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Working with our stakeholders to continue as a market leader in port operations

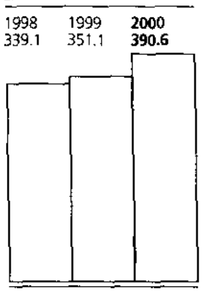
ASSOCIATED BRITISH PORTS HOLDINGS PLC

Annual report and accounts 2000

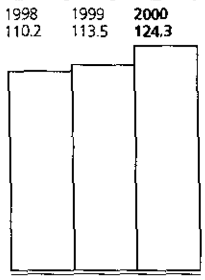
We are a leading provider to shippers and cargo owners of innovative and high quality port facilities and services, working in close partnership with our stakeholders.

Contents

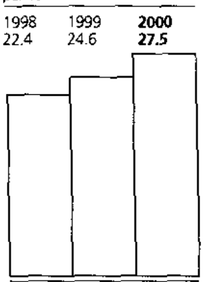
Group turnover
£m



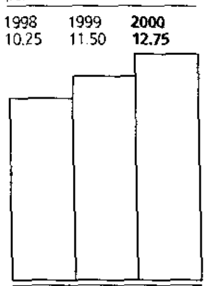
Underlying profit before tax*
£m



Underlying earnings per share*
pence



Dividend per share
pence



*Before goodwill amortisation and exceptional items

Summary of results

- **Group turnover up 11% to £390.6 million** (1999: £351.1 million)
  Strong throughput at the Group's UK ports and substantial property sales

- **Underlying pre-tax profit up 10% to £124.3 million** (1999: £113.5 million)
  7% growth in operating profit from the main ports and transport activities

- **Underlying earnings per share up 12% to 27.5 pence** (1999: 24.6 pence)

- **Dividend up 11% to 12.75 pence** (1999: 11.5 pence)

- **Strong operating cash flow**
  Free cash flow increased by 15% to £121.4 million (1999: £105.6 million)
  Underlying operating profit cash conversion remains over 100%

Strategic development

- **Growth in core business reflects new strategic direction**
  New business will generate increased growth rate for the UK ports in 2001

- **Disposal of non-core assets on track**
  £71 million received from the sale of Red Funnel Group
  £106 million from the sale of property

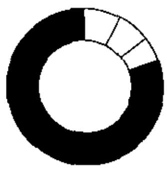
- **Share repurchase programme to continue**
  £150 million programme completed in 2000
  New £70 million programme

The Group today

The main business of Associated British Ports Holdings PLC is the ownership, operation and development of ports and associated activities.

Turnover 2000
£338.9m 79.1%

Underlying operating profit* 2000
£135.9m 80.7%



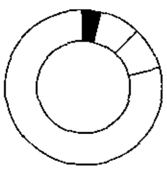
Ports and transport

The Group's ports and transport business earns its revenues from ships' dues; cargo and passenger dues; cargo-handling; pilotage; dredging; services to ships and tenants on port estates; haulage; auto-processing; aviation-support; airport management; port-related property income; and other miscellaneous income. The principal companies within this are:

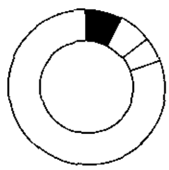
Associated British Ports (ABP) which owns and operates the largest ports group in the UK, handling approximately a quarter of the country's seaborne trade. With 23 ports, it is a leading provider to shippers and cargo owners of innovative and high-quality port facilities and services around the UK. ABP can provide a wide range of cargo-handling services at all of its ports, offering a diversity of location, specialist handling and distribution solutions.

AMPORTS operates in the USA and the UK. The US Seaport division handles car imports and exports, providing auto-processing and value-added services. The US Aviation division provides airport management and aviation-support services. AMPORTS UK provides labour and technical facilities for general stevedoring and the processing of vehicles at the Port of Southampton.

Turnover 2000
£15.9m 3.7%



Underlying operating profit* 2000
£12.6m 7.5%

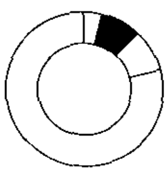


Property investment

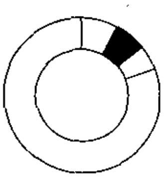
The Group's property investment business comprises rental revenues earned by **ABP**, **AMPORTS** and **Grosvenor Waterside Group (GWG)** from a portfolio of port-located properties on land no longer required for port operational purposes.

ABP's and AMPORTS' rental revenues are generated from customers using port estate property, but none of the other facilities of the port. GWG concentrates on the redevelopment of port-located areas in the UK which are no longer required for port operations. GWG extracts value from these sites through investment in high-quality business space, which generates solid rental streams.

Turnover 2000
£35.8m 8.4%



Underlying operating profit* 2000
£11.5m 6.8%

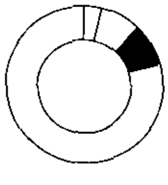


Property development

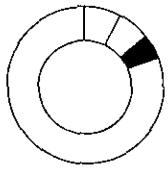
The Group's property development activities are undertaken by **GWG** and are focused at port locations where land is no longer required for port operational purposes. This land is redeveloped or sold to other developers in the residential, leisure and retail sectors.

In addition, **ABP** generates property development revenue from the sale of surplus land within the port estates.

Turnover 2000
£37.8m 8.8%



Underlying operating profit* 2000
£8.4m 5.0%



Associates

Southampton Container Terminals is 49 per cent owned by ABP and is the second-largest container terminal in the UK; it is the UK market leader in the container trade with the Far East. Southampton benefits from the largest tidal window of any UK container port.

Tilbury Container Services is 33 per cent owned by ABP and is London's only deep-water riverside container terminal and has the largest refrigerated container facilities in the northern hemisphere.

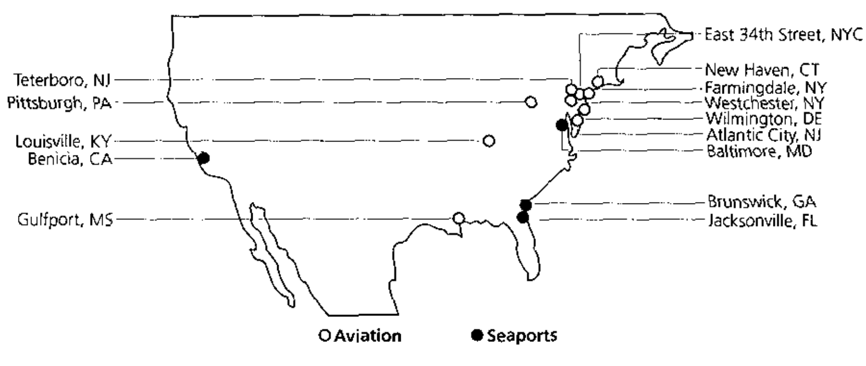
The Cardiff Bay Partnership is a limited partnership established during the year in conjunction with Norwich Union. It owns a portfolio of properties that have been acquired from GWG, totalling 33,259 square metres of prime office development located in the Cardiff Bay estate. The Group has a 45 per cent stake in the partnership.

*Before goodwill amortisation and exceptional items

UK Operations

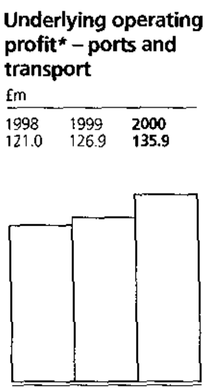
Other UK activities
- ABP Research & Consultancy
- Exxtor Shipping Services
- Northern Cargo Services
- Slaters Transport
- Southampton Free Trade Zone
- UK Dredging

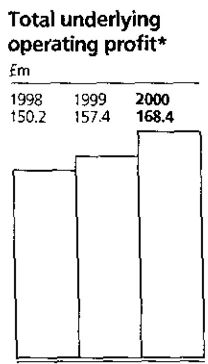
USA Operations



Financial highlights

		2000	1999	1998
Profit and loss account				
Group turnover	£m	**390.6**	351.1	339.1
Underlying operating profit* – ports and transport	£m	**135.9**	126.9	121.0
Total underlying operating profit*	£m	**168.4**	157.4	150.2
Exceptional items	£m	**15.4**	(76.9)	2.4
Underlying interest cover*	Times	**3.8**	3.6	3.8
Underlying profit before taxation*	£m	**124.3**	113.5	110.2
Profit before taxation	£m	**138.9**	32.8	110.6
Underlying earnings per share*	Pence	**27.5**	24.6	22.4
Basic earnings per share	Pence	**31.8**	1.6	22.4
Dividends				
Dividend per share	Pence	**12.75**	11.50	10.25
Underlying dividend cover*	Times	**2.2**	2.2	2.3
Cash flow statement				
Net cash inflow from operating activities including dividends received from associated undertakings	£m	**193.5**	179.1	183.1
Underlying operating profit cash conversion*	Percentage	**114.9**	113.8	121.9
Gross capital expenditure	£m	**88.9**	64.6	46.2
Sale of fixed assets	£m	**75.0**	64.5	17.7
Repurchase of shares	£m	**18.4**	54.2	80.7
Balance sheet				
Net borrowings	£m	**440.7**	542.2	556.3
Gearing	Percentage	**43.1**	57.0	54.5
Net assets	£m	**1,022.5**	950.9	1,019.9
Net assets per share	Pence	**300**	276	282





***Before goodwill amortisation and exceptional items**

Chairman's statement

Sir Keith Stuart, Chairman

I am pleased to report that the Group has achieved solid growth during 2000, with strong performances across all principal businesses. This is reflected in our financial results with underlying pre-tax profit up 10 per cent to £124.3 million (1999: £113.5 million). As a result, underlying earnings per share increased by 12 per cent to 27.5 pence (1999: 24.6 pence).

Results

Our main ports and transport business benefited from strong throughput at the Group's UK ports and contributed £135.9 million to operating profit, an increase of 7 per cent on 1999 (£126.9 million). Profit from property investment was £12.6 million (1999: £15.0 million), while profit from property development was £11.5 million (1999: £8.2 million). The anticipated reduction in profit from property investment reflects lower rental income following sales made in 1999 and 2000, whereas the property development result reflects strong property sales during the year. In addition, the Group's associates contributed £8.4 million (1999: £7.3 million).

In December, Red Funnel Group, the Southampton-based ferry and towage business, was sold for £71.0 million. This resulted in a profit of £14.0 million, reflecting the success of Red Funnel Group since its acquisition in 1989. The disposal of non-core investment properties provided an additional profit of £2.1 million (1999: £3.3 million). Goodwill amortisation and other exceptional items amounted to £1.5 million compared to £84.0 million in the previous year, which included the write-down of the carrying value of the Group's operations in the USA.

Business highlights

Our main ports and transport business benefited from a number of important developments that will provide the platform for the Group's future growth. These include the completion of major projects, such as Humber International Terminal at Immingham and Finland Terminal at Hull. The acquisition of Northern Cargo Services and Berkeley group (now AMPORTS UK) has provided two valuable additions to the range of value-added services we can offer our customers. Our plans to develop Dibden Terminal at Southampton moved forward, with the submission in October of our formal application to the Department of the Environment, Transport and the Regions.

Under the leadership of our Group Chief Executive, Bo Lerenius, supported by his executive team, we have also made good progress in implementing our strategy for growth, which is to focus on our main ports and transport business and the development of value-added services within this business. The strategy of disposing of non-core assets gained considerable momentum during 2000, with £177 million of disposals. In addition to the sale of Red Funnel Group for £71 million, we also received £71 million for the sale of investment property at Cardiff into a newly created partnership with Norwich Union. The property sales reflect both the current success in selling these assets and many years of preparatory work, to bring what was formerly derelict dockland into attractive, developable condition.

Dividend

The directors are recommending a final dividend of 7.25 pence per share (1999: 6.5 pence per share), making a total of 12.75 pence per share for 2000 (1999: 11.5 pence per share). If approved by shareholders, the final dividend will be paid on 1 May 2001 to shareholders who are on the register at 2 March 2001.

Share repurchases

Following the sale of Red Funnel Group, we expect to return £70 million to shareholders by means of a share repurchase exercise. The Group's previous share repurchase programme was completed in October 2000 and has resulted in £150 million being returned to shareholders since 1998.

Board of directors

We are pleased to welcome Tim Bowdler, Chief Executive of Johnston Press plc, who became a non-executive director on 1 January 2001.

At the Annual General Meeting, Stuart Bradley, formerly Managing Director of Associated British Ports and Chairman of Red Funnel Group until its recent sale, will be retiring after 37 years with the Group. He has made an outstanding contribution to the success of the Group and indeed of the ports industry as a whole, especially in the field of employee relations. Peter Dean will also be stepping down after 20 years as a non-executive director, during which he played a most valuable role in the successful privatisation and development of the Group.

Prospects

Performance in the early weeks of 2001 has been encouraging, with good results from our main ports and transport business. Overall, I anticipate that the Group will continue to make good progress in the year 2001.

Keith Stuart.

Sir Keith Stuart
Chairman
22 February 2001

Group Chief Executive – questions and answers

Bo Lerenius, Group Chief Executive

We value our stakeholders and work closely with them to develop effective relationships – they are the foundations of our business and the key to our success. Here I answer some of their questions.

What big customer-focused schemes lie ahead?

Peter Brooks, Managing Director, Edmund Nuttall Ltd

Work is currently being undertaken on two major schemes, which are both due for completion later this year. The first is the construction of a new passenger terminal in Hull on behalf of P&O North Sea Ferries. The second is the construction of a new £5 million roll-on/roll-off (ro-ro) terminal at Troon for P&O Irish Sea's service to Northern Ireland.

In the longer term we expect to develop Phase 2 of Humber International Terminal at Immingham. This would involve a long-term customer contract on the back of the potential significant growth in imported coal. In addition, we have recently submitted a draft Harbour Revision Order to the Department of the Environment, Transport and the Regions (DETR) to enable us to develop a multi-purpose terminal at Alexandra Dock, Hull. This terminal will provide both container and ro-ro handling facilities.

Looking further ahead, the Group's plans to develop Dibden Terminal in Southampton as a major deep-sea container facility have been well publicised. This will be a major civil engineering project with the capital cost of an initial three-berth development estimated at £400 million. The development will be demand-led and secured under long-term customer contracts.

What impact can the Group's capital expenditure programme have on business opportunities for suppliers and contractors?

In recent years, the Group has undertaken significant capital investment in improving its port facilities in partnership with its customers. This willingness to invest has been facilitated by the Group's continuing strong cash flow from its operating activities. This has obviously led to significant contracts being let to civil engineering contractors, such as Edmund Nuttall.

Humber International Terminal at Immingham was built at a total cost of around £35 million. Projects such as this clearly offer significant business opportunities for suppliers and contractors, and as the Group continues to expand its business, opportunities will continue to become available.

What exactly are your value-added businesses and how can they be of help to us?

Jussi Sarvikas, Vice-President, Logistics, UPM-Kymmene Corporation

The Group should not simply be seen as a port landlord, but more as a provider of services to those customers using our ports. We believe that by offering a complete range of port services to our customers, we are better placed to attract and retain customers at our ports. Customers benefit from the "one-stop-shop" concept and know that the Group can provide integrated solutions to meet their supply chain requirements. Value-added services which the Group currently offers include stevedoring, haulage, warehousing and distribution and ancillary services such as bagging, blending and ships' agency.

The Group made two stevedoring acquisitions during 2000 which add to the range of value-added services which we can offer. Northern Cargo Services (NCS), the largest general stevedoring company at the Port of Hull and sole operator of the port's Finland Terminal, was acquired in September for £1.7 million. In October, Southampton-based Berkeley group (now renamed AMPORTS UK), which provides stevedoring and vehicle-processing services, was acquired for £9.7 million.

In what areas are you looking to grow your business?

We have stated clearly that our current strategy is based on growing existing business and developing new business through rigorously targeted investments. The acquisitions of NCS and AMPORTS UK were in line with our strategy of growing our core ports and transport business by acquiring related businesses which will develop and extend the value-added services which our ports are able to offer customers.

Further acquisitions to expand the core business should not be ruled out. However, any acquisitions would have to meet the Group's hurdle rate of 15 per cent internal rate of return for new capital investment and would have to fit its existing core business and strategy.

As far as the extension of value-added services is concerned, the Group intends setting up a new division to focus on growth in this sector of the business.

This is seen as an area in which the Group can grow without having to undertake significant capital investment.

Publicly quoted companies are often accused of being interested only in their shareholders. Why does the Group support local communities?

Councillor June Bridle, Leader, Southampton City Council

Historically, communities, towns and cities have developed around ports and our ports continue to play an important and often vital role in their economies, identities and daily lives. Our ports handle billions of pounds worth of international trade. All of this business brings prosperity to the communities around them and is supported by the activities, infrastructure and goodwill of these communities. Also, we never forget that our many employees are, of course, part of our local communities and often play an important role in developing community relations, both individually and collectively.

