	2010 £m	2009 £m
Fair value of scheme liabilities at 1 January	(446.8)	(368.4)
Current service cost	(6.3)	(5.2)
Interest cost	(25.1)	(22.5)
Actuarial loss	(20.6)	(78.6)
Contributions by employees	(0.4)	(0.5)
Benefits paid	27.1	29.0
Severance payments	(0.2)	(0.6)
Fair value of scheme liabilities at 31 December	(472.3)	(446.8)

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

	2010 £m	2009 £m
At 1 January	0.8	50.5
Net pension charge	(1.0)	(2.8)
Employer contributions	9.8	6.2
Actuarial gain / (loss) relating to net retirement benefit assets recognised in the statement of comprehensive income	7.3	(53.1)
At 31 December	16.9	0.8

As at 31 December 2010, the cumulative actuarial loss recognised in the group's statement of comprehensive income amounted to £31.0m (2009 £38.3m)

The 2010 actuarial gain of £7.3m arose as a result of experience gains on scheme assets of £27.9m, an experience loss of £15.4m on scheme liabilities in respect of changes to membership and an actuarial loss of £5.2m due to the changes in assumptions associated with the scheme liabilities

Notes to the financial statements

12 Pension commitments (continued)

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

(vii) Historical record

Amounts for the current year and previous periods are as follows	2010 £m	2009 £m	2008 £m	2007 £m	2006 £m
Fair value of scheme assets	489.2	447.6	418.9	487.8	482.4
Present value of funded scheme obligations	(469.2)	(443.9)	(366.0)	(413.0)	(450.5)
Present value of unfunded obligations	(3.1)	(2.9)	(2.4)	(2.8)	(2.9)
Net assets recognised in the balance sheet	16.9	0.8	50.5	72.0	29.0
Actuarial (loss) / gain due to changes in assumptions	(5.2)	(75.5)	56.7	35.5	22.3
Experience (loss) / gain on scheme liabilities	(15.4)	(3.1)	(3.5)	11.8	8.6
Experience gain / (loss) on scheme assets	27.9	25.5	(80.5)	(6.0)	(3.6)
Actuarial gain / (loss) relating to net retirement benefit assets recognised in the statement of comprehensive income	7.3	(53.1)	(27.3)	41.3	27.3

D. Defined contribution arrangements

The group incurred costs of £1.4m (2009 £1.4m) in relation to defined contribution arrangements provided by Associated British Ports. At 31 December 2010, there were no amounts outstanding as being due to these arrangements from the group (2009 £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 2010 as being £176m (2009 £152m). Approximately 18 per cent of the scheme's assets were invested in equities (2009 18 per cent), 51 per cent in bonds (2009 50 per cent), 30 per cent in hedge funds (2009 30 per cent) and 1 per cent in cash (2009 2 per cent). The IAS 19 valuation assumptions adopted by the actuary were as follows:

	2010	2009
Inflation (CPI/RPI)	2.55 / 3.45%	3.55%
Rate of increase in pensionable salaries	4.20%	4.30%
Rate of increase for pensions in payment	3.30%	3.35%
Rate of increase for deferred pensions	3.30%	3.35%
Discount rate	5.50%	5.75%

Notes to the financial statements**12 Pension commitments (continued)****E. Industry-wide schemes (continued)****(i) The Pilots National Pension Fund ("PNPF") (continued)**

The scheme rules do not provide a mechanism for allocating the past service deficit associated with this scheme to the participating bodies. A court ruling to determine a mechanism for the allocation of the past service deficit was issued in July 2010 and clarified that the trustee has wide powers to amend the rules to impose contributions on all categories of participating bodies. A number of appeals against the ruling have now been brought and the trustee of the scheme has indicated that that they will not seek to engage with participating bodies over recovery of the scheme deficit until these appeals have been determined. The group is unable to quantify the financial impact from its participation in the PNPF until the trustee has completed the valuation process and concluded the allocation of the resulting deficit and the related recovery period. During 2010, the group made contributions of £77,000 (2009 £91,000) to this scheme in relation to its current active members and has recorded these as defined contribution costs within the income statement.