What do you believe is the most important thing that a company like Associated British Ports can do for local communities?

Firstly, the Group as a whole is a significant direct employer of labour with around 3,000 employees, mainly at port locations in the UK and USA. In addition, thousands more jobs are created as a direct result of our port operations. We are actively involved in the development of the regions in which our ports are situated, bringing opportunities and prosperity to the local communities.

We support staff involvement in local charities, teams, schools and groups. Also, as an important member of our local communities, we work closely with local authorities, groups, charities and individuals to promote and enhance the areas in which we live and work.

How are you planning for the future needs of your customers?

Tony Taylor, Chief Executive, Dalgety Group Ltd

I have, perhaps, to a large extent addressed this question earlier in this section. I have outlined our current major capital projects and have touched upon the future.

The projected substantial growth in deep-sea container traffic clearly demonstrates the need for a new container terminal at Southampton. We are planning for the future needs of our customers by taking the necessary steps to ensure that we are able to provide such a facility. Our application to develop Dibden Terminal was submitted to the DETR in October. The Group expects to know the outcome of this application during 2002.

Ro-ro traffic continues to grow and we are currently examining ways in which to meet this growth. We are, for example, looking at the possibility of developing additional riverside facilities on the Humber, thereby avoiding the need for ships to lock in and out of ports.

We are quick to react to customers' needs. A good example of this is the Alexandra Silo Complex at King's Lynn. This was constructed for Dalgety Arable Limited and is the first malting barley silo complex to be built within a port. For the future we would be only too pleased to look at other innovative solutions for our customers, provided of course, that the return on our investment meets the Group's hurdle rate of return for new capital investment.

There seem to have been many changes within the Group recently. What has driven these changes?

In order to support the implementation of our growth strategy, it was necessary to change the structure of the organisation. These changes began towards the end of 1999 and continued during 2000, and have contributed to the good progress made during the year. They comprised significant management changes both in ABP, where the UK ports were reorganised into five units, and in AMPORTS. Richard Adam was appointed Group Finance Director and Doug Tipton was appointed Chief Executive Officer of AMPORTS. In addition, our Port Directors were appointed to the Board of ABP, reporting directly to me.

The Group is also beginning to build a more open relationship with its investors. As part of this process, and in order to improve the flow of communications, the Group now issues trading updates ahead of its interim and preliminary results.

Is the Group developing its employee incentive schemes?

Phil Peay, Yard Manager, Atlantic Terminal, AMPORTS

The Group is constantly reviewing its remuneration package structure and, in common with most large public limited companies, actively looks for new ways to align the interests of its employees with those of its shareholders. Over recent years, the Group has incentivised its employees by offering opportunities to acquire shares through the Company's Employee Share Ownership and Savings-Related Share Option Schemes on an annual basis. A share option plan exists for employees in the United States which has been designed to mirror, as far as possible, the UK Savings-Related Share Option Scheme.

Bonuses have also been introduced throughout the Group. In some areas, where performance can significantly affect the Group's results, bonuses are payable on an individual basis. In the long term, it is expected that the performance-related part of an individual's remuneration package will increase.

Does the Group have a succession plan?

How we plan for succession within the Group is a high priority for the future of our business. We continue to make a substantial investment in bringing talent to the Group. Our training and development policy continues to focus training resources on ensuring not only that all employees have the necessary job skills, but also that they have the opportunity to develop their full potential within the business.

During 2000, ABP conducted a detailed audit of key posts and identified the main skill areas to be developed. The audit will enable us to improve the focus of our development activities throughout 2001 and beyond. This will ensure that we continue to have the best people placed in strategic business roles and that we have nurtured talent for these roles in the future.

Group Chief Executive – questions and answers
(continued)

Our Shareholders

Edward Bonham-Carter,
Chief Investment Officer, Jupiter Asset Management Ltd

"The Group has adopted a modern, open and proactive attitude towards its shareholders. The management is more committed to strengthening relationships with investors, using effective and accessible lines of communication."

How do you intend to grow the Company's value for your shareholders?

Edward Bonham-Carter, Chief Investment Officer, Jupiter Asset Management Ltd

We aim to continue to focus on the core business of operating ports and providing value-added services within the ports. We will look for real growth by adding further new related business and adhering rigidly to our principles of concentrating on commercially attractive projects, supported by long-term contracts, with quality customers producing internal rates of return of at least 15 per cent per annum. In line with this strategy, a number of new contracts have been agreed which will lead to an increased growth rate for the Group's UK ports in 2001. This increased growth rate will more than compensate for the decline in investment and development property profits as the Group's resource of non-core property continues to be reduced. In 2001, we anticipate that property development profit will be weighted towards the second half of the year. We also intend to continue to focus on our risk management procedures to protect the Group's interests. As I have mentioned previously, in the years beyond 2001, the Group has plans for the development of Dibden Terminal at our Port of Southampton and further riverside facilities on the Humber which will create substantial additional growth once these facilities become operational.

What are your plans for returning value to your shareholders?

During 2000, we completed the existing £150 million share repurchase programme and announced a new £70 million share repurchase programme following the sale of Red Funnel Group. When the new programme has been completed, we will have returned some 65 pence per share to shareholders. This represents a significant proportion (22 per cent) of the Group's net assets per share value as at 31 December 2000. The Group also enjoys a robust dividend policy, which has seen dividends grow on a compound basis by just over 13 per cent per annum over the past five years.

You seem to be ideally placed to encourage integrated and environmentally-friendly transport. What are you doing about this?

Dr Tony Edwards, Humber Strategies Manager, Environment Agency

As most of the ABP ports are rail connected, our ports are genuinely trimodal. The Port of Immingham alone generates 19 per cent of the UK railfreight carried by English Welsh & Scottish Railway and around 30 per cent of the containers passing through the Port of Southampton are moved by rail. We have worked with shipowners to develop environmentally-friendly movement of trades, such as cars from factory to port by rail, and also by coastal-feeder vessels. A major contribution to the environment has also been made in Scotland where, with the aid of a Freight Facilities Grant, a new service has been established from the Argyll peninsula to the Port of Ayr, feeding logs to the nearby paper mills. It is estimated that this project will remove over one million lorry-miles annually from Scottish roads. We shall continue to seek similar projects to reduce stress and congestion on the road system and contribute to the reduction of greenhouse gases emitted into the atmosphere.

What are your targets and measurements for complying with industry-wide environmental best practice?

The Group actively participates in the annual Business in the Environment Survey which addresses ten aspects of corporate engagement in environmental management. Broad objectives have been set and, where possible, these are being quantified as both management and performance targets. On the marine side, we have participated in the development of the new Marine Code of Practice and are currently carrying out the formal safety assessment phase of its implementation. The target is for the Marine Code of Practice to be fully implemented in all ABP ports during the third quarter of 2001. An environmental management system has been commissioned and is being implemented in all of the Group's operating units, starting, initially, with ABP's ports in the UK. In addition to corporate targets, each port has set a number of local targets relating to such issues as energy consumption, paper recycling and environmental enhancement, which are being tracked and which will, in due course, be reported publicly.

Bo Lerenius

Bo Lerenius
Group Chief Executive
22 February 2001

Board of directors

1 2 3 11 7 9 10 8 5 6 4

Photograph of the directors is on pages 10 and 11

1. Sir Keith Stuart (60)*
Sir Keith Stuart was appointed non-executive Chairman of the Company in 2000, having been executive Chairman since 1982. He was Managing Director of the British Transport Docks Board, Associated British Ports' predecessor, between 1976 and 1982. Sir Keith has been closely associated with the successful privatisation of the Company and other former state-owned companies. He was Chairman of Seeboard plc from 1992 to 1996, and a director of BAA PLC between 1986 and 1992. He is a non-executive director of RMC Group plc and of the City of London Investment Trust plc, and, in December 2000, was appointed a member of the new Gas and Electricity Markets Authority. He is President of the British Quality Foundation, and is a member of the Council of the Confederation of British Industry.

2. George Duncan (67)*
George Duncan took over as Deputy Chairman in 1998, having been a non-executive director of the Company since 1986. Mr Duncan is a Chartered Accountant with wide business interests and experience. He is Chairman of ASW Holdings PLC, Laporte PLC, Swan Hill Group PLC and executive Chairman of Alldays PLC. Mr Duncan is able to offer the Board general advice based on his broad business experience.

3. Bo Lerenius (54)
Bo Lerenius became a director of the Company in February 1999, assuming his role as Group Chief Executive in May 1999. He is Chairman of Associated British Ports, Grosvenor Waterside Group PLC and AMPORTS. Prior to joining the Company, he was Vice Chairman of Stena Line and Director of New Business Investments of Stena AB, one of Sweden's largest companies. Between 1992 and 1998, Mr Lerenius was President and Chief Executive of Stena Line. He was Group President and Chief Executive of building-materials group Ermstromgruppen from 1985 to 1992, and was previously division director of Tarkett, a subsidiary of Swedish Match, and Nordsjö Färg, a company owned by the Nobel Group. Mr Lerenius is a non-executive director of Inmarsat Ventures Limited. As Group Chief Executive, Mr Lerenius is responsible for the significant progress that the Group has made in implementing the strategy for growth over the period since his arrival.

4. Richard Adam (43)
Richard Adam, who trained and qualified as a Chartered Accountant with KPMG in London, was appointed Group Finance Director in November 1999. Prior to this, he was Group Finance Director of Hodder Headline PLC, the book publishing business of WH Smith Group PLC, for three years. Between 1993 and 1996 he was Chief Financial Officer of International Family Entertainment's UK operations following its acquisition of TVS Entertainment PLC, where Mr Adam had been Group Finance Director since 1988. Mr Adam is responsible for all of the Group's financial affairs and has made a significant contribution to the implementation of the Group's strategy for growth.

5. Aubrey Adams (51)*
A non-executive director of the Company since 1996, Aubrey Adams is Group Chief Executive of Savills plc, which he joined in 1990 as Finance Director. Prior to Savills, he worked with Price Waterhouse in management consultancy, and subsequently spent 12 years as Finance Director of the Peachey Property Corporation. A Chartered Accountant, Mr Adams is a member of the Policy Committee and Chairman of the Accounting Committee of the British Property Federation. Mr Adams provides the Board with property advice based on his considerable knowledge of the property market.

6. Tim Bowdler (53)*
Chief Executive of Johnston Press plc, which he joined in 1994 as Group Managing Director, Tim Bowdler is a former Divisional Managing Director of Cape plc and a Council Member of the Newspaper Society. He joined the Board on 1 January 2001. As the active Chief Executive of a public company, Mr Bowdler is able to offer the Board the benefit of his knowledge of modern business practices.

7. Stuart Bradley CBE (65)
Stuart Bradley, formerly Chairman of Red Funnel Group, has been a director of the Company since 1988. A Master Mariner, he joined the ports industry in 1964 after a career at sea, and held a number of senior management posts at various ports of Associated British Ports before becoming Managing Director in 1988 – a post he held until 1995. Mr Bradley was responsible for Red Funnel Group up to the time of its recent sale; he will be retiring from the Board at the Annual General Meeting.

***Non-executive director**

Board of directors (continued)

8. Peter Dean CBE (61)*
A member of the Board since 1980, Peter Dean has been Chairman of the Gaming Board for Great Britain since 1998 and was the Investment Ombudsman for IMRO from 1996 until earlier this year. He was a member of the Monopolies and Mergers Commission from 1982 to 1990 and Deputy Chairman from then until 1997. He was previously an executive director of Rio Tinto plc, from 1974 to 1985. He will be stepping down from the Board at the Annual General Meeting.

9. Derek Sach (52)*
Derek Sach is a senior executive at The Royal Bank of Scotland plc, to which he returned in 1998 following a secondment as Chief Executive of Tesco Personal Finance. He joined The Royal Bank of Scotland plc in 1992 as Director, Specialised Lending Services, and became Director, Group Risk, two years later. Previously, he was Managing Director (UK) of 3i Group plc, where he held various positions over 19 years. He became a director of the Company in 1998 and is also a non-executive director of Berkeley Group plc and the London Chamber of Commerce and Industry. Mr Sach's banking experience enables him to provide the Board with advice in respect of financing issues.

10. James Shaw (57)
James Shaw, Managing Director of Grosvenor Waterside Group since 1991, joined the Board in 1992. He also sits as a director on the board of AMPORTS. Prior to joining the Company, he was Managing Director of Thorn High Street Properties for five years and Property Director of Imperial Brewing and Leisure (Courage) for four years. Between 1978 and 1982, he was Chief Surveyor for Peachey Property Corporation and, subsequently, for John Lewis Partnership. Mr Shaw is responsible for all of the Group's property affairs.

11. Andrew Simon OBE (55)*
Andrew Simon was appointed a director in 1994. He is executive vice-chairman of Diamant Boart SA in Brussels. He is also a non-executive director of Severn Trent PLC, Hampson Industries plc, Property Internet plc, Finning International Inc. (Vancouver) and is on the supervisory board of SGL Carbon AG (Germany). Between 1989 and 1993, he was Executive Chairman of Evode Group plc, having been Chairman and Chief Executive of that company for the previous ten years. Mr Simon provides the Board with general and strategic advice based on his wide commercial experience.

***Non-executive director**

1 2 3 11 7 9 10 8 5 6 4

Old Custom House, and part of the recently opened Ipswich Haven Marina, Wet Dock, Port of Ipswich.

Ports and transport

Our main business performed well in 2000, generating turnover of £338.9 million, up 9 per cent compared with 1999 (£310.1 million). Underlying operating profit also saw good growth, up 7 per cent to £135.9 million (1999: £126.9 million).

Total annual throughput at our UK ports was up by nearly 7 per cent to 127 million tonnes (1999: 119 million tonnes).

The performance of our UK ports benefited from the organisational changes made last year, the actions of the new management team and the investment programme of recent years.

Growth has been experienced in unit-load traffic including roll-on/roll-off (ro-ro), containers and vehicle imports and exports. Tonnages of liquid bulks, including oil, have also increased and higher volumes of dry bulks are now being handled, driven by imports of coal and exports of agribulks. Forest products have also seen good growth.

In December, the Group sold Red Funnel Group, the Southampton-based ferry and towage business for £71.0 million. The sale was achieved as part of the Group's strategy of disposing of non-core assets, leaving the Group to focus on operating ports and value-added businesses within those ports.

Volkswagen Group's Northern Distribution Centre at Grimsby – extended by 31 acres to make a total of over 90 acres – accommodates Volkswagen, Audi, Seat and Skoda vehicles.

The new Humber International Terminal, built by Edmund Nuttall, features a 300 metre-long berth and purpose-built facilities offering storage, processing, distribution and other logistics services.

Our Suppliers

"Humber International Terminal was a unique and pioneering project and in building it, we found your company to be refreshingly open to technical innovation."

Peter Brooks,
Managing Director, Edmund Nuttall Ltd

Ports and transport

Grimsby & Immingham
Grimsby & Immingham handled a record level of tonnage during 2000, achieving growth for the fifteenth successive year.

The ports' performance was boosted by an 11 per cent increase in ro-ro traffic and a 10 per cent increase in import and export vehicles handled. Dry bulk traffic also saw good growth, with throughput at the Immingham Bulk Park increasing to 266,000 tonnes (1999: 200,000 tonnes).

Dennis Dunn OBE,
Port Director, Grimsby & Immingham

Humber International Terminal, which offers the only deep-water general cargo terminal between the Thames and the Tees, became operational in June and has performed ahead of expectations, handling one million tonnes of cargo up to the end of December. This traffic included coal imports for Enron Coal Services under a five-year agreement.

Exxtor, the Group's ro-ro terminal operator at Immingham, successfully won new business, signing long-term agreements with Lys-Line A/S and Stora Enso. These gains will more than offset the transfer of a current customer to Immingham's Nordic Terminal, which is operated by DFDS Tor Line.

Lys-Line moved its operations to Exxtor's unit-load terminal at Immingham where purpose-built facilities accommodate Lys-Line's paper traffic, other cargo and groupage operations.

Our Customers

"ABP custom-built the Finland Terminal. Technically and operationally, it features the latest and leading know-how in the handling of paper and other forest products. Our customers benefit from the increased speed and reliability of this operation."

Jussi Sarvikas,
Vice President, Logistics, UPM-Kymmene Corporation

Ports and transport

Hull & Goole

Hull & Goole have achieved good progress, with throughput increasing by 5 per cent, driven by growth in dry-bulk imports and further expansion in both ro-ro and container traffic.

Mike Fell OBE,
Port Director, Hull & Goole

New contracts secured at the Port of Hull are driving growth. Ro-ro trade at Hull has seen further expansion, despite the loss of the Hamburg service in November. The new Finland Terminal, which provides 58,000 square metres of covered storage for paper and paper-product imports, became operational in May and has performed ahead of expectations. In September, the Group acquired Northern Cargo Services (NCS) for £1.7 million. NCS is the largest general stevedoring company at the Port of Hull and is the sole operator of Finland Terminal.

Construction of a new passenger terminal, which will accommodate the world's largest ferries to be operated by P&O North Sea Ferries on the Hull-Rotterdam crossing, is on course for completion in April 2001. In total, the Group is investing £14.3 million in the construction of this new terminal, together with associated river-works.

In December, Goole announced that the port's West Dock is to be redeveloped in 2001 to accommodate growing stainless steel scrap imports handled on behalf of Avesta, and to meet the expansion of trade generated by two of its other major customers.

The bespoke state-of-the-art Finland Terminal was built by ABP to handle Finnish paper, paperboard, pulp and panel products for UPM-Kymmene Corporation, Metsä-Serla Corporation and Myllykoski Paper OY.

The new passenger terminal at Hull, which is under construction for P&O North Sea Ferries, will accommodate the world's largest 'super-cruise' ferries.

Northern Cargo Services carries out stevedoring for Finland Terminal at Hull.

Southampton handles significant volumes of dry bulks, including grain, fertiliser, animal feed and aggregates.

Southampton is home to Cunard's world-renowned *Queen Elizabeth 2*.

Southampton Container Terminals (SCT) is one of Europe's fastest-growing container terminals. In 2000, for the first time, SCT handled more than one million container units.

Our Communities

"ABP understands the importance of contributing to their local communities. They work positively with Southampton City Council to improve the quality of life for the city and its citizens."

Councillor June Bridle,
Leader,
Southampton City Council

Ports and transport

Southampton

Andrew Kent,
Port Director,
Southampton

Southampton has performed strongly during the year, with continued growth in a number of key trades including containers (up 15 per cent on 1999), fresh produce and dry bulks. The port maintained its position as the UK's number-one cruise port with over 330,000 cruise passengers passing through the port, an increase of 35 per cent compared to 1999. It also had a record number of cruise calls during the year, with eight vessels making their maiden call to the port. The Group reached an agreement with P&O Cruises for a major new investment in cruise-terminal facilities in Southampton; under this agreement, Southampton becomes P&O's principal UK cruise port for the next ten years.

Southampton's position as one of the UK's leading fresh produce-handling ports was reinforced with the renewal and extension of an exclusive contract with the Federation of Canary Islands Producers, involving the annual import of some 120,000 tonnes of palletised fresh produce.

In February 2001, a new ten-year agreement was announced for the construction of a multi-deck car terminal, to provide Wallenius Wilhelmsen Line with additional terminal capacity to accommodate future growth.

In October, the Group submitted its formal application to the Department of the Environment, Transport and the Regions to develop Dibden Terminal. It is anticipated that this deep-water facility with fully integrated road and rail interchanges, if approved, would become operational in late 2004. The terminal is being developed to meet the continuing substantial growth in deep-sea container traffic. The development will be demand-led and secured under long-term customer contracts.

Our Customers

"The Alexandra Silo Complex, which ABP built for us at King's Lynn, is the first malting barley silo complex to be built within a port. It is an innovative 'one-stop-shop' that's been successfully designed to cut our customers' handling and transport costs."

Tony Taylor,
Chief Executive,
Dalgety Group Ltd

Ports and transport

South Wales

The South Wales ports saw a recovery in the volumes of coal and steel handled during 2000. The upgrading of existing facilities, and the development of several new facilities, have successfully attracted new business to the region.

John Copping,
Port Director,
South Wales

The completion of Dow Corning's Genesis project, which has created one of the largest silicone-manufacturing plants in the world, has continued to drive the growth in volumes of chemical imports through Barry. The port has also successfully developed other trades, including the return of regular grain shipments following an agreement with Rank Hovis.

In June, Newport handled its first shipment of coal as part of a long-term agreement to supply coal to AES Fifoots Point Power Station.

In August, the Group announced a £2.5 million investment to build a new distribution terminal at Cardiff. The new terminal will allow the South Wales ports to offer an integrated logistics solution to existing and potential customers. A contract has been signed with leading pet products specialist, The Bob Martin Company, which has a dedicated area within the terminal. In October, the new Cardiff Timber Terminal was officially opened to accommodate the port's growing timber trade.

We will be discussing with Corus its ongoing needs following the recent announcement concerning the future of its South Wales operations.

In November, the Group's dredging arm, UK Dredging, which has its main base at Barry, won a three-year contract to carry out all maintenance dredging at Forth Ports' Scottish ports from 2001.

The Shortsea ports – for example, at Fleetwood – experienced growth in ro-ro traffic.

The new Alexandra Silo Complex at King's Lynn, built for Dalgety Arable, has capacity for 25,000 tonnes of malting barley.

The new distribution terminal at Cardiff is equipped with the most modern drive-in racking system for 8,000 pallets.

Cardiff's new Timber Terminal has been built to accommodate the port's growing timber trade.

Budha Majumdar, **Port Director, Shortsea Ports**

Shortsea Ports

Volumes are also up at the Shortsea Ports compared with the previous year, with a number of new customers, new contracts and new developments.

In February, Ipswich introduced a new daily ro-ro freight service to Ostend, operated by Ferryways NV. The port also saw the opening in March of the £1.9 million Coldock Terminal for agribulks and, in July, Ipswich Haven Marina became operational.

King's Lynn has also won two important contracts. A £3.9 million malting barley silo complex, the first of its kind to be built within a port, opened in July and is supported by a long-term agreement with the port's customer, Dalgety Arable. In addition, a fertiliser-handling facility for a new customer, General Trading Services, was completed in December.

A timber-handling terminal has been constructed at the Port of Ayr to handle and transport timber in a more environmentally-friendly manner. Ayr also announced that a new £1.0 million facility is to be developed for Hydro Agri, the largest manufacturer of plant-nutrient products in the world. In August, the Group received the necessary consents and approvals for the construction of a new £5.0 million ro-ro terminal at Troon for P&O Irish Sea's service to Northern Ireland. The service is scheduled to move to Troon in July 2001.

Ports and transport

Doug Tipton,
President and Chief Executive Officer, AMPORTS

AMPORTS

The Group's USA business, American Port Services, has adopted the trading name of "AMPORTS" and the new management has successfully developed the business during 2000. The USA operations contributed £55.2 million to Group turnover compared with £42.7 million in 1999, and total operating profit rose to £5.7 million from £3.3 million in 1999.

AMPORTS' Seaport division has performed well, benefiting from high car volumes at all locations and handling 356,000 vehicles during the year, compared to 314,000 in 1999. Three new vehicle-processing accounts were won in the second half of the year which together will add an additional 90,000 units per annum to vehicle volumes once these accounts have been fully integrated during 2001. These comprise Kia in Benicia, California, and Ford and Volvo in Baltimore, Maryland. Every year Volvo Vehicle Logistics conducts multiple audits of its North American processors to give recognition to those who exceed Volvo's contractual demands and who outperform their peers. On 6 February 2001, Volvo Cars of North America presented AMPORTS' Jacksonville terminal in Florida with the 'Best North American Processor' award for 2000.

In October, the Group acquired Berkeley group, a stevedoring and vehicle-processing services company based at the Port of Southampton, for £9.7 million. Berkeley group's vehicle-processing operations – which are similar to those operated in the USA by AMPORTS – will be overseen by AMPORTS and, accordingly, the operation has been rebranded "AMPORTS UK". AMPORTS UK handles vehicles for a number of blue-chip customers including some of the world's leading motor manufacturers and shipping lines, giving the Group a major presence in the support of vehicle-transhipment services to and from mainland Europe and the USA.

The Aviation division of AMPORTS has seen satisfactory progress, and has continued to benefit from the growth in traffic at regional airports and in the corporate jet market in the USA. Several new contracts have been won, including a five-year contract awarded by the Port Authority of New York and New Jersey to manage Teterboro Airport, New Jersey, one of the busiest corporate aviation airports in the US. The Aviation division has also purchased a fixed-base operation (FBO) which comprises an aviation-refuelling facility at Gulfport-Biloxi Regional Airport, Mississippi, for £4.3 million. The FBO unit of AMPORTS provides aircraft refuelling, maintenance and hangar services and this latest purchase brings the number of FBOs owned by the Group to five.

Metroport, a heliport in the heart of Manhattan, is the premier aviation facility handling the time-critical flight needs of executives and also provides aviation services for medical evacuation, news-gathering and other special needs and events.

Our Employees

"The Group believes in investing in its people for future growth. In helping to finance my studies in International Business, the Group helps me to fulfil my potential and realise my career goals."

Phil Peay,
Yard Manager, Atlantic Terminal, AMPORTS

Associates
The Group's share in the turnover of associates increased to £37.8 million (1999: £32.6 million). The share of operating profit increased by 15 per cent to £8.4 million (1999: £7.3 million).

Southampton Container Terminals (SCT) achieved record throughput during 2000, handling in excess of one million container units (TEU) for the first time and achieving a 15 per cent increase over 1999's throughput. The Grand Alliance's transatlantic services commenced operating from SCT in July 2000.

Throughput at Tilbury Container Services (TCS) decreased slightly to 232,000 TEU after the record year of 1999 when the operation handled 255,000 TEU. However, in order to keep pace with projected future growth in the container market, construction of the second riverside berth at Tilbury has started, which will almost double TCS' existing capacity. The berth is expected to become operational by late 2001.

In the last quarter of the year, the Group sold property for £71.3 million to The Cardiff Bay Partnership, a newly created limited partnership with Norwich Union in which the Group has a 45 per cent stake.

Newly discharged vehicles at AMPORTS' Jacksonville facility in Florida.

Jacksonville's brand-new 'flexible inspection shop' undertakes comprehensive quality inspection of vehicles prior to delivery.

Property

James Shaw,
Managing Director, Grosvenor Waterside Group

Property investment

The Group's policy of selling non-operational property and optimising the potential of the property portfolio continues. Following further sales during 2000, and in line with expectations, property investment turnover is down by 11 per cent to £15.9 million (1999: £17.9 million). Similarly, operating profit fell by 16 per cent to £12.6 million (1999: £15.0 million).

In October, the Group announced the creation of The Cardiff Bay Partnership, a limited partnership with Norwich Union, in which the Group has a 45 per cent stake. The Partnership acquired a portfolio of properties in Cardiff Bay for £71.3 million from the Group, comprising five fully-let prime office buildings.

Property development

Property development turnover increased to £35.8 million (1999: £23.1 million), with operating profit also up at £11.5 million (1999: £8.2 million). This increase in operating profit reflects strong property sales during 2000, including the sale of a 43-acre site at Ferry Road, Cardiff Bay, for £8.0 million. In addition, The Athenaeum, Glasgow, was sold for £9.1 million. In December, two further disposals totalling £7.7 million were made with the sale of the residual freehold interest of Ocean Village, Southampton, and Queensgate North, Cardiff Bay. In addition, a 4.7-acre freehold site at Cardiff Bay, reserved for the proposed Wales Millennium Centre, was sold to Cardiff County Council for £2.5 million. At Waterfront, Barry, a further nine acres of land were sold for £5.5 million during 2000.

In addition, £4.7 million of land sales were achieved from surplus land within ABP port estates (1999: £3.0 million).

Fully-let prime office developments were sold to The Cardiff Bay Partnership. Tenants include the National Assembly for Wales, the Bank of England and Regus.

The Athenaeum in Glasgow was the last non-port-located property to be sold.

One of the maritime-inspired buildings at Ocean Village, Southampton – the residual freehold interest of which was sold to Marina Developments.

Queensgate North at Cardiff Bay, which was sold to Alfred McAlpine Homes Holdings, has planning permission for a high-density residential scheme.

The environment

Dr Tony Edwards,
Humber Strategies Manager, Environment Agency

"The Group takes seriously its stewardship of the environment in which its ports operate. We are working together with ABP and other partners to produce a strategy for the Humber which protects its environmental value and benefits the community."

Bo Lerenius,
Group Chief Executive

"We manage our activities and operate our ports to meet the demands of trade, taking into account the potential impact those activities might have on the environment."

Port activity impinges directly on the environment; indeed, to a large degree, the provision of port services involves directly managing the environment itself. The ports, forming a vital foundation for a large stakeholder community, are involved in the provision of many services and activities, including commercial and leisure activities.

Achievements during 2000
In 2000, we have endeavoured to move from broad to specific targets, both corporately and locally, at each business unit. In this respect our participation – for the second year running – in the Business in the Environment (BiE) Index of Corporate Environmental Engagement has provided an invaluable framework for achieving our targets. Most of our focus has been on ABP's ports in the UK which, together, form the largest business division of the Group. The principal achievements of the Group's business units in the year have been:

- completion of the upgrade of oil-spill response plans and their submission to Maritime Coastguard Agency (MCA)
- the full-scale trial for the Marine National Contingency Plan which took place on the Humber in association with MCA
- completion of the implementation of Port Waste Reception Plans at all ABP ports
- establishment of national environmental performance measures covering key potential environmental impacts, although many measures require further refinement
- identification of over 100 environmental targets at individual ABP ports addressing local environmental issues
- AMPORTS' appointment of international consultants to analyse environmental risks and develop clear environmental objectives for its port terminal and aviation services activities in the USA. These will be developed into clear targets for each operating unit before the next BiE audit in October 2001.

ABP Research & Consultancy – monitoring the behaviour of habitats.

Corporately, we have:

- succeeded in measuring carbon dioxide emissions in accordance with Government guidelines
- committed ourselves to setting meaningful targets by October 2001 for reducing water consumption
- introduced an internet-based environmental management system which will be available for use at each business unit and consistent throughout our national and international operations.

Environmental assessments for port developments
In responding to the needs of UK trade, the Group carries out numerous developments in or near its ports. Many of these are close to sensitive areas and assessments are always carried out in association with the competent Government authorities. Examples of major schemes include Humber International Terminal at Immingham, the reclamation of additional port land at Hull, and the development of a new roll-on/roll-off terminal at Troon.

Achieving environmental enhancement while maintaining sustainable development.

Our application for expansion at the Port of Southampton with Dibden Terminal was submitted in October, setting high standards for port development, design and assessment. The project is a prime example of a new approach to addressing environmental issues associated with port projects – a co-operative approach that is the key to achieving sustainable development. The extensive environmental assessment and mitigation package that accompanied our application was based on over four years of rigorous data collection, research, consultation and discussion, working with key UK environmental organisations and specialists. Independent reviewers have praised the resulting environmental statement for its clarity and commitment to implementing mitigation and monitoring measures. It features one of the largest packages of mitigation proposals submitted for a development of this size and nature. The application will be considered at public inquiry.

Oil-spill emergency exercise at Lowestoft.

Environment website

Within our UK ports, all major impacts on the environment have been identified, and we are seeking to develop meaningful performance measures. This is not straightforward, but to the greatest extent possible, data is now published on the Group's environment website at www.abports.co.uk/environment. This site is a principal environmental resource and is being developed in a number of ways, including:

- as an essential reference tool with direct links to key UK and European legislation
- as a means of integrating our efforts with those of other authorities and stakeholders in the coastal zone
- as a description of port activity and its potential environmental impacts, together with performance targets, where appropriate
- as a means of cost-effectively publishing and maintaining essential statutory plans such as those covering:
    - port waste-reception facilities
    - the Group's contribution to the schemes of management required by the Government's Habitats Regulations
    - statutory maritime plans covering emergency response and developing the requirements of the Marine Safety Code.

Future plans

Within the next 12 months, we foresee the following developments within the Group:

- the implementation of the Marine Safety Code
- the adaptation of the port waste management regime to maintain consistency with the new European Union (EU) Directive on Port Waste Reception Facilities, including the implementation of investigations into waste contractors' supply chains
- the development of port input into the statutory management schemes required under the EU Habitats Directive on the ten European Marine Sites within which the Group is involved
- a completely new web-based employee environmental awareness programme and full training for our environmental co-ordinators
- refinement and publication of local environment targets
- the institution of a research programme by our wholly-owned subsidiary, ABP Research & Consultancy (ABP Research), on the potential impact of climate change. We believe the ports industry will play a major role in managing the adaptation to climate change that will be required.

These actions will enable the Group to respond positively to the growing requirements for public access to environmental information arising from the Aarhus Convention, to which the UK is a signatory.

ABP Research

In ABP Research, we have a highly experienced team in the field of coastal zone management issues. They do original work on modelling the behaviour of habitats, particularly in estuaries, and are already beginning to see the results of a programme we are supporting at Heriot Watt University, which is formulating an approach to sustainable development – an issue which will need to be addressed in the coming years.

Underpinning ABP Research's research programmes are specific requirements to carry out formal assessments under the Environmental Impact legislation, as well as ongoing environmental monitoring programmes related to development projects and dredging campaigns.