The potential IAS 19 pre-tax liability that could arise in relation to the past-service deficit for this scheme could range from £1.8m to £51.2m as at 31 December 2010.

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

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

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

During 2010, the group made contributions of £30,000 (2009 £54,000) to this scheme in relation to its current active members and has recorded these as defined contribution costs within the income statement.

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

Notes to the financial statements

12 Pension commitments (continued)

E. Industry-wide schemes (continued)

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

The MNOFF is an industry-wide defined benefits scheme. The scheme is divided into two sections, the Old Section and the New Section, both of which are closed to new members. The latest valuations of both sections were carried out as at 31 March 2009. The Old Section had assets of £1,113m, representing 89 per cent of the benefits accrued to members and the New Section had assets of £1,547m, representing 68 per cent of the benefits accrued to members as at the valuation date. As the valuations identified past-service deficits the group has been required to pay extra contributions. The group's share of a deficit identified in the previous valuation at 31 March 2006 is currently being settled in instalments up to 2014 and this was fully provided for in 2007. The group's share of the additional deficit identified in the 2009 valuation was paid in full in 2010. In 2010 the group expensed as defined contribution pension costs a total of £324,000 (2009: £14,000) of contributions to this scheme, including £320,000 (2009: £nil) relating to the 2009 deficit.

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	
	2010 £m	2009 £m	2010 £m	2009 £m
Non-current				
Trade receivables	0.8	1.1	-	-
Total non-current trade and other receivables	0.8	1.1	-	-
Current				
Gross trade receivables	52.2	52.3	-	-
Provision for doubtful receivables	(5.2)	(4.8)	-	-
Net trade receivables	47.0	47.5	-	-
Amounts owed by subsidiary undertakings	-	-	446.1	615.3
Amounts owed by parent undertaking	531.2	336.8	579.1	374.2
Amounts owed by associated undertakings	7.0	6.6	-	-
Other debtors	10.4	10.8	-	-
Prepayments and accrued income	33.3	19.1	-	-
Property completions due	0.3	36.9	-	-
Total current trade and other receivables	629.2	457.7	1,025.2	989.5

The 2009 property completions due included an amount of £36.5m which represented the discounted value of proceeds receivable in September 2010 of £38.0m in relation to the sale of property which the group had developed in partnership with the Welsh Assembly Government. The £38.0m was duly received during the year.

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 2010, the group held trade receivables of £10.5m (2009: £10.1m) 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	
	2010	2009
	£m	£m
Up to 3 months	10.5	10.0
3 to 6 months	0.5	0.5
Over 6 months	(0.5)	(0.4)
Total past due but not impaired receivables	10.5	10.1

As at 31 December 2010, the group held trade receivables of £8.0m (2009: £7.3m) 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	
	2010	2009
	£m	£m
Up to 3 months	3.3	3.3
3 to 6 months	0.5	0.4
Over 6 months	4.2	3.6
Total fully / partially impaired receivables	8.0	7.3

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

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

	Group	
	2010	2009
	£m	£m
At 1 January	4.8	5.2
Provision for the impairment of trade receivables	0.8	0.9
Receivables written off as uncollectable	(0.1)	(1.1)
Impairment provisions released	(0.3)	(0.2)
At 31 December – provisions for doubtful receivables	5.2	4.8

Notes to the financial statements

13 Trade and other receivables (continued)

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 (2009 £nil) and therefore no provision for impairment (2009 £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

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 2010 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	
	2010	2009
	£m	£m
At 1 January	3.0	3.1
Disposals	-	(0.1)
Transfers to investment property (note 10)	(0.5)	-
At 31 December	2.5	3.0

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 2010. The historical cost of property developments and land held for sale totalled £2.5m (2009 £3.0m). 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 2010 the company had property developments and land held for resale of £nil (2009 £nil).