Policy development

Great sensitivity is required to meet both the needs of the nation's seaborne trade and the major reductions in congestion and pollution through modal shift from road to sea transport, including the development of coastal, shortsea and feeder shipping. In terms of policy development it is our intention to continue to:

Managing port activity and environmental impact on the Humber.

Dibden Terminal – application sets high standards for port development, design and assessment.

- participate in Government and EU consultations on new environmental legislation. 75 per cent of UK estuaries are effectively designated as conservation sites under European Environmental legislation; there are 44 different kinds of coastal zone designation applicable in the UK
- campaign for common standards of environmental protection, application and compliance throughout the EU
- demand greater transparency of the underlying science relating to the coast, and of the decision-making process relating to consents
- seek to initiate regulatory changes with Government that would allow the creation of coastal habitat, in advance of need, to offset the impact of essential development
- work with the Department of the Environment, Transport and the Regions and others to seek a simplification of procedures for granting consents in the coastal zone, while protecting public interest
- address with Government the complex issue of achieving environmental enhancement while maintaining the goal of sustainable development, which is defined by Government as:
    - social progress which recognises the needs of everyone;
    - the effective protection of the environment;
    - prudent use of natural resources; and
    - the maintenance of high and stable levels of economic growth and employment.

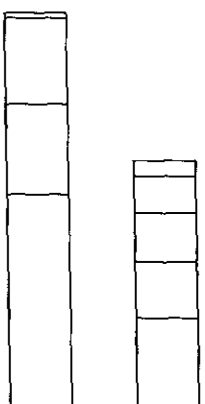
Financial review

Richard Adam, Group Finance Director

The Group has made good progress during the year. Underlying pre-tax profit increased by 9.5 per cent to £124.3 million (1999: £113.5 million), underlying earnings per share rose by 11.8 per cent to 27.5 pence (1999: 24.6 pence) and the total proposed dividend of 12.75 pence per share (1999: 11.5 pence per share) represents an increase over 1999 of 10.9 per cent.

Analysis of cash flow before financing – 2000

Inflow £343m **Outflow £222m**



Inflow
- Net cash inflow from operating activities £191m
- Proceeds from sale of investment properties £75m
- Proceeds from disposals £72m
- Other £5m

Outflow
- Gross capital expenditure £89m
- Net interest £47m
- Dividends £41m
- Acquisitions and investment £31m
- Taxation £14m

Turnover and underlying operating profit

Group turnover for the year ended 31 December 2000 increased by 11.3 per cent to £390.6 million, primarily driven by strong throughput at the UK ports and substantial property development sales in both the first and second half of the year. The corresponding increase in underlying cost of sales and administrative expenses was 14.7 per cent. These factors, coupled with a 15.1 per cent increase in the Group's share of operating profit in associates to £8.4 million, resulted in total underlying operating profit, before goodwill amortisation and exceptional items, increasing by 7.0 per cent to £168.4 million. Page 34 includes financial details of the business segments which have combined to produce these results and a more detailed review of the trading performance of the individual operating units is given on pages 12 to 23.

Interest

Net interest payable in the year of £44.1 million was £0.2 million higher than in 1999. This small increase was the result of three factors: first, average net borrowings decreased by £18.6 million; second, capitalised interest increased by £0.5 million to £1.5 million; and third the effect of these two positive factors was partially offset by a 0.4 per cent point increase in the underlying average rate of interest to 8.3 per cent, the latter following the increase in average bank base rates over the year. Underlying interest cover improved to 3.8 times compared to 3.6 times in 1999.

Taxation

The tax charge for the year of £30.8 million (1999: £27.2 million) represents an underlying effective tax rate of 24.8 per cent which is marginally ahead of the previous year (1999: 24.0 per cent), reflecting a change in the mix of tax allowances. The effective tax rate of 24.8 per cent compares favourably with the weighted standard rate of tax of 30.2 per cent for the UK and the USA, which are the main countries in which the Group operates.

Goodwill amortisation and exceptional items

Following last year's write-off of the goodwill associated with the 1998 acquisition of AMPORTS, goodwill amortisation for the year has decreased to £0.8 million from the 1999 level of £3.8 million. The Group's strategy of disposing of non-core assets to focus on operating ports and value-added businesses within those ports continued during the year with the disposal of Red Funnel Group, the Southampton-based ferry and towage business, in December. The sale realised £71.0 million of cash and resulted in a profit of £14.0 million. In addition the Group realised £75.0 million from the sale of non-core investment properties, which resulted in a profit of £2.1 million. Profit on disposal of the Group's interest in World Port Services NV totalled £0.1 million. £71.3 million of the non-core investment property sales were to a newly created limited partnership with Norwich Union in which the Group has a 45 per cent shareholding. Exceptional items also include £0.8 million of costs associated with an informal approach to the Board regarding the possibility of an offer being made for the Company. In May, the Company announced that no discussions had been or were being held in respect of this matter. Overall, exceptional items produced a credit of £15.4 million compared to the previous year's charge of £76.9 million, which included the write-down of the Group's operations in the USA.

Earnings per share

Underlying earnings per share, before goodwill amortisation and exceptional items, increased by 11.8 per cent to 27.5 pence per share (1999: 24.6 pence per share). Basic earnings per share at 31.8 pence per share showed a sharp increase over the 1999 level of 1.6 pence per share, which reflected the impact of last year's exceptional write-down of AMPORTS. The earnings per share calculations have also benefited from a reduction in the weighted average number of shares to 339.9 million (1999: 350.2 million). This reflects the impact of the share repurchase programmes.

Dividends

On the basis of the financial performance of the Group in the first half of the year, the directors declared an increased interim dividend of 5.5 pence per share (1999: 5.0 pence per share). Given the progress that has been made by the Group's core ports and transport business, a final dividend of 7.25 pence per share is recommended (1999: 6.5 pence per share). This would result in a total dividend for the year of 12.75 pence per share (1999: 11.5 pence per share), representing an increase of 10.9 per cent over the previous year and an unchanged dividend cover of 2.2 times underlying profit.

Share repurchase programmes
In October, the Group completed the £150.0 million share repurchase programme originally announced in 1998. In total, 51.4 million shares have been repurchased under this programme at an average price of 292 pence each, before costs. Following the disposal of Red Funnel Group in December, the Company announced a new £70.0 million share repurchase programme. By the end of the year, the Company had repurchased 0.7 million shares under this programme at an average price of 345 pence each, before costs, leaving £67.8 million of the programme still to be completed. Under these programmes in total during the year, £18.4 million was returned to shareholders with 6.8 million shares purchased at an average price of 268 pence each, before costs. The share price closed the year at 366 pence, just slightly below its 52-week high of 368.5 pence but significantly above its 52-week low of 208 pence.

Cash flow
The Group's cash flow remains strong and cash flow from operations, including dividends received from associated undertakings, for the year ended 31 December 2000 reached £193.5 million (1999: £179.1 million). This represented 114.9 per cent of total underlying operating profit (1999: 113.8 per cent). Gross capital expenditure in the year totalled £88.9 million (1999: £64.6 million) including an £11.7 million investment in Humber International Terminal at Immingham, and an £8.1 million investment in a new passenger terminal at Hull. The continued sale of investment properties generated £75.0 million (1999: £64.5 million). These were the main factors which resulted in the Group producing £121.4 million of free cash flow during the year (1999: £105.6 million).

Borrowings and gearing
Net borrowings decreased by £101.5 million in the year to £440.7 million (1999: £542.2 million), having benefited from the £71.0 million proceeds from the sale of Red Funnel Group. Looking forward, net borrowings can be expected to increase as the Company uses the proceeds from the Red Funnel sale to fund the balance of the new £70.0 million share repurchase programme. As a result of the reduction in net debt, gearing declined to 43.1 per cent from the 1999 year-end level of 57.0 per cent. Shareholders' funds ended the year at £1,022.5 million (1999: £950.9 million), which represented 300 pence per share (1999: 276 pence per share).

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

Liquidity risk
Borrowing facilities are maintained at a level which is forecast to provide a reasonable surplus beyond the future needs of the Group. At 31 December 2000, the Group had £289.0 million of undrawn facilities (1999: £88.6 million). The Group entered into a new five-year committed £340.0 million syndicated loan facility in the second half of the year, in anticipation of the expiry of the majority of its bilateral facilities in 2001. At 31 December 2000, the Group's gearing benefited from the £71.0 million proceeds from the sale of Red Funnel Group, which will be used to fund the new £70.0 million share repurchase programme. Consequently, notwithstanding the Group's 43.1 per cent gearing ratio at 31 December 2000, the Group's target range for gearing remains unchanged at 55.0 to 70.0 per cent.

Interest rate risk
A balance between fixed and floating-rate debt is maintained to manage interest rate risk. At the end of the year 73 per cent of the Group's borrowings were fixed (1999: 60 per cent). Derivative instruments, such as interest rate swaps, are used, when appropriate, to hedge against changes in interest rates and to adjust the balance between fixed and floating-rate debt.

Foreign exchange risk
The Group has a proportion of its business conducted in foreign currency, mainly US dollars. It is therefore subject to the effects that movements in the rate of exchange can have on the translation of the results and the underlying balance sheet and assets of foreign subsidiary undertakings. Whilst it is not the Group's policy to hedge its exposure from profit translation, the Group does have a policy to partially hedge balance sheet translation risk. There is no element of foreign currency speculation. The average exchange rate used to translate US dollar profits was US$1.5157 (1999: US$1.6186). The year-end exchange rate, used to translate US dollar assets and liabilities, was US$1.4938 (1999: US$1.6117).

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. This credit risk is mitigated by the Group's policy of selecting only those counterparties with an investment-graded credit rating.

Adoption of new accounting standards
Financial Reporting Standard 15 – Tangible Fixed Assets has been adopted in these financial statements for the first time. There has been no material effect on the results in adopting this standard. Financial Reporting Standard 16 – Current Tax was adopted in 1999. Financial Reporting Standard 17 – Retirement Benefits, Financial Reporting Standard 18 – Accounting Policies and Financial Reporting Standard 19 – Deferred Tax are fully effective for financial statements relating to accounting periods ending on or after 22 June 2003, 22 June 2001 and 23 January 2002, respectively, and will be adopted in due course.

Pensions
The Group's UK defined benefit pension scheme remains in surplus. The Group's contribution holiday is, therefore, being maintained and the next valuation of the scheme will be available later this year.

Award for published accounts
In November the Group was honoured to receive a commendation from ProShare, for Best Annual Report and Accounts for the Private Investor in a Company with a market capitalisation above £250 million.

Richard Adam FCA
Group Finance Director
22 February 2001

Group profit and loss account for the year ended 31 December

	Note	*Underlying 2000 £m	Goodwill amortisation 2000 £m	Exceptional items 2000 £m	Total 2000 £m	Total 1999 £m
Turnover including share of associates						
Existing operations		**397.9**	–	–	**397.9**	359.2
Acquisitions		**6.4**	–	–	**6.4**	–
Continuing operations		**404.3**	–	–	**404.3**	359.2
Discontinued operations		**24.1**	–	–	**24.1**	24.5
		428.4	–	–	**428.4**	383.7
Less: share of turnover in associates		**(37.8)**	–	–	**(37.8)**	(32.6)
Group turnover	2	**390.6**	–	–	**390.6**	351.1
Cost of sales		**(181.5)**	–	–	**(181.5)**	(154.5)
Gross profit		**209.1**	–	–	**209.1**	196.6
Administrative expenses	3	**(49.1)**	**(0.8)**	**(0.8)**	**(50.7)**	(130.5)
Existing operations		**154.4**	**(0.7)**	**(0.8)**	**152.9**	60.4
Acquisitions		**0.6**	**(0.1)**	–	**0.5**	–
Continuing operations		**155.0**	**(0.8)**	**(0.8)**	**153.4**	60.4
Discontinued operations		**5.0**	–	–	**5.0**	5.7
Group operating profit		**160.0**	**(0.8)**	**(0.8)**	**158.4**	66.1
Share of operating profit in associates		**8.4**	–	–	**8.4**	7.3
Total operating profit		**168.4**	**(0.8)**	**(0.8)**	**166.8**	73.4
Profit on disposal of discontinued operations	3,26	–	–	**14.0**	**14.0**	–
Profit on sale of fixed assets	3	–	–	**2.2**	**2.2**	3.3
Profit on ordinary activities before interest	2,4	**168.4**	**(0.8)**	**15.4**	**183.0**	76.7
Net interest payable	6	**(44.1)**	–	–	**(44.1)**	(43.9)
Profit on ordinary activities before taxation		**124.3**	**(0.8)**	**15.4**	**138.9**	32.8
Taxation on profit on ordinary activities	8	**(30.8)**	–	–	**(30.8)**	(27.2)
Profit on ordinary activities after taxation attributable to shareholders		**93.5**	**(0.8)**	**15.4**	**108.1**	5.6
Dividends	10	**(43.1)**	–	–	**(43.1)**	(39.4)
Retained profit/(loss) for the Group and its share of associates	28	**50.4**	**(0.8)**	**15.4**	**65.0**	(33.8)
Earnings per share – basic	11	**27.5p**	**(0.2p)**	**4.5p**	**31.8p**	1.6p
Earnings per share – diluted	11				**31.6p**	1.6p
Earnings per share – underlying*	11				**27.5p**	24.6p

*Underlying represents results before goodwill amortisation and exceptional items.

Balance sheets as at 31 December

	Note	Group 2000 £m	Group 1999 £m	Company 2000 £m	Company 1999 £m
Fixed assets					
Intangible assets	12	**23.3**	10.4	**–**	–
Tangible operating assets	13	**744.3**	711.9	**–**	–
Tangible property assets	14	**614.9**	704.0	**–**	–
Investments	15	**54.3**	38.4	**979.9**	992.9
		1,436.8	1,464.7	**979.9**	992.9
Current assets					
Property developments and land held for sale	16	**29.7**	21.8	**–**	–
Debtors – due within one year	17	**76.1**	84.2	**508.3**	513.8
Debtors – due after one year	17	**68.7**	63.2	**–**	–
Cash and short-term deposits	18	**10.2**	13.8	**–**	0.5
		184.7	183.0	**508.3**	514.3
Creditors – amounts falling due within one year	19	**(124.8)**	(112.7)	**(44.5)**	(33.0)
Net current assets		**59.9**	70.3	**463.8**	481.3
Total assets less current liabilities		**1,496.7**	1,535.0	**1,443.7**	1,474.2
Creditors – amounts falling due after more than one year	20	**(440.3)**	(547.7)	**(420.5)**	(522.6)
Provisions for liabilities and charges	23	**(24.6)**	(26.4)	**(0.7)**	(0.7)
Deferred income	24	**(9.3)**	(10.0)	**–**	–
Net assets		**1,022.5**	950.9	**1,022.5**	950.9
Capital and reserves					
Called-up share capital	27	**85.2**	86.2	**85.2**	86.2
Share premium account	28	**63.1**	57.7	**63.1**	57.7
Revaluation reserve	28	**642.1**	660.9	**651.0**	634.9
Other reserves	28	**33.9**	12.6	**47.6**	45.9
Profit and loss account	28	**198.2**	133.5	**175.6**	126.2
Equity shareholders' funds		**1,022.5**	950.9	**1,022.5**	950.9

The financial statements on pages 28 to 50 were approved by the Board of Directors on 22 February 2001.

Richard Adam FCA
Group Finance Director

Group cash flow statement for the year ended 31 December

	Note	2000 £m	1999 £m
Net cash inflow from operating activities	29	**191.5**	177.6
Dividends received from associated undertakings		**2.0**	1.5
Returns on investments and servicing of finance			
Interest received		**0.5**	0.7
Interest paid		**(45.7)**	(43.6)
Interest element of finance lease rental payments		**(1.4)**	(1.5)
Net cash outflow from returns on investments and servicing of finance		**(46.6)**	(44.4)
Taxation		**(14.0)**	(26.4)
Capital expenditure and financial investment			
Tangible operating assets		**(67.2)**	(42.9)
Tangible property assets		**(21.7)**	(21.7)
Sale of fixed assets		**75.0**	64.5
Movement on investment in own shares	15	**2.4**	(2.6)
Net cash outflow from capital expenditure and financial investment		**(11.5)**	(2.7)
Free cash flow		**121.4**	105.6
Acquisitions and disposals			
Purchase of subsidiary undertakings	25	**(14.3)**	(2.4)
Net cash acquired on purchase of subsidiary undertakings	25	**0.3**	–
Investment in associated undertakings	15	**(16.3)**	–
Sale of subsidiary undertakings	26	**70.5**	–
Net cash transferred on disposal of subsidiary undertakings	26	**(0.3)**	–
Sale of investment in associated undertakings		**1.0**	–
Net cash inflow/(outflow) from acquisitions and disposals		**40.9**	(2.4)
Equity dividends paid		**(40.9)**	(37.8)
Cash inflow before use of liquid resources and financing		**121.4**	65.4
Management of liquid resources	29	**–**	(0.1)
Financing			
Issue of shares		**3.9**	3.7
Repurchase of shares		**(18.4)**	(54.2)
Decrease in borrowings		**(107.8)**	(6.2)
Capital element of finance lease rental payments		**(2.9)**	(2.7)
Net cash outflow from financing		**(125.2)**	(59.4)
(Decrease)/increase in cash in the year	29	**(3.8)**	5.9

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

	Note	2000 £m	1999 £m
(Decrease)/increase in cash in the year	29	**(3.8)**	5.9
Cash outflow from decrease in borrowings and lease finance		**110.7**	8.9
Borrowings issued on acquisition of subsidiary undertakings	25	**(1.6)**	–
Cash inflow from increase in liquid resources	29	**–**	0.1
Currency translation differences	29	**(3.8)**	(0.8)
Change in net borrowings resulting from cash flows		**101.5**	14.1
Net borrowings at 1 January		**(542.2)**	(556.3)
Net borrowings at 31 December	21,29	**(440.7)**	(542.2)

Statement of Group total recognised gains and losses for the year ended 31 December

	2000 £m	1999 £m
Profit on ordinary activities after taxation attributable to shareholders	**108.1**	5.6
Surplus arising on revaluation of tangible property assets (note 14)	**0.5**	11.1
Prior year corporation tax recovered	–	1.4
Release of deferred tax on sale of investment properties	–	1.5
Currency translation differences on foreign currency net investments (note 28)	**0.1**	1.0
Other movements	–	0.3
Total recognised gains for the year	**108.7**	20.9

Note of Group historical cost profits and losses for the year ended 31 December

	2000 £m	1999 £m
Profit on ordinary activities before taxation	**138.9**	32.8
Realisation of property revaluation surpluses/(deficits) of previous years (note 28)	**19.3**	(36.7)
Historical cost profit/(loss) on ordinary activities before taxation	**158.2**	(3.9)
Taxation on profit on ordinary activities	**(30.8)**	(27.2)
Dividends	**(43.1)**	(39.4)
Historical cost profit/(loss) for the year retained for the Group and its share of associates	**84.3**	(70.5)

Reconciliation of movements in equity shareholders' funds for the year ended 31 December

	Group		Company	
	2000 £m	1999 £m	**2000 £m**	1999 £m
Profit on ordinary activities after taxation attributable to shareholders	**108.1**	5.6	**118.9**	103.2
Dividends	**(43.1)**	(39.4)	**(43.1)**	(39.4)
	65.0	(33.8)	**75.8**	63.8
New share capital subscribed	**4.8**	3.7	**4.8**	3.7
Repurchase of shares (note 27)	**(18.4)**	(54.2)	**(18.4)**	(54.2)
Surplus arising on revaluation of tangible property assets (note 14)	**0.5**	11.1	–	–
Write-back of goodwill previously written-off on disposal of discontinued operations (note 26)	**19.6**	–	–	–
Prior year corporation tax recovered	–	1.4	–	–
Realised surplus/(deficit) on revaluation of subsidiary undertakings	–	–	**9.4**	(82.3)
Release of deferred tax on sale of investment properties	–	1.5	–	–
Currency translation differences on foreign currency net investments (note 28)	**0.1**	1.0	–	–
Other movements	–	0.3	–	–
Net increase/(decrease) in equity shareholders' funds	**71.6**	(69.0)	**71.6**	(69.0)
Equity shareholders' funds at 1 January	**950.9**	1,019.9	**950.9**	1,019.9
Equity shareholders' funds at 31 December	**1,022.5**	950.9	**1,022.5**	950.9

Notes to the financial statements

1. Accounting policies

Basis of preparation

The financial statements have been prepared on a going concern basis in accordance with applicable accounting standards and under the historical cost convention as modified by the revaluation of operational land, investment properties, land at ports held for development and investments in subsidiary and associated undertakings.

Basis of consolidated financial statements

The consolidated financial statements include the accounts of the Company, its subsidiary undertakings and its share of the results of associated undertakings. The results of subsidiary undertakings acquired are included from the date of acquisition. The results of discontinued operations are included up to the date of disposal.

New financial reporting standard

Financial Reporting Standard 15 – Tangible Fixed Assets became effective for accounting periods ending on or after 23 March 2000 and has been adopted in the preparation of these accounts. In accordance with the transitional arrangements for the revaluation of fixed assets, the valuation of operational land, previously undertaken triennially, will not be updated. The book value of land will be maintained as at the last valuation, being 31 December 1998.

Foreign currencies

Transactions of UK companies denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates of exchange ruling at that date. Where matching forward foreign exchange contracts have been entered into, the rate specified in the relevant contract is used. These translation differences are recognised in the profit and loss account.

The profit and loss accounts of foreign subsidiary undertakings are translated into sterling at average rates for the year, the balance sheets are translated into sterling at the rates of exchange ruling at the balance sheet date. All exchange differences arising on consolidation are taken directly to reserves. All other translation differences are taken to the profit and loss account with the exception of differences on foreign currency borrowings to the extent that they are used to finance or provide a hedge against Group equity investments in foreign enterprises which are taken directly to reserves together with the exchange difference on the net investment in these enterprises.

Turnover

Turnover 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.

Recognition of profit on property developments

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.

Financial instruments

Derivative financial instruments utilised by the Group comprise interest rate swaps and forward foreign exchange contracts. All such instruments are used for hedging purposes to alter the risk profile of an existing underlying exposure of the Group in line with the Group's risk management policies which are set out in the Financial Review on page 27. Amounts payable or receivable in respect of interest rate swaps are recognised as adjustments to interest expense over the period of the contract. Exchange gains and losses on forward foreign exchange contracts are recognised on maturity of the underlying transaction. Profits or losses arising on the early termination of interest rate swap transactions and forward foreign exchange contracts are recognised when the agreement is terminated or transferred to a third party.

Goodwill

Purchased goodwill arising on consolidation, representing the excess of the purchase price over the fair value of net assets acquired, is capitalised in the year in which it arises and is amortised on a straight-line basis over its estimated useful economic life. The estimated useful economic life is calculated having due regard to the period over which the Group expects to derive economic benefit from the assets. For acquisitions made since 1 January 1998, the estimated useful economic life does not exceed 20 years.

Up to and including 31 December 1997, purchased goodwill arising on consolidation has been written-off against reserves in the year of acquisition. This goodwill had been eliminated as a result of accounting policies in force at that time and will be charged or credited to the profit and loss account upon the subsequent disposal of the businesses to which it relates.

Notes to the financial statements

1. Accounting policies (continued)

Tangible operating assets

Prior to the implementation of Financial Reporting Standard 15 – Tangible Fixed Assets, the Group's operational freehold and leasehold land was revalued every three years with surpluses or deficits being transferred to the revaluation reserve. Under the transitional arrangements of Financial Reporting Standard 15 – Tangible Fixed Assets, all operational land will be carried at the latest valuation as at 31 December 1998, adjusted for additions and disposals. Other tangible operating assets are included at cost.

Finance costs directly attributable to the construction of certain major additions to fixed assets are capitalised as part of the cost of those assets.

Depreciation is provided on the straight-line method by reference to the expected useful lives of the various types of asset. These lives range up to a maximum of 50 years for capitalised dredging costs, dock structures, roads, quays and buildings; up to 30 years for floating craft; and between two and 30 years for plant and equipment. Freehold land is not depreciated.

Significant capital investment grants are credited to the profit and loss account over the useful lives of the assets concerned. The balance of such grants not yet transferred to the profit and loss account is included as deferred income. Any transfers of tangible operating assets to investment properties are reflected net of any unamortised capital investment grants.

Tangible property assets

Investment properties and land held for development are stated at open market value. In accordance with Statement of Standard Accounting Practice 19, revaluations are conducted annually with any surpluses or deficits being transferred to the revaluation reserve. No provision is made for depreciation of freehold properties or for amortisation of leasehold properties held on leases having more than 20 years unexpired. This departure from the requirements of the Companies Act 1985, which requires all properties to be depreciated is, in the opinion of the directors, necessary for the financial statements to show a true and fair view in accordance with applicable accounting standards.

The depreciation or amortisation (which would, had the provisions of the Act been followed, have reduced profit for the year) is only one of the factors reflected in the annual valuation and the amount attributable to this factor cannot reasonably be separately identified or quantified.

Investment properties in the course of construction are stated at cost, including capitalised interest and other net outgoings, with the exception of the underlying land, which is included at carrying value before construction commenced.

Transfers of property from fixed 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 in the last balance sheet. This departure from the requirements of the Companies Act 1985, which requires transfer at the lower of cost and net realisable value, is, in the opinion of the directors, necessary for the financial statements to show a true and fair view in accordance with applicable accounting standards. Had the provisions of the Act been followed, the net assets of the Group would be artificially reduced on transfer, whereas in reality, such a reduction has not occurred; and the profit on disposal calculated by reference to a lower carrying value, would give rise to an artificially high profit. Transfers of property from property developments to fixed assets are made at the lower of cost and estimated net realisable value as at the date of transfer.

Leased assets

At the inception of finance leases, the capital cost of the asset is included in the financial statements both as a tangible operating asset and as an obligation to pay future rentals. Amounts payable in respect of operating leases are charged to the profit and loss account.

Property developments and land held for sale

Property developments and land held for sale are stated at the lower of cost or transfer value, and net realisable value.

Retirement benefits

The Group operates a number of defined benefit pension schemes. The majority of the scheme members are in funded schemes with the assets being held in separate trustee-administered funds.

The expected cost of pensions in respect of the Group's defined benefit pension schemes is charged to the profit and loss account so as to spread the cost of pensions over the service lives of employees in the schemes. Past service surpluses and other variations from the regular cost are spread over the expected remaining service lives of current employees in the schemes. The pension cost is assessed in accordance with the advice of independent actuaries.

Provision is maintained for unfunded retirement benefit arrangements less attributable taxation on a full provision basis. Interest at the rate recommended by the actuaries is credited to the provision and charged to the profit and loss account. Payments are charged to the provision.

Deferred taxation

Deferred taxation is provided on timing differences only when it is expected that the potential tax liability will be payable in the foreseeable future, except in the case of pensions for which full provision is made. No provision for deferred taxation is made in respect of liabilities which would arise on the disposal of investment properties and land held for development at their revalued amounts.

Notes to the financial statements

2. Segmental analysis

Analysis of Group turnover, profit on ordinary activities before interest and net assets by class of business and geography:

	Europe 2000 £m	USA 2000 £m	Total 2000 £m	Europe 1999 £m	USA 1999 £m	Total 1999 £m
Group turnover						
Ports and transport						
Existing operations	**256.1**	**52.3**	**308.4**	244.0	41.6	285.6
Acquisitions	**5.2**	**1.2**	**6.4**	–	–	–
Continuing operations	**261.3**	**53.5**	**314.8**	244.0	41.6	285.6
Discontinued operations	**24.1**	**–**	**24.1**	24.5	–	24.5
	285.4	**53.5**	**338.9**	268.5	41.6	310.1
Property investment	**14.2**	**1.7**	**15.9**	16.8	1.1	17.9
Property development	**35.8**	**–**	**35.8**	23.1	–	23.1
Group turnover	**335.4**	**55.2**	**390.6**	308.4	42.7	351.1
Profit on ordinary activities before interest						
Ports and transport						
Existing operations	**126.1**	**4.2**	**130.3**	118.6	2.6	121.2
Acquisitions	**0.4**	**0.2**	**0.6**	–	–	–
Continuing operations	**126.5**	**4.4**	**130.9**	118.6	2.6	121.2
Discontinued operations	**5.0**	**–**	**5.0**	5.7	–	5.7
	131.5	**4.4**	**135.9**	124.3	2.6	126.9
Property investment	**11.3**	**1.3**	**12.6**	14.3	0.7	15.0
Property development	**11.5**	**–**	**11.5**	8.2	–	8.2
Share of operating profit in associates	**8.4**	**–**	**8.4**	7.3	–	7.3
Total underlying operating profit	**162.7**	**5.7**	**168.4**	154.1	3.3	157.4
Goodwill amortisation			**(0.8)**			(3.8)
Exceptional items – administrative expenses (note 3)			**(0.8)**			–
Goodwill and fixed asset impairment (note 3)			**–**			(80.2)
Total operating profit			**166.8**			73.4
Profit on disposal of discontinued operations (note 3)			**14.0**			–
Profit on sale of fixed assets (note 3)			**2.2**			3.3
Profit on ordinary activities before interest			**183.0**			76.7
Net assets						
Net operating assets						
Ports and transport	**1,259.8**	**51.9**	**1,311.7**	1,199.3	39.3	1,238.6
Property investment	**98.1**	**9.9**	**108.0**	165.6	8.8	174.4
Property development	**25.6**	**–**	**25.6**	24.3	–	24.3
Share of associates	**46.5**	**–**	**46.5**	28.2	–	28.2
Continuing operations	**1,430.0**	**61.8**	**1,491.8**	1,417.4	48.1	1,465.5
Discontinued operations	**–**	**–**	**–**	34.9	–	34.9
	1,430.0	**61.8**	**1,491.8**	1,452.3	48.1	1,500.4
Less: Group items						
Goodwill			**23.3**			10.4
Net borrowings (note 21)			**(440.7)**			(542.2)
Net liabilities			**(51.9)**			(17.7)
Net assets			**1,022.5**			950.9

The Group's share of associated undertakings is stated after deducting the Group's share of net borrowings of £19.1 million (1999: £3.0 million).

3. Exceptional items

Administrative expenses include £0.8 million (1999: nil) of exceptional costs associated with an informal approach to the Board regarding the possibility of an offer being made for the Company. On 9 May 2000, the Company announced that no discussions had been or were being held in respect of this matter.

Profit on disposal of discontinued operations includes £14.0 million in respect of the sale by the Company of Red Funnel Group, its Southampton-based ferry and towage business, for £71.0 million on 1 December 2000.

Profit on disposal of fixed assets includes £2.1 million (1999: £3.3 million) in respect of profit arising on the disposal of investment properties and £0.1 million profit in respect of the disposal of the Group's interest in World Port Services NV.

In the year to 31 December 1999, administrative expenses included exceptional items of £60.6 million in respect of the impairment and write-off of goodwill and £19.6 million in respect of the impairment and write-off of fixed assets associated with AMPORTS.

4. Profit before interest and taxation

Profit before interest and taxation is after charging/(crediting):	**2000 £m**	1999 £m
Voluntary severances	**1.9**	2.7
Employee share scheme	**0.9**	0.8
Depreciation (note 13)	**23.6**	21.5
Grant amortisation (note 24)	**(0.7)**	(0.7)
Operating lease rentals – plant and machinery	**2.1**	2.1
Operating lease rentals – property	**4.5**	4.0
Auditors' remuneration – statutory audit (including expenses)	**0.3**	0.4

Fees paid to PricewaterhouseCoopers for non-audit services in the UK were £0.5 million (1999: £0.4 million). The statutory audit fee above includes £46,000 (1999: £44,000) in respect of the Company.

5. Retirement benefits

Independent actuaries carry out valuations of both the funded pension schemes and the unfunded pension liabilities, which provide pension benefits for approximately two-thirds of Group employees.

The most recent valuation of the Associated British Ports Group Pension Scheme was undertaken as at 31 December 1997 and, after agreement with the scheme Trustees, certain improvements to benefits were made. The market value of the assets of the scheme at the valuation date was £377.7 million. The value of the assets represented 136 per cent of the benefits which had accrued to members after allowing for future expected increases in earnings and benefit improvements. The Attained Age method was used to value the sections of the scheme which are closed to new entrants and the Projected Unit method was used for the open section. The assets of the scheme were taken into account at their market value. Consistent with this, the liabilities were valued using financial assumptions derived from yields on index-linked and fixed-interest Government securities. In particular it was assumed that investment returns would exceed salary increases by 1.5 per cent per annum and exceed future pension increases by 3 per cent per annum. The schemes are funded on a more conservative basis than that used to determine the pension credit.

Analysis of pension credit:	**2000 £m**	1999 £m
Group scheme		
Amortisation of past service surpluses including interest on the balance sheet prepayment	**10.3**	10.2
Regular annual cost of providing current and future service benefits	**(4.2)**	(4.2)
Total added to prepayment of pension contributions	**6.1**	6.0
Cost of pension benefits in other Group schemes	**(1.5)**	(1.2)
	4.6	4.8

The past service surpluses are being amortised over the remaining service lives of the employees. No employer's contributions are being made to the Associated British Ports Group Pension Scheme at present. Deferred tax of £1.8 million (1999: £1.3 million) has been charged to the profit and loss account in respect of the pension credit.