15 Financial liabilities - borrowings

	Group		Company	
	2010	2009	2010	2009
	£m	£m	£m	£m
Current				
Interest payable – accrual	0.4	0.4	0.2	0.2
Obligations under finance leases - secured	0.5	0.4	-	-
Current borrowings	0.9	0.8	0.2	0.2
Non-current				
Bank loans – secured	546.4	560.0	538.9	560.0
Obligations under finance leases - secured	0.4	0.9	-	-
Non-current borrowings	546.8	560.9	538.9	560.0

Notes to the financial statements

15 Financial liabilities – borrowings (continued)

The group's borrowings are all denominated in sterling

	Group		Company	
	2010	2009	2010	2009
	£m	£m	£m	£m
Net borrowings				
Current borrowings	0.9	0.8	0.2	0.2
Non-current borrowings	546.8	560.9	538.9	560.0
	547.7	561.7	539.1	560.2
Less cash and cash equivalents	(20.7)	(41.5)	-	-
Net borrowings	527.0	520.2	539.1	560.2

The group's share of net borrowings in associated undertakings not included above totalled £0.3m (2009 £5.1m)

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

Bank loans are repayable between 2011 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 2010, 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
2010				
Not later than one year	66.8	8.5	0.5	75.8
More than one year but not more than two years	-	8.3	0.6	8.9
More than two years but not more than five years	-	550.2	-	550.2
At 31 December	66.8	567.0	1.1	634.9

	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

Notes to the financial statements

16 Financial instruments (continued)

A. Maturity of financial liabilities (continued)

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

	Company		
	Trade and other payables £m	Debt £m	Total £m
2010			
Not later than one year	26.7	8.0	34.7
More than one year but not more than two years	-	7.9	7.9
More than two years but not more than five years	-	542.5	542.5
At 31 December	26.7	558.4	585.1

	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

The debt column in the tables above includes the following principal amount

Senior secured credit facility repayable 2013 £538.9m (2009 £560.0m)

Interest associated with the senior secured credit facility is linked to LIBOR and currently settled in cash

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

	Group	
	2010 Total outflows £m	2010 Total inflows £m
Forward foreign exchange contract		
Not later than one year	2.1	2.1
Total	2.1	2.1

Notes to the financial statements

16 Financial instruments (continued)

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

The company had no derivative financial instruments which will be settled on a gross basis in either 2010 or 2009

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

	Group	
	2010	2009
	£m	£m
Finance lease payments		
Not later than one year	0.5	0.6
More than one year but not more than five years	0.6	1.0
	1.1	1.6
Future finance charges on finance leases	(0.2)	(0.3)
Present value of finance lease liabilities	0.9	1.3

The company had no finance leases in either 2010 or 2009

B. Market price risk

The group's borrowings, excluding finance leases, have been financed through floating rate debt and are therefore subject to re-pricing risk. As at 31 December 2010 £546.4m (2009 £560.0m) of the group's gross borrowings were subject to re-pricing risk. A one per cent increase in interest rates would increase the group's interest costs by £5.5m per annum (2009 £5.6m) and a one per cent decrease in interest rates would reduce the group's interest costs by £5.5m per annum (2009 £5.6m).

C. Undrawn borrowing facilities

The group had the following committed but undrawn floating rate borrowing facilities available at 31 December in respect of which all conditions precedent had been met

	Group		Company	
	2010	2009	2010	2009
	Total	Total	Total	Total
	£m	£m	£m	£m
Expiring in				
More than two years but not more than five years	342.5	350.0	250.0	250.0
Undrawn borrowing facilities	342.5	350.0	250.0	250.0

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

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

Notes to the financial statements

16 Financial instruments (continued)

D. Fair value of financial assets and liabilities (continued)

(ii) Financial liabilities

	Group			
	Book value £m	2010 Fair value £m	Book value £m	2009 Fair value £m
Borrowings	546.8	546.8	560.4	560.4
Finance leases	0.9	1.0	1.3	1.3
Total financial liabilities	547.7	547.8	561.7	561.7

	Company			
	Book value £m	2010 Fair value £m	Book value £m	2009 Fair value £m
Borrowings	539.1	539.1	560.2	560.2

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 1.3 per cent (2009: 1.7 per cent). The carrying value of the group's liabilities is not subject to material 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			
	Assets £m	2010 Liabilities £m	Assets £m	2009 Liabilities £m
Forward foreign exchange contracts – held as cash flow hedge	0.1	-	0.3	-

The maximum exposure to credit risk at 31 December 2010 is the fair value of the derivative instruments.