Notes to the financial statements

6. Net interest payable

	Fixed rate 2000 £m	Variable rate 2000 £m	Total 2000 £m	Total 1999 £m
Interest payable and similar charges				
Eurobonds	**28.0**	**–**	**28.0**	28.0
Bank loans	**0.8**	**14.0**	**14.8**	14.2
Bank overdraft and other borrowings	**–**	**0.5**	**0.5**	0.3
Finance leases	**1.4**	**–**	**1.4**	1.6
Amounts payable in respect of loans from associated undertakings	**–**	**0.4**	**0.4**	0.2
Liabilities for retirement benefits (note 23)	**–**	**0.3**	**0.3**	0.3
Other	**0.6**	**0.3**	**0.9**	1.0
Less: finance costs capitalised on payments for fixed assets	**–**	**(1.5)**	**(1.5)**	(1.0)
	30.8	**14.0**	**44.8**	44.6
Interest receivable and similar income	**–**	**(0.5)**	**(0.5)**	(0.7)
Total Group	**30.8**	**13.5**	**44.3**	43.9
Share of interest in associates	**–**	**(0.2)**	**(0.2)**	–
	30.8	**13.3**	**44.1**	43.9

The Bank of England base rate is used for capitalisation of finance costs directly attributable to the construction of certain major additions to fixed assets. £0.9 million (1999: £0.9 million) of the finance costs capitalised have been or will be deductible against corporation tax.

7. Directors and employees

Full details of directors' emoluments, including shareholdings and options, are shown in the Board report on remuneration on pages 56 to 59.

	2000 £m	1999 £m
Staff costs		
Wages and salaries	**74.3**	67.3
Social security costs	**6.4**	5.3
Other pension costs – net credit (note 5)	**(4.6)**	(4.8)
	76.1	67.8

	2000 Number	1999 Number
Average number of persons employed		
Ports and transport	**3,034**	2,924
Property	**54**	66
	3,088	2,990

8. Taxation on profit on ordinary activities

	2000 £m	1999 £m
United Kingdom		
UK corporation tax at 30.0% (1999: 30.25%) based on the profit for the year	**25.8**	24.7
Adjustment in respect of prior years	**–**	0.2
	25.8	24.9
Double taxation relief	**(0.3)**	(0.3)
	25.5	24.6
Deferred taxation – other timing differences (note 23)	**1.8**	0.6
Deferred taxation – reduction in UK corporation tax rate	**–**	(0.5)
Total UK taxation	**27.3**	24.7
Overseas taxation – current year	**0.9**	0.3
Total Group	**28.2**	25.0
Share of taxation in associates	**2.6**	2.2
	30.8	27.2

The Group tax charge for the year has been reduced by £3.3 million (1999: £3.1 million) to reflect the benefit of accelerated capital allowances for taxation purposes.

Notes to the financial statements

9. Profit attributable to shareholders

The Company has not presented its own profit and loss account as permitted by section 230 of the Companies Act 1985. The parent Company's result for the financial year amounted to a profit of £118.9 million (1999: £103.2 million).

10. Dividends

	2000 £m	1999 £m
Interim dividend paid of 5.50p (1999: 5.00p) per ordinary 25p share	**18.8**	17.3
Proposed final dividend of 7.25p (1999: 6.50p) per ordinary 25p share	**24.3**	22.1
	43.1	39.4

If approved, the final dividend would be payable on 1 May 2001 to shareholders on the register at the close of business on 2 March 2001.

11. Earnings per share

The calculation of earnings per share is based on 339.9 million (1999: 350.2 million) ordinary shares being the weighted average number of shares in issue and ranking for dividend during the year.

The directors consider that underlying earnings per share is a more appropriate basis for comparing performance between periods than basic earnings per share. Figures for earnings per share calculated on an underlying basis have been provided to show the effect of excluding goodwill amortisation and exceptional items, profit on disposal of discontinued operations, profit on the sale of fixed assets and, in 1999, impairment of goodwill and fixed assets.

Reconciliation of profit used for calculating the basic and underlying earnings per share:

	Profit		Earnings per share	
	2000 £m	1999 £m	**2000 p**	1999 p
Profit on ordinary activities after taxation attributable to shareholders used for calculating basic earnings per share	**108.1**	5.6	**31.8**	1.6
Goodwill amortisation	**0.8**	3.8	**0.2**	1.1
Exceptional items – administrative expenses (note 3)	**0.8**	–	**0.2**	–
Impairment of goodwill (note 3)	**–**	60.6	**–**	17.3
Impairment of fixed assets (note 3)	**–**	19.6	**–**	5.6
Profit on disposal of discontinued operations (note 3)	**(14.0)**	–	**(4.1)**	–
Profit on sale of fixed assets (note 3)	**(2.2)**	(3.3)	**(0.6)**	(1.0)
Profit on ordinary activities after taxation attributable to shareholders used for calculating the underlying earnings per share	**93.5**	86.3	**27.5**	24.6

Reconciliation of weighted average number of shares used for calculating basic and diluted earnings per share:

	Number of shares	
	2000 m	1999 m
Weighted average number of shares – basic earnings per share	**339.9**	350.2
Dilution arising from share option schemes	**1.9**	2.5
Weighted average number of shares – diluted earnings per share	**341.8**	352.7

Notes to the financial statements

12. Intangible assets

	Goodwill £m
Cost	
At 1 January 2000	11.3
On acquisition of subsidiary and business undertakings (note 25)	13.6
Exchange adjustments	0.1
At 31 December 2000	**25.0**
Amortisation	
At 1 January 2000	0.9
Charge for year	0.8
At 31 December 2000	**1.7**
Net book value	
At 31 December 1999	10.4
At 31 December 2000	**23.3**

13. Tangible operating assets

	Operational land £m	Buildings £m	Dock structures, roads, quays and dredging £m	Floating craft £m	Plant and equipment £m	Capital works in progress £m	Total £m
Cost or valuation							
At 1 January 2000	323.9	62.1	276.5	74.7	132.2	37.7	907.1
Additions	1.7	4.6	12.1	2.6	14.9	31.2	67.1
In subsidiary and business undertakings at date of acquisition	–	1.0	–	–	1.1	–	2.1
Transfers within tangible operating assets	0.3	3.8	26.3	0.9	6.3	(37.6)	–
Transfers from/(to) tangible property assets (note 14)	16.0	0.1	1.0	–	–	4.6	21.7
Disposals	(1.4)	(2.1)	(0.2)	(40.6)	(13.1)	–	(57.4)
Exchange adjustments	1.2	0.8	1.1	–	0.3	0.2	3.6
At 31 December 2000	**341.7**	**70.3**	**316.8**	**37.6**	**141.7**	**36.1**	**944.2**
Depreciation							
At 1 January 2000	–	16.5	91.6	16.1	71.0	–	195.2
Charge for year	–	2.4	7.9	4.2	9.1	–	23.6
Disposals	–	(0.4)	(0.2)	(10.9)	(8.2)	–	(19.7)
Exchange adjustments	–	0.3	0.4	–	0.1	–	0.8
At 31 December 2000	**–**	**18.8**	**99.7**	**9.4**	**72.0**	**–**	**199.9**
Net book value							
At 31 December 1999	323.9	45.6	184.9	58.6	61.2	37.7	711.9
At 31 December 2000	**341.7**	**51.5**	**217.1**	**28.2**	**69.7**	**36.1**	**744.3**

Notes to the financial statements

13. Tangible operating assets (continued)
All tangible operating assets are stated at cost with the exception of operational land, which is included at valuation as at 31 December 1998. The Group's operational land and buildings held at 31 December 1998 were valued as at that date on the basis of existing-use value in accordance with the Appraisal and Valuation Manual issued by The Royal Institution of Chartered Surveyors. The valuations were carried out by external valuers Healey & Baker, International Real Estate Consultants. The total valuation amounted to £507.5 million of which £326.7 million was apportioned to land, representing an excess of £291.2 million over its historical book cost at that date.

Operational land, buildings and dock structures are held freehold with the exception of short leasehold properties with an historic net book value of £3.1 million (1999: £3.9 million).

Floating craft includes assets held under finance leases with a book cost and accumulated depreciation at 31 December 2000 totalling £29.4 million (1999: £28.8 million) and £9.2 million (1999: £7.7 million) respectively. The depreciation charge for the year includes £1.5 million (1999: £1.5 million) in respect of these assets.

Plant and equipment includes assets held under finance leases with a book cost and accumulated depreciation at 31 December 2000 totalling £1.5 million (1999: £1.3 million) and £1.1 million (1999: £1.1 million), respectively. The depreciation charge for the year includes £0.1 million (1999: £0.1 million) in respect of these assets.

The cost of tangible operating assets includes £6.0 million (1999: £6.1 million) for the cumulative cost of interest on instalments paid during the period of construction of certain assets.

14. Tangible property assets

	Port-related investment properties £m	Other investment properties £m	Investment properties in the course of construction £m	Land at ports held for development £m	Total £m
At 1 January 2000	477.6	144.0	10.7	71.7	704.0
Additions	7.0	0.2	14.1	3.1	24.4
Transfers within tangible property assets	18.5	0.6	(9.2)	(9.9)	–
Transfers to land held for sale	(1.2)	(4.1)	(9.4)	(6.0)	(20.7)
Transfers (to)/from tangible operating assets (note 13)	(6.7)	(0.3)	0.1	(14.8)	(21.7)
Disposals	(0.4)	(71.5)	–	(0.4)	(72.3)
Exchange adjustments	0.1	0.4	–	0.2	0.7
	494.9	69.3	6.3	43.9	614.4
Surplus/(deficit) on revaluation (note 28)	4.5	(3.0)	–	(1.0)	0.5
At 31 December 2000	**499.4**	**66.3**	**6.3**	**42.9**	**614.9**
Being:					
Cost	–	–	5.2	–	5.2
Valuation at 31 December 2000	499.4	66.3	1.1	42.9	609.7
Historic cost at 31 December 2000	173.0	19.1	5.2	23.2	220.5

Tangible property assets, other than investment properties in the course of construction, have been valued on the basis of open market value in accordance with the Appraisal and Valuation Manual issued by The Royal Institution of Chartered Surveyors. The valuations were carried out as at 31 December 2000 by J N Shaw FRICS, director of Associated British Ports Holdings PLC. Investment properties in the course of construction have been stated at cost, including interest and other net outgoings with the exception of the underlying land, which is included at carrying value before construction commenced.

All the above properties are owned freehold with the exception of £0.6 million (1999: £0.6 million) of port-related investment properties which are owned leasehold.

Notes to the financial statements

15. Investments

	Group			Company		
	Interest in associated undertakings £m	Own shares £m	Total £m	Subsidiary under-takings £m	Own shares £m	Total £m
At 1 January 2000	28.2	10.2	38.4	982.7	10.2	992.9
Share of profit for the year	2.9	–	2.9	–	–	–
Investment in subsidiary undertakings	–	–	–	0.3	–	0.3
Investment in associated undertakings	16.3	–	16.3	–	–	–
Disposal of discontinued operations	–	–	–	(20.3)	–	(20.3)
Disposal of interest in associated undertakings	(0.9)	–	(0.9)	–	–	–
Surplus arising on revaluation of subsidiary undertakings (note 28)	–	–	–	9.4	–	9.4
Other movements	–	(2.4)	(2.4)	–	(2.4)	(2.4)
At 31 December 2000	**46.5**	**7.8**	**54.3**	**972.1**	**7.8**	**979.9**

In presenting the figures for the Company's investments in subsidiary and associated undertakings, the Company has adopted the alternative accounting rules under the terms of schedule 4, part II, section C to the Companies Act 1985 and revalued these assets at 31 December 2000 to directors' valuations.

On 26 October 2000, The Cardiff Bay Partnership, a limited partnership in which the Group holds a 45 per cent interest, was created.

On 6 December 2000, the Group disposed of its 50 per cent interest in World Port Services NV.

The Company has an Employee Share Ownership Trust (ESOT) to acquire from the market and hold shares to meet the exercise of options arising from recent and future grants under the Executive Share Option Scheme as an alternative to the issue of new shares. At 31 December 2000, the ESOT held 2.9 million shares (1999: 3.7 million) with a nominal value of £0.7 million (1999: £0.9 million). The market value of these shares at 31 December 2000 was £10.4 million (1999: £10.6 million). The dividends on the shares held have been waived by the trustees with the exception of 0.01p per share.

16. Property developments and land held for sale

	2000 £m	1999 £m
Land and completed developments held for sale	**13.8**	16.4
Held for future development	**15.9**	5.4
	29.7	21.8

Property developments and land held for sale are stated at the lower of their cost or transfer value, and net realisable value as determined by the directors at 31 December 2000. The historic cost of property developments and land held for sale totalled £20.3 million (1999: £19.0 million), with no interest capitalised within cost at 31 December 2000 (1999: £2.6 million).

17. Debtors

	Group		Company	
	2000 £m	1999 £m	**2000 £m**	1999 £m
Due within one year				
Trade debtors	**44.8**	40.3	–	–
Amounts owed by subsidiary undertakings	–	–	**507.1**	513.5
Amounts owed by associated undertakings	**3.3**	1.0	–	–
Other debtors	**9.6**	7.1	**1.2**	0.2
Advance corporation tax recoverable	**3.5**	16.2	–	–
Prepayments and accrued income	**10.6**	10.5	–	0.1
Property completions due	**4.3**	9.1	–	–
	76.1	84.2	**508.3**	513.8
Due after one year				
Other debtors	**0.1**	0.6	–	–
Prepayment of pension contributions	**68.6**	62.6	–	–
	68.7	63.2	–	–
	144.8	147.4	**508.3**	513.8

Notes to the financial statements

18. Cash and short-term deposits

	Group 2000 £m	Group 1999 £m	Company 2000 £m	Company 1999 £m
Short-term deposits	**3.8**	3.8	–	–
Cash at bank and in hand	**6.4**	10.0	–	0.5
	10.2	13.8	–	0.5

19. Creditors – amounts falling due within one year

	Group 2000 £m	Group 1999 £m	Company 2000 £m	Company 1999 £m
Borrowings				
Bank overdraft	**5.0**	5.2	**9.3**	5.0
Loan notes – unsecured	**1.6**	–	–	–
Bank loans	**1.8**	1.7	–	–
Obligations under finance leases	**2.9**	2.8	–	–
	11.3	9.7	**9.3**	5.0
Other				
Trade creditors	**23.5**	21.7	–	–
Amounts owed to associated undertakings	**0.9**	1.7	–	–
Other creditors	**13.5**	11.8	–	–
Taxation and social security	**18.3**	18.5	–	–
Dividends	**24.5**	22.3	**24.5**	22.3
Accruals	**32.8**	27.0	**10.7**	5.7
	124.8	112.7	**44.5**	33.0

20. Creditors – amounts falling due after more than one year

	Group 2000 £m	Group 1999 £m	Company 2000 £m	Company 1999 £m
Borrowings				
Eurobonds 2008 (6.625%)	**120.0**	120.0	**120.0**	120.0
Eurobonds 2011 (11.875%)	**100.0**	100.0	**100.0**	100.0
Eurobonds 2015 (10.875%)	**75.0**	75.0	**75.0**	75.0
Bank loans – unsecured	**132.2**	235.4	**127.4**	228.8
Obligations under finance leases – secured	**14.1**	17.1	–	–
Southampton Harbour Board redeemable stocks 2010 (3.75%)	**0.2**	0.2	–	–
Ipswich redeemable debentures undated (3.5%)	**0.1**	0.1	–	–
Less: deferred borrowing costs to be amortised	**(2.0)**	(1.5)	**(1.9)**	(1.2)
	439.6	546.3	**420.5**	522.6
Other				
Accruals	**0.7**	1.4	–	–
	440.3	547.7	**420.5**	522.6

The bank loans are repayable between 2001 and 2006. Of the unsecured bank loans, £4.8 million (1999: £6.6 million) are repayable by instalments and bear interest at fixed rates of between 10.3 per cent and 12.35 per cent. The remaining £127.4 million (1999: £228.8 million) bear interest linked to national inter-bank rates.

Obligations under finance leases are secured on related leased assets.

21. Group net borrowings

	2000 £m	1999 £m
Creditors – amounts falling due within one year (note 19)	**11.3**	9.7
Creditors – amounts falling due after more than one year (note 20)	**439.6**	546.3
	450.9	556.0
Less: cash and short-term deposits (note 18)	**(10.2)**	(13.8)
	440.7	542.2
Group share of net borrowings of associated undertakings not included in the Group balance sheet	**19.1**	3.0

An analysis of maturity of gross financial liabilities is given in note 22a.

22. Financial instruments

The Group's policies as regards derivatives and financial instruments are set out in the Financial Review on page 27 and the accounting policies on page 32.