The fair value of the forward foreign exchange contracts is allocated between current £0.1m (2009: £0.3m) and non-current £nil (2009: £nil) based on the maturity of the hedged item.

The notional principal amount of the outstanding forward foreign exchange contracts at 31 December 2010 was £2.1m (2009: £1.2m). 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 year. 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 2010 or 2009.

Notes to the financial statements

16 Financial instruments (continued)

F. Financial risk management

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

17 Trade and other payables

	Group		Company	
	2010	2009	2010	2009
	£m	£m	£m	£m
Trade payables	15.1	13.2	-	-
Amounts owed to subsidiary undertakings	-	-	25.1	25.1
Other creditors	10.1	8.7	-	-
Taxation	2.2	2.0	-	-
Accruals	36.2	31.1	1.6	0.6
Property completions payable	0.1	21.3	-	-
Trade and other payables	63.7	76.3	26.7	25.7

Property completions payable in 2009 were 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 was payable by the group upon receipt of the outstanding proceeds from the purchaser. The outstanding proceeds were received from the purchaser in September 2010 (note 13) and the corresponding payment was made in the same month.

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

18 Provisions

	Group				
	Restructuring	Property	Self	Other	Total
	£m	provision	insurance	£m	£m
At 1 January 2010	0.4	6.5	17.3	1.3	25.5
(Credited) / charged to income statement during the year	-	(1.1)	0.3	-	(0.8)
Utilised in the year	-	(1.1)	(1.4)	-	(2.5)
Amortisation of discounting	-	0.1	0.3	-	0.4
At 31 December 2010	0.4	4.4	16.5	1.3	22.6
Expected utilisation with one year	0.4	2.6	11.6	0.2	14.8

Provisions are analysed between non-current and current as follows

	Group	
	2010	2009
	£m	£m
Current	14.8	12.4
Non-current	7.8	13.1
Total provisions	22.6	25.5

The company had no provisions in either 2010 or 2009.

Notes to the financial statements**18 Provisions (continued)****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.

Property provisions

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

Self insurance

The group self-insures various matters relating primarily to property, employer's liabilities and general third party liabilities associated with its business. In determining the provision, cash flows, where appropriate, have been discounted on a pre-tax basis using a discount rate of 5.5%. The group reassesses this liability on an annual basis. The potential liabilities have been projected forward until 2037.

Other

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

19 Deferred tax

The UK Government announced in its Emergency Budget in June 2010 that the headline rate of UK corporation tax will be reduced from 28% to 24% over the course of the next four years. The first reduction to 27% (effective from 1 April 2011) had been enacted by the balance sheet date and therefore the closing deferred tax liability reflects this reduced rate. The 2009 liability was based on a single rate of 28%. Deferred tax is calculated in full on temporary differences under the liability method.

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

Group	2009 £m	Adjustments in respect of previous periods credited to income statement £m	(Credited) / charged to income statement £m	(Credited) / charged to equity £m	Total 2010 £m
Accelerated tax depreciation	139.7	(4.1)	(7.8)	-	127.8
Revaluation of operational land and investment properties	18.0	-	(0.6)	1.8	19.2
Capital losses	(3.3)	-	-	(1.6)	(4.9)
Retirement benefit obligations	0.2	-	2.3	2.0	4.5
Other	(2.4)	(0.1)	0.5	0.4	(1.6)
Net deferred tax liability	152.2	(4.2)	(5.6)	2.6	145.0

Notes to the financial statements

19 Deferred tax (continued)

Group	2008 £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 2009 £m
Accelerated tax depreciation	146.0	(5.2)	(1.1)	-	139.7
Revaluation of operational land and investment properties	16.1	-	(1.8)	3.7	18.0
Capital losses	(2.2)	-	-	(1.1)	(3.3)
Retirement benefit obligations	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

The impact of the further reductions in the rate to 24% has not been reflected as these have not been substantively enacted at the balance sheet date. A reduction to 24% would give rise to a reduction in the deferred tax liability of £15.4m.

The group has unrecognised capital losses of £372.1m (2009: £374.0m) that are only available for offset against future sales of land and buildings from the port estates.

The group has crystallised capital losses of £32.3m (2009: £47.1m) on which a deferred tax asset has not been recognised.

The group had no unrecognised deferred income tax assets (2009: 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 2010 of £145.0m (2009: £152.2m) 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 £32.3m (2009: £47.1m) on which a deferred tax asset has not been recognised.

20 Other non-current liabilities

	Group		Company	
	2010 £m	2009 £m	2010 £m	2009 £m
Other creditors	-	2.7	-	-
Other non-current liabilities	-	2.7	-	-

Notes to the financial statements

21 Share capital

A Issued and fully paid

		2010		2009
Ordinary shares of 25p each	Shares	£m	Shares	£m
At 1 January	309,442,300	77.4	308,990,580	77.2
Allotted under share option schemes	291,545	-	451,720	0.2
At 31 December	309,733,845	77.4	309,442,300	77.4

The company did not repurchase any of its own shares during 2010 or 2009

B. Potential issue of shares

(i) Outstanding share options

During the year, options exercised resulted in the issue of 291,545 (2009 451,720) ordinary shares of 25p each. The company received a total of £1.0m (2009 £1.7m) in respect of these shares. A summary of options granted to employees and outstanding at 31 December 2010 under share option schemes is given below

	Date granted	Price per share	Date option normally exercisable	Number of options outstanding
Savings-related scheme	October 2003	337.0p	2011	42,868
Savings-related scheme	October 2004	354.0p	2011 to 2012	28,857
Savings-related scheme	October 2005	398.0p	2011 to 2013	205,104
				276,829

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

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

	2010		2009	
	Number of shares	Weighted average exercise price (pence)	Number of shares	Weighted average exercise price (pence)
Outstanding at 1 January	571,920	367.0	1,033,899	363.7
Lapsed	(3,546)	376.4	(10,259)	367.3
Exercised	(291,545)	350.7	(451,720)	259.6
Outstanding at 31 December	276,829	384.0	571,920	367.0
Exercisable at 31 December	-	-	-	-

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

		2010			2009		
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)
£3-4	384.0	276,829	1.7	1.3	367.0	571,920	2.0

The weighted average share price during the year for options exercised over the year was 910 0p (2009 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.

	2010	2009
	£m	£m
Charge for grants prior to 2006	0.1	0.2
Total income statement charge	0.1	0.2

(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 2010 or 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 2010	77.4	128.6	729.3	0.3	25.5	21.7	363.5	1,346.3
Movement on revaluation of investment property (note 10)	-	-	0.5	-	-	-	-	0.5
Transfer between reserves arising on revaluation of investment property (note 10)	-	-	23.8	-	-	-	(23.8)	-
Share of associated undertakings' actuarial gain relating to net retirement benefit liabilities (note 11)	-	-	-	-	-	-	0.9	0.9
Actuarial gain relating to net retirement benefit assets (note 12C)	-	-	-	-	-	-	7.3	7.3
Fair value loss on forward foreign exchange contracts (note 16E)	-	-	-	(0.2)	-	-	-	(0.2)
Deferred tax associated with actuarial gain relating to net retirement benefit assets (note 19)	-	-	-	-	-	-	(2.0)	(2.0)
Deferred tax associated with revaluation of investment property (note 19)	-	-	-	-	-	-	(0.2)	(0.2)
Issue of ordinary shares	-	1.0	-	-	-	-	-	1.0
Share-based payments	-	-	-	-	-	(0.3)	-	(0.3)
Profit for the year	-	-	-	-	-	-	216.8	216.8
At 31 December 2010	77.4	129.6	753.6	0.1	25.5	21.4	562.5	1,570.1