Short-term debtors and creditors have been excluded from these disclosures except for the currency profile disclosures as given in note 22e.

a. Maturity profile of gross financial liabilities

Amounts falling due:	Debt 2000 £m	Finance leases 2000 £m	Other 2000 £m	Total 2000 £m	Debt 1999 £m	Finance leases 1999 £m	Other 1999 £m	Total 1999 £m
Within one year or less, or on demand	**8.4**	**2.9**	**–**	**11.3**	6.9	2.8	0.5	10.2
More than one year, but not more than two years	**2.0**	**3.2**	**1.0**	**6.2**	185.6	3.0	1.4	190.0
More than two years, but not more than five years	**2.9**	**10.9**	**0.3**	**14.1**	49.3	10.2	0.3	59.8
More than five years	**420.6**	**–**	**4.6**	**425.2**	294.3	3.9	5.3	303.5
	433.9	**17.0**	**5.9**	**456.8**	536.1	19.9	7.5	563.5

Other gross financial liabilities comprise accruals due after more than one year of £0.7 million (1999: £1.4 million) and provisions for retirement benefits of £3.1 million (1999: £3.3 million), deferred consideration of £0.3 million (1999: £0.3 million) and provisions for onerous contracts of £1.8 million (1999: £2.5 million).

Undrawn committed borrowing facilities expiring:	2000 £m	1999 £m
Within one year or less	**76.4**	27.3
More than one year, but not more than two years	**–**	51.2
More than two years	**212.6**	10.1
	289.0	88.6

b. Interest rate profile

The following interest rate profiles analysed by principal currency of the Group's financial liabilities and assets are after taking into account interest rate swaps entered into by the Group.

Gross financial liabilities	Fixed rate 2000 £m	Floating rate 2000 £m	Other non-interest bearing 2000 £m	Total 2000 £m	Fixed rate 1999 £m	Floating rate 1999 £m	Other non-interest bearing 1999 £m	Total 1999 £m
Sterling	**329.5**	**60.6**	**2.8**	**392.9**	332.0	159.8	4.2	496.0
US dollar	**–**	**63.9**	**–**	**63.9**	–	67.5	–	67.5
	329.5	**124.5**	**2.8**	**456.8**	332.0	227.3	4.2	563.5

Notes to the financial statements

22. Financial instruments (continued)

b. Interest rate profile (continued)

The weighted average interest rate for fixed rate financial liabilities is 9.3 per cent (1999: 9.1 per cent). The weighted average period for which the rate is fixed is 10.0 years (1999: 11.0 years).

Interest on floating rate liabilities is based on the relevant national inter-bank rates and is fixed in advance for periods of up to six months.

Gross financial assets	**Floating rate 2000 £m**	**Other non-interest bearing 2000 £m**	**Total 2000 £m**	Floating rate 1999 £m	Other non-interest bearing 1999 £m	Total 1999 £m
Sterling	**3.8**	**2.9**	**6.7**	3.8	5.5	9.3
US dollar	**3.6**	**–**	**3.6**	5.1	–	5.1
	7.4	**2.9**	**10.3**	8.9	5.5	14.4

Gross financial assets comprise cash at bank and in hand of £6.4 million (1999: £10.0 million), short-term deposits of £3.8 million (1999: £3.8 million) and other debtors due in more than one year of £0.1 million (1999: £0.6 million).

Interest on floating rate deposits is based on the relevant national inter-bank rate and is fixed in advance for periods of up to six months. Other non-interest bearing financial assets comprise current bank accounts.

c. Fair values of financial assets and liabilities

Gross financial liabilities	**Carrying amount 2000 £m**	**Estimated fair value 2000 £m**	Carrying amount 1999 £m	Estimated fair value 1999 £m
Debt	**433.9**	**490.6**	536.1	622.6
Finance leases	**17.0**	**17.2**	19.9	20.2
Other liabilities	**5.9**	**5.9**	7.5	7.5
	456.8	**513.7**	563.5	650.3

	Carrying amount 2000 £m	**Estimated fair value 2000 £m**	Carrying amount 1999 £m	Estimated fair value 1999 £m
Interest rate swaps	**–**	**–**	–	0.1

The carrying value of financial assets equates to the estimated fair value for both 2000 and 1999.

Market values have been used to determine the fair value of all interest rate swaps, foreign currency contracts and listed instruments. The fair value of other items has been calculated by discounting expected cash flows at prevailing interest rates at the end of the year.

d. Hedging

As explained in the Financial Review on page 27, the Group's policy is to hedge certain interest rate and foreign exchange risks by using interest rate swaps and forward foreign currency contracts.

Unrecognised gains and losses on instruments used for hedging and the movements therein:

	2000 £m	1999 £m
Unrecognised gains/(losses) at 1 January	**0.1**	(0.2)
(Losses)/gains arising during the year that were not recognised	**(0.1)**	0.3
Unrecognised gains on hedges at 31 December	**–**	0.1
Gains expected to be recognised after one year	**–**	0.1

Notes to the financial statements

22. Financial instruments (continued)

e. Currency profile

The main functional currencies of the Group are sterling, US dollar and the euro. The table below shows the Group's currency exposures after the effect of forward foreign currency contracts. The amounts represent the transactional exposures that give rise to the net foreign currency gains and losses recognised in the profit and loss account. Such exposures comprise the monetary assets and liabilities of the Group that are not denominated in the operating (functional) currency of the operating unit involved, other than non-sterling borrowings treated as hedges of net investments in overseas operations.

	Net foreign currency monetary assets/(liabilities)							
	Sterling 2000 £m	**US dollar 2000 £m**	**Euro 2000 £m**	**Total 2000 £m**	Sterling 1999 £m	US dollar 1999 £m	Euro 1999 £m	Total 1999 £m
Functional currency of operation								
Sterling	–	–	**(0.1)**	**(0.1)**	–	(17.8)	0.2	(17.6)
Euro	–	–	–	–	2.5	–	–	2.5
	–	–	**(0.1)**	**(0.1)**	2.5	(17.8)	0.2	(15.1)

23. Provisions for liabilities and charges

	Group				
	Retirement benefits £m	Deferred taxation £m	Deferred consideration £m	Onerous contracts £m	Total £m
Balance at 1 January 2000	3.3	20.3	0.3	2.5	26.4
On disposal of discontinued operations (note 26)	–	(2.9)	–	–	(2.9)
Charge for year	0.1	1.8	–	–	1.9
Utilised in year	(0.5)	–	–	(0.8)	(1.3)
Interest	0.3	–	–	0.1	0.4
Other timing differences	(0.1)	0.2	–	–	0.1
Balance at 31 December 2000	**3.1**	**19.4**	**0.3**	**1.8**	**24.6**

Retirement benefits

The provision for retirement benefits represents the present value estimated on an actuarial basis, net of attributable taxation of £0.9 million (1999: £0.9 million) of liabilities for pensions and allowances of former employees of predecessor undertakings and of unfunded and non-tax-exempt pension arrangements. An independent actuarial assessment as at 31 December 1999 confirmed that, apart from annual interest, no additional provision is required in respect of these liabilities.

	Group			
	Potential full provision		Provided in the accounts	
Deferred taxation	**2000 £m**	1999 £m	**2000 £m**	1999 £m
Accelerated capital allowances:				
Tangible operating assets	**34.1**	39.8	**–**	2.9
Tangible property assets	**16.8**	11.2	**–**	–
Retirement benefits	**19.6**	17.2	**19.6**	17.2
Other	**(0.2)**	0.2	**(0.2)**	0.2
	70.3	68.4	**19.4**	20.3

No potential or actual liability is shown for fixed assets – property gains, which are more than covered by capital losses.

Onerous contracts

The provision for onerous contracts represents property leases where the unavoidable costs under the lease exceed the economic benefit.

	Company
Provisions for liabilities and charges	Deferred taxation £m
Balance at 1 January and 31 December 2000	**0.7**

Deferred tax is fully provided in the Company.

Notes to the financial statements

24. Deferred income

Movements on capital investment grants are set out below:	**2000 £m**	1999 £m
Balance not yet credited to profit and loss account at 1 January	**10.0**	10.4
Grants receivable	**–**	0.3
	10.0	10.7
Credited to profit and loss account	**(0.7)**	(0.7)
Balance not yet credited to profit and loss account at 31 December	**9.3**	10.0

25. Acquisitions

The Group made four acquisitions in the year. The business of Gulfport-Biloxi was acquired on 19 September 2000 for £4.3 million and the business of Southern Emergency Vehicles was acquired on 26 September 2000 for £0.2 million. On 29 September 2000, the Group acquired 100 per cent of the share capital of Northern Cargo Services Limited for £1.7 million and on 6 October 2000, the Group acquired 100 per cent of the share capital of the Berkeley group of companies for £9.7 million.

All acquisitions were fully satisfied in cash, with the exception of Northern Cargo Services Limited, which was partially satisfied by way of loan notes.

Net assets acquired:	Acquisition balance sheets £m	Fair value adjustments £m	Fair value to the Group £m
Tangible operating assets	2.2	(0.1)	2.1
Current assets	4.0	–	4.0
Net cash	0.3	–	0.3
Creditors – amounts falling due within one year	(4.1)	–	(4.1)
Net assets	2.4	(0.1)	2.3
Goodwill			13.6
Consideration			15.9

Satisfied by:	£m
Loan notes	1.6
Cash	14.3
	15.9

Fair value adjustments comprise the write-down of tangible operating assets to net realisable value at the date of acquisition.

26. Disposals

The Group sold 100 per cent of the share capital of Red Funnel Group, its Southampton-based ferry and towage business on 1 December 2000 for £71.0 million, satisfied in cash.

Net assets disposed:	£m
Tangible fixed assets	37.5
Net current liabilities (excluding cash)	(0.1)
Net cash	0.3
Provisions for liabilities and charges	(2.9)
	34.8
Goodwill previously written-off against reserves	19.6
Retained obligations	1.4
Disposal costs	1.2
	57.0
Profit on disposal before taxation	14.0
Satisfied by cash	**71.0**

Cash flow from sale of subsidiary undertakings of £70.5 million is stated net of costs incurred of £0.5 million. In the period up to its date of disposal on 1 December 2000, Red Funnel Group generated turnover of £24.1 million, incurred cost of sales of £16.5 million and administrative expenses of £2.6 million, giving rise to an operating profit of £5.0 million.

27. Share capital

	2000 £m	1999 £m
Authorised		
500,000,000 (1999: 500,000,000) ordinary shares of 25p	**125.0**	125.0
Issued, called-up and fully paid		
340,632,391 (1999: 344,808,014) ordinary shares of 25p	**85.2**	86.2

During the year the Company repurchased and subsequently cancelled 6,842,252 ordinary shares, representing 2.0 per cent of the ordinary shares in issue at 31 December 1999. The total cost of the repurchase (including expenses and stamp duty) of £18.4 million has been charged to the profit and loss account reserve.

Share option schemes
During the year, options exercised under the schemes resulted in the issue of 1,911,511 ordinary shares of 25p each. The Company received a total of £3.1 million in respect of these shares. A summary of options granted to employees (including executive directors) and outstanding at 31 December 2000 under share option schemes is as follows:

	Date granted	Price per share	Date option normally exercisable	Number of options outstanding
Savings-Related Scheme	October 1993	180.0p	until 2001	210,390
Savings-Related Scheme	October 1994	216.0p	until 2002	228,131
Savings-Related Scheme	October 1995	249.0p	2001 to 2003	863,824
Savings-Related Scheme	October 1996	234.0p	2000 to 2004	786,826
Savings-Related Scheme	October 1997	222.0p	2001 to 2005	1,211,957
Savings-Related Scheme	October 1998	208.0p	2002 to 2006	1,092,965
Savings-Related Scheme	March 1999	217.0p	2003 to 2007	865,905
Savings-Related Scheme	October 1999	249.0p	2003 to 2007	828,581
Savings-Related Scheme	October 2000	255.0p	2004 to 2008	840,520
Executive Scheme	April 1991	135.5p	until 2001	60,000
Executive Scheme	April 1992	169.5p	until 2002	80,000
Executive Scheme	April 1994	281.5p	until 2004	244,000
Executive Scheme	April 1995	281.0p	until 2005	284,000
Executive Scheme	September 1996	296.0p	until 2006	690,000
Executive Scheme	September 1997	293.5p	until 2007	1,071,534
Executive Scheme	September 1997	285.0p	until 2007	56,205
Executive Scheme	September 1998	253.0p	2001 to 2008	135,464
Executive Scheme	September 1998	255.0p	2001 to 2008	776,340
Executive Scheme	May 1999	284.0p	2002 to 2009	350,000
Executive Scheme	September 1999	293.0p	2002 to 2009	514,000
Executive Scheme	November 1999	297.0p	2002 to 2009	134,000
Executive Scheme	September 2000	311.0p	2003 to 2010	1,325,586
US Stock Purchase Plan	June 2000	252.0p	2002 to 2008	95,525
California Stock Purchase Plan	June 2000	252.0p	2001 to 2008	26,996
				12,772,749

All grants of options made under the Savings-Related Share Option Scheme are, 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.

All grants of options under the Executive Share Option Scheme have been made at the full, undiscounted market price of the shares immediately preceding the date of grant.

The grants of options made under the US and California Stock Purchase Plans were, as permitted by the rules of those plans, made at a price equal to not less than 85 per cent of the closing market price, as derived from the Daily Official List of the London Stock Exchange, on the previous dealing day before the date of grant.

Employee Share Ownership Scheme
On 28 March 2000, 755,118 ordinary shares of 25p each in the Company were allotted on payment of full market price of 211p each to the Trustees of the Employee Share Ownership Scheme, The Royal Bank of Scotland plc. One-half of these shares were subscribed for by eligible employees. The Company's subsidiary undertakings provided £0.8 million to the Trustees to enable them to subscribe at the same price for one additional share, to be appropriated to employees, for every share subscribed by them from their own resources. As a result of this, the Company received a total of £1.6 million for the 755,118 ordinary shares issued.

Notes to the financial statements

28. Reserves

Group

	Share premium account £m	Revaluation reserve £m	Other reserves: Merger reserve £m	Other reserves: Capital reserve £m	Other reserves: Capital redemption reserve £m	Profit and loss account £m
At 1 January 2000	57.7	660.9	0.2	1.1	11.3	133.5
Issue of ordinary shares	4.1	–	–	–	–	–
Qualifying Employee Share Trust	1.3	–	–	–	–	(1.3)
Surplus arising on revaluation of tangible property assets (note 14)	–	0.5	–	–	–	–
Realisation of property revaluation surpluses of previous years	–	(19.3)	–	–	–	19.3
Repurchase of shares (note 27)	–	–	–	–	1.7	(18.4)
Profit for the year	–	–	–	–	–	65.0
Write-back of goodwill previously written-off	–	–	19.6	–	–	–
Currency translation differences on foreign currency net investments	–	–	–	–	–	0.1
At 31 December 2000	**63.1**	**642.1**	**19.8**	**1.1**	**13.0**	**198.2**

During the year, £3.9 million was received by the Company upon the exercise of options awarded under the Savings-Related Share Option Scheme. Employees paid £2.6 million to the Group for the issue of these shares and the balance of £1.3 million comprised contributions to the Qualifying Employee Share Trust from the employing company.

At 31 December 2000, cumulative goodwill written-off was £20.9 million (1999: £40.5 million), including £4.2 million (1999: £4.2 million) in respect of associated undertakings.

Capital reserves refer to the stock redemption reserve representing the cumulative sinking fund in respect of Southampton Harbour Board stocks.