Notes to the financial statements

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

Group	Share capital £m	Share premium account £m	Revaluation reserve £m	Hedging reserve £m	Capital redemption reserve £m	Share options reserve £m	Retained earnings £m	Total £m
At 1 January 2009	77.2	127.1	737.3	1.6	25.5	23.0	256.5	1,248.2
Movement on revaluation of investment property (note 10)	-	-	(0.9)	-	-	-	-	(0.9)
Transfer between reserves arising on revaluation of investment property (note 10)	-	-	(6.6)	-	-	-	6.6	-
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 associated with 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

Revaluation reserve

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

Hedging reserve

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

Notes to the financial statements

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

Capital redemption reserve

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

Share options reserve

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

	Company					
	Share capital £m	Share premium account £m	Capital redemption reserve £m	Share options reserve £m	Retained earnings £m	Total £m
At 1 January 2010	77.4	128.6	25.5	14.8	309.4	555.7
Profit for the year	-	-	-	-	54.8	54.8
Issue of ordinary shares (note 21)	-	1.0	-	-	-	1.0
Share-based payments	-	-	-	0.1	-	0.1
At 31 December 2010	77.4	129.6	25.5	14.9	364.2	611.6
At 1 January 2009	77.2	127.1	25.5	14.6	253.9	498.3
Profit for the year	-	-	-	-	55.5	55.5
Issue of ordinary 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

Notes to the financial statements

23 Cash generated from operations

	Group		Company	
	2010	2009	2010	2009
	£m	£m	£m	£m
Reconciliation of profit before taxation to cash generated from operations				
Profit before taxation	268.0	191.9	68.1	69.7
Finance costs	9.6	11.9	8.1	10.4
Finance income	(40.5)	(30.4)	(79.0)	(82.1)
Share of (profit) / loss in associated undertakings	(2.7)	3.6	-	-
Depreciation of property, plant and equipment	42.3	40.5	-	-
Amortisation of intangible assets	0.2	0.3	-	-
Share-based payment	0.1	0.1	-	-
Profit on sale of property, plant and equipment	(4.3)	(0.8)	-	-
Decrease in provisions	(3.3)	(0.3)	-	-
Revaluation of investment properties	(23.8)	6.6	-	-
Increase in net retirement benefit asset	(8.9)	(3.4)	-	-
Operating cash flows before movements in working capital	236.7	220.0	(2.8)	(2.0)
Decrease in property developments and land held for sale	-	0.1	-	-
Decrease in trade and other receivables	61.6	0.3	28.5	11.5
(Decrease) / increase in trade and other payables	(271.7)	(139.4)	0.9	(0.6)
Cash generated from operations	26.6	81.0	26.6	8.9

	Group		Company	
	2010	2009	2010	2009
	£m	£m	£m	£m
Analysis of cash and cash equivalents				
Cash at bank and in hand	20.7	41.5	-	-
Cash and cash equivalents	20.7	41.5	-	-

24 Related party transactions

The group has interests in two principal associated undertakings: Southampton Container Terminals Limited (trading as DPWS) 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 £28.1m (2009: £27.8m) in respect of property management and operational services. At the year-end, £6.7m (2009: £6.6m) remained owing by these undertakings in respect of these charges and in relation to tax losses surrendered by the group to these entities. In addition, the group has a 49% interest in Associated Global Logistics Limited, a logistics company incorporated in Ireland. At 31 December 2010 £0.3m (2009: £nil) of loans were owed by this entity.

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 (2009: £0.1m) in respect of administrative services. At the year-end, £0.1m (2009: £0.3m) remained owing to the group by The Associated British Ports Group Pension Scheme in respect of these charges.

Key management employees have access to an employee scheme which provides relocation assistance. Prior to 2009 this assistance included unsecured bridging loans to facilitate purchases of family homes in order to relocate. The taxable benefits of this scheme have been included in the key management remuneration in note 5.

Notes to the financial statements**24 Related party transactions (continued)**

The balance outstanding on the loans to key management at 31 December 2010 was nil (2009 £0.6m)

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

	2010 £	2009 £
Goldman Sachs International and Goldman Sachs & Co (on behalf of Admiral Institutional Sarl and Admiral Global and International Sarl)	70,000	70,000
Borealis International Investments Corporation and Borealis (Luxembourg) S C A	105,000	105,000
Cheyne Walk Investment Pte Limited	105,000	105,000
M&G Investment Management Limited (on behalf of Infracapital Partners LP)	35,000	35,000

Further details of the shareholders' share ownership are set out in note 28.

The company has an interest bearing loan arrangement with its immediate parent undertaking, ABP Acquisitions UK Limited. During the year, the company charged interest of £37.1m (2009 £27.7m). The balance outstanding under this loan facility as at 31 December 2010 was £579.1m (2009 £374.2m). The interest rate on this loan is 9.17% (2009 8.97%).

The company has an interest bearing loan arrangement with its principal subsidiary undertaking, Associated British Ports ("ABP"). During the year, the company charged interest of £40.3m (2009 £54.6m) to ABP. The balance outstanding under this loan facility as at 31 December 2010 was £403.9m (2009 £610.6m). The interest rate on this loan is 8.04% (2009 8.97%).

25 Financial commitments

	Group		Company	
	2010 £m	2009 £m	2010 £m	2009 £m
Group capital expenditure contracted but not provided for	4.9	2.9	-	-

The group's share of the capital commitment of its associated undertakings amounted to £4.8m (2009 £3.7m).

	Group		Company	
	2010 £m	2009 £m	2010 £m	2009 £m
Total future minimum lease instalments expected to be paid under non-cancellable operating leases are as follows				
Not more than one year	2.4	3.4	-	-
More than one year but not more than five years	8.0	7.0	-	-
More than five years	31.9	23.2	-	-
Total to be paid	42.3	33.6	-	-

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

Notes to the financial statements

25 Financial commitments (continued)

	Group		Company	
	2010	2009	2010	2009
	£m	£m	£m	£m
Total future minimum lease instalments expected to be received under non-cancellable subleases are as follows				
Not more than one year	0.5	0.8	-	-
More than one year but not more than five years	1.9	2.3	-	-
More than five years	33.5	17.9	-	-
Total to be received	35.9	21.0	-	-

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

26 Contingent liabilities

	Group		Company	
	2010	2009	2010	2009
	£m	£m	£m	£m
Contingent liabilities under claims, indemnities and bank guarantees				
Bank guarantees in respect of group borrowings	2,069.9	2,140.0	2,077.4	2,140.0
Other guarantees and contingencies	0.2	0.1	-	-

The company has provided guarantees in respect of group borrowings and facilities totalling £2,616.3m (2009 £2,700.0m). Under these facilities £546.4m of indebtedness was incurred by the group as at 31 December 2010 (2009 £560.0m) and is included in the group'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 £4.3m (2009 £5.0m) in favour of the group's employer's liability insurers. The letters of credit are secured against cash deposits of £4.3m (2009 £4.2m).

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 (trading as DPWS)	49
Tilbury Container Services Limited	33 ²

¹Under the Transport Act 1981, the company has powers over Associated British Ports corresponding to the powers of a holding company over a wholly owned subsidiary undertaking

²Associated 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 Ogier House, The Esplanade, St Helier, Jersey, JE4 9WG. The consolidated financial statements of ABP (Jersey) Limited are the largest group in which the company is included.

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

	% of Ordinary shares	% of Preference shares
Infracapital Partners LP (through a nominee) acting by its manager		
M&G Investment Management Limited	10.00	10.00
Cheyne Walk Investment Pte Limited (owned by GIC Special		
Investments Pte)	33.33	33.33
Borealis (Luxembourg) S C A	16.67	33.33
Borealis International Investments Corporation	16.67	-
Admiral Global & International S 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