Company

	Share premium account £m	Revaluation reserve £m	Other reserves: Merger reserve £m	Other reserves: Capital redemption reserve £m	Profit and loss account £m
At 1 January 2000	57.7	634.9	34.6	11.3	126.2
Issue of ordinary shares	4.1	–	–	–	–
Qualifying Employee Share Trust	1.3	–	–	–	(1.3)
Realisation of revaluation deficit on disposal of subsidiary undertaking	–	6.7	–	–	(6.7)
Surplus arising on revaluation of subsidiary undertakings (note 15)	–	9.4	–	–	–
Repurchase of shares (note 27)	–	–	–	1.7	(18.4)
Profit for the year	–	–	–	–	75.8
At 31 December 2000	**63.1**	**651.0**	**34.6**	**13.0**	**175.6**

Notes to the financial statements

29. Group cash flow statement

Reconciliation of operating profit to net cash inflow from operating activities	2000 £m	1999 £m
Group operating profit	**158.4**	66.1
Non-cash items:		
Depreciation and grant amortisation	**22.9**	20.8
Amortisation of goodwill	**0.8**	3.8
Impairment of goodwill and fixed assets	**–**	80.2
Pension prepayment movement	**(6.0)**	(5.8)
Cash inflow/(outflow) from movements in working capital:		
Property developments and land held for sale	**12.8**	5.4
Debtors	**(1.7)**	1.3
Creditors	**4.3**	5.8
Net cash inflow from operating activities	**191.5**	177.6

Analysis of decrease in borrowings and lease finance during the year	2000 £m	1999 £m
Borrowings due within one year:		
Decrease in secured loans	**(1.7)**	(4.0)
Increase in unsecured loans	**3.4**	0.2
Increase in finance leases	**0.1**	0.1
Borrowings due after one year:		
Decrease in secured loans	**(0.4)**	(29.5)
(Decrease)/increase in unsecured loans	**(107.0)**	26.8
Decrease in finance leases	**(3.0)**	(2.8)
(Increase)/decrease in amortised costs	**(0.5)**	0.3
	(109.1)	(8.9)

Analysis of changes in net borrowings during the year	At 1 January 2000 £m	Cash flow 2000 £m	Effect of foreign exchange rates 2000 £m	**At 31 December 2000 £m**
Cash at bank and in hand	10.0	(4.0)	0.4	**6.4**
Bank overdraft	(5.2)	0.2	–	**(5.0)**
	4.8	(3.8)	0.4	**1.4**
Borrowings – amounts falling due within one year (excluding overdrafts)	(4.5)	(1.8)	–	**(6.3)**
Borrowings – amounts falling due after more than one year	(546.3)	110.9	(4.2)	**(439.6)**
	(546.0)	105.3	(3.8)	**(444.5)**
Liquid resources	3.8	–	–	**3.8**
Net borrowings	(542.2)	105.3	(3.8)	**(440.7)**

Liquid resources comprise short-term deposits with banks with maturity dates between seven days and 12 months.

30. Related party transactions

The Group has interests in three associated undertakings; Southampton Container Terminals Limited; The Cardiff Bay Partnership; and Tilbury Container Services Limited. The nature of these investments is described more fully in note 33 to the financial statements.

During the year the Group charged these undertakings a total of £17.6 million (1999: £14.1 million) in respect of property management and operational services. At the year-end £4.7 million (1999: £3.7 million) remained owing by these undertakings in respect of these charges.

The amounts disclosed in this note as owing by these undertakings at the year-end are aggregated with other loans made to or temporary deposits made by these and other associated undertakings of the Group for the purposes of the disclosure of the balances with associated undertakings in notes 17 and 19.

Prior to its acquisition on 26 September 2000, the Group charged Northern Cargo Services Limited £0.5 million in respect of operational services.

Prior to its acquisition on 6 October 2000, the Group charged the Berkeley group £2.0 million in respect of vessel and traffic dues, rent and other operational services.

After its disposal on 1 December 2000, the Group charged Red Funnel Group £0.2 million in respect of vessel and traffic dues, rent and other operational services. At the year-end £1.2 million remained owing by Red Funnel Group.

31. Financial commitments

	Group		Company	
	2000	1999	**2000**	1999
	£m	£m	**£m**	£m
Capital expenditure contracted but not provided for	**21.3**	21.3	–	–
Operating leases				
Commitments during the next financial year in respect of operating lease payments are as follows:				
Land and buildings:				
Leases which expire within one year	**0.3**	0.3	–	–
Leases which expire within two and five years	**2.0**	2.1	–	–
Leases which expire after five years	**2.3**	1.3	**0.9**	0.9
Other leases:			–	
Leases which expire within one year	**0.2**	0.5	–	–
Leases which expire within two and five years	**1.0**	0.6	–	–
Leases which expire after five years	–	0.1	–	–
	5.8	4.9	**0.9**	0.9

32. Contingent liabilities

Contingent liabilities under claims, indemnities and bank guarantees are as follows:

	Group		Company	
	2000	1999	**2000**	1999
	£m	£m	**£m**	£m
Bank guarantees in respect of subsidiary undertakings	–	–	**6.6**	6.6
Other guarantees and contingencies	**6.5**	6.1	–	–

Other guarantees and contingencies primarily relate to performance bonds.

Notes to the financial statements

33. Principal subsidiary and associated undertakings

	% held by Group
Subsidiary undertakings	
Ports and transport	
Associated British Ports	(see below)ø
Exxtor Shipping Services Limited	100
Ipswich Port Limited	100
Northern Cargo Services Limited	100
Slaters Transport Limited	100
Southampton Free Trade Zone Limited	100
The Teignmouth Quay Company Limited	100
Whitby Port Services Limited	100
ABP Research & Consultancy Limited	100
American Port Services PLC	100
American Port Services Inc. (registered and operating in the USA)	100
AMPORTS Cargo Services Limited	100
AMPORTS Vehicle Terminals Limited	100
Property	
Grosvenor Waterside Group PLC	100
Grosvenor Waterside (Holdings) Limited	100
Grosvenor Waterside Developments Limited	100
Grosvenor Waterside Investments Limited	100
Associated undertakings	
Ports and transport	
Southampton Container Terminals Limited	49
Tilbury Container Services Limited	33†
Property	
The Cardiff Bay Partnership	45

øUnder the Transport Act 1981, the Company has powers over Associated British Ports corresponding to the powers of a holding company over a wholly-owned subsidiary undertaking.
†Associated British Ports also owns 49 per cent of the issued preference share capital in Tilbury Container Services Limited.

All subsidiary and associated undertakings are registered and operate in England and Wales, except for American Port Services Inc. which is registered in the USA and The Cardiff Bay Partnership, which is unincorporated and has its principal place of business at 150 Holborn, London EC1N 2LR. The Group's interest in subsidiary undertakings is represented by ordinary shares.

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

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period. In preparing those financial statements, the directors are required to:
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

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

The directors are responsible for the maintenance and integrity of the Group's website where the Group's annual report and accounts is available. Information published on the internet is accessible in many countries where legal requirements may differ from the United Kingdom's legislation relating to the preparation and dissemination of financial statements.

Independent auditors' report to the members of Associated British Ports Holdings PLC

We have audited the financial statements on pages 28 to 50 which have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and the accounting policies set out on pages 32 and 33.

Respective responsibilities of directors and auditors
The directors are responsible for preparing the annual report. As described above, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the United Kingdom Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

We review whether the statement on pages 54 and 55 reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

Basis of audit opinion
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

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

Opinion
In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 December 2000 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers PricewaterhouseCoopers

PRICEWATERHOUSECOOPERS

Chartered Accountants and Registered Auditors
London
22 February 2001

Report of the directors

The directors present their report and the audited financial statements of the Group for the year ended 31 December 2000.

Principal activities
The principal activities of the Group in Europe are the provision of port operations and transport-related services, and the ownership and development of properties at port locations. In the USA, it provides auto-processing and airport-management services. A comprehensive review of the Group's business activities and financial performance is contained in the operating and financial reviews on pages 5 to 8, 12 to 23 and pages 26 and 27.

Results and dividend
The profit attributable to shareholders was £108.1 million, giving underlying earnings per share of 27.5 pence. The directors declared an interim dividend of 5.5 pence per share, which was paid on 1 November 2000, and recommend a final dividend of 7.25 pence per share. If approved by the shareholders, the final dividend will be paid on 1 May 2001 to shareholders on the register at close of business on 2 March 2001. The total recommended dividend for the year is 12.75 pence, representing an increase of 10.9 per cent on the previous year's dividend of 11.5 pence.

The advent of the euro has had a limited impact on the Group as only a small part of the Group's business in Europe is conducted outside the UK. The overall cost to the Group of the introduction of the euro is likely to be spread over several years and to date it has been minimal.

Investment property
The Group's tangible property assets, other than investment properties in the course of construction, were valued on the basis of open market value as at 31 December 2000 at £608.6 million, leading to an increase credited to revaluation reserve of £0.5 million.

Directors and their interests
Biographical details of the directors of the Company are given on pages 9 to 11. Of the three directors retiring at the Annual General Meeting (AGM) in accordance with the Company's Articles of Association Derek Sach, being eligible, offers himself for re-election. Stuart Bradley and Peter Dean will not be seeking re-election. Tim Bowdler has been appointed since the last AGM and, being eligible, will also be offering himself for re-election.

Of the directors offering themselves for re-election, none has a service agreement with the Company.
Details of the remuneration paid to directors who held office during the year are given in the Board report on remuneration on pages 56 to 59 which also contains details of each director's interest in the share capital of the Company at the year end.

Creditor payment policy
The Group's policy is to pay bills in accordance with agreed settlement terms. The number of days' credit taken by Group companies for trade purchases at 31 December 2000 ranged from three to 69 days.

Research and development
Through a wholly-owned subsidiary, ABP Research & Consultancy Limited, the Group undertakes research and provides a wide range of hydraulic, dredging and engineering consultancy services both for Associated British Ports and outside customers.

Employee involvement
The Company has, by various methods, provided information to employees about current activities and progress. The Company believes that financial participation is a major constituent of employee involvement and employee share schemes are well-established. An issue of shares under the Employee Share Ownership Scheme was made to employees in 2000, as well as grants of options under both the Savings-Related Share Option Scheme and the Executive Share Option Scheme. A grant of options under the Savings-Related Share Option Scheme will also take place in 2001. It is also intended that another grant under the Executive Share Option Scheme should take place in 2001 at the full, undiscounted market price of the shares at the date of the grant. A further issue of shares to employees will be made under the Employee Share Ownership Scheme in 2001, before that scheme is replaced in 2002 by a new All-Employee Share Ownership Plan, approval for which was given at the AGM in 2000. It is expected that there will be grants of options under the US and California Stock Purchase Plans in 2001, as there were in 2000.

Disabled persons
It is Group policy to give sympathetic consideration to suitable applications for employment by disabled persons. Where staff become disabled during employment, opportunities are given wherever possible to continue employment in positions compatible with their disability. Disabled employees are encouraged to make use of training and development facilities.

Health and safety at work
The directors recognise that health and safety at work is of paramount importance and the Group is committed to a programme of continuous improvement in safety standards. To this end, our comprehensive training programme for all staff, including directors, is progressing well in partnership with the Institution of Occupational Safety and Health. Safe systems of work are under continuous review and safety inspections take place regularly to monitor health and safety standards. In addition, internal health and safety audits are undertaken regularly, and the Health and Safety Executive reported favourably after conducting comprehensive audits at several of our ports.

The number of reportable accidents for the year involving our employees, excluding AMPORTS, was 12.4 per thousand employees (1999: 18.3 per thousand). At AMPORTS, there were 5 accidents (1999: 8) requiring notification to the relevant authorities during the year. There were no fatal accidents in 2000 (1999: none).

Charitable and political contributions
Donations for charitable purposes in 2000 amounted to £51,310 (1999: £80,978). No contributions were made for political purposes.

Special business at the Annual General Meeting
New authorities for the issue of the balance of the authorised share capital are being sought by Resolutions 7 and 8. At the AGM held on 28 April 2000 shareholders approved an Ordinary Resolution conferring on the directors general authority (for the purposes of section 80 of the Companies Act 1985) to allot equity securities up to an aggregate nominal amount representing the lesser of (i) the unissued ordinary share capital of the Company and (ii) one-third of the issued equity share capital of the Company, for one year ending on the date of the AGM in 2001. The directors are proposing that an Ordinary Resolution be submitted at the AGM, in order to grant a general authority for a further year in respect of an amount equivalent to one-third of the issued equity share capital. The authorised share capital of the Company is £125,000,000 divided into 500,000,000 ordinary shares of 25 pence each of which £28,460,905, comprising 113,843,620 ordinary shares, represents one-third of the issued equity share capital as at 22 February 2001. The directors have no present intention of exercising such authority other than to issue shares pursuant to the Company's employee share schemes.

The directors are also proposing that a Special Resolution be submitted at the AGM to empower them to allot, wholly for cash, up to a nominal amount of £4,269,135 (17,076,540 ordinary shares) representing approximately 5 per cent of the issued equity share capital of the Company as at 22 February 2001 without offering them first to existing shareholders. The authority would expire at the AGM in 2002. The directors believe it is in the best interests of the Company that, as permitted by the Companies Act 1985, they should have available a relatively small number of shares in order that they may take advantage of any appropriate opportunities that may arise.

The directors are further proposing that a Special Resolution be submitted at the AGM giving the Company authority to purchase in the market up to 34.1 million of its ordinary shares of 25 pence each (representing approximately 10 per cent of the present issued share capital). The authority would expire on the date of the AGM in 2002. The directors intend to use the authority in connection with the continuation of the share repurchase programme, as indicated in the preliminary results announcement of 22 February 2001. Details of shares repurchased during 2000, and subsequently cancelled, are given in note 27 to the financial statements on page 46. In reaching their decision to purchase ordinary shares, the directors will take into account the Company's cash resources and capital requirements and the effect of any purchase on earnings per share.

Finally, the directors propose and seek approval by separate resolutions to make two changes to the Rules of the Executive Share Option Scheme. The first change concerns US participants and is intended to allow US participants to be granted tax-favoured options known as incentive stock options. While the Remuneration Committee has authority, under the terms of the Scheme, to make the necessary amendments, and the amendments were approved towards the end of last year, it is necessary under US tax legislation, to obtain shareholders' approval of the amendments within 12 months of the amendments being approved by the Remuneration Committee. Under the amended rules, participants may, at the election of the Remuneration Committee, be granted options which qualify as incentive stock options. Like options granted under Inland Revenue-approved option schemes, the gain arising on the exercise of an incentive stock option is potentially exempt from income tax and is, instead, subject only to capital gains taxes when the resulting shares are sold. The maximum number of shares that may be granted under the US Rule is 2.5 million. Options granted under this Rule are subject to the same terms and conditions as other options under the Scheme; the only significant difference is that, in order to obtain tax-favoured treatment, there is a limit on the extent to which incentive stock options may first become exercisable in any calendar year.

The second amendment concerns the limit on an individual's participation in the Scheme. Currently, the number of unissued shares in respect of which an individual may be granted an option, when added to those in respect of which he has been granted options in the previous ten years, is restricted so that the aggregate exercise price does not exceed four times the individual's pay. Following the statement of principles on share incentive schemes issued by the Association of British Insurers in July 1999, the Remuneration Committee wishes to move away from this traditional four times limit towards a practice of phased grants of options. It is proposed, therefore, that the four times limit be replaced by a new annual limit of one times salary. This new limit will take account of options granted under the Scheme, whether those options are in respect of unissued or issued shares. While the one times limit is appropriate in normal circumstances, the Remuneration Committee will have a discretion to grant options in excess of this limit in exceptional circumstances. This may be appropriate, for example, upon the recruitment of a new senior executive.

Auditors
PricewaterhouseCoopers have indicated their willingness to continue in office and resolutions will be put to the AGM proposing their reappointment and authorising the directors to set their remuneration.

By Order of the Board

Hywel Rees

Hywel Rees
Company Secretary
22 February 2001

Corporate governance statement

Combined Code

The Board of directors is responsible for the Company's system of corporate governance and this statement describes how the Company applies the principles identified in the Combined Code ("the Code") as annexed to the Listing Rules of the Financial Services Authority.

Board of directors

The Board has always had a strong non-executive presence and currently comprises seven non-executive directors and four executive directors. Sir Keith Stuart became non-executive Chairman in March 2000 following his retirement from executive employment. There is a clear separation of the role of the Chairman from that of the Group Chief Executive, Bo Lerenius. A list of the Board members and their biographical details can be found on pages 9 to 11.

The non-executive directors bring a wide range of experience to the Board and participate fully in decisions on key issues facing the Group. All non-executive directors are considered to be free from any business or other relationship which could materially interfere with their independent judgement.

The Board meets monthly and has adopted a schedule of matters reserved for its decision. These include responsibility for overall Group commercial strategy, annual budgets, acquisition and divestment policy, approval of major capital expenditure projects and consideration of significant financing matters.

Board and Committee members are briefed by means of papers which are circulated in advance of each meeting and by presentations given by the executive directors and senior executives of the Group.

All directors have access to the advice and services of the Company Secretary and the Board has established a procedure whereby any director may take independent professional advice, at the Company's expense, in furtherance of his duties.

All directors are subject to re-election at intervals of no more than three years.

Board committees

There are three main committees of the Board.

The Audit Committee, which meets at least twice a year, has terms of reference which include reviewing the annual and interim financial statements before they are approved by the Board and monitoring the internal and external auditing processes.

It provides the Group's external auditors with an opportunity to discuss their report on the financial statements and to have a discussion with non-executive directors without executive management being present. The Audit Committee is chaired by Derek Sach and its other members are Aubrey Adams, Peter Dean and Andrew Simon. Upon Peter Dean's retirement as a director at the Annual General Meeting (AGM) on 24 April 2001, he will be replaced on the Audit Committee by Tim Bowdler.

The Remuneration Committee's responsibilities extend to determining both the Company's policy for executive remuneration and the terms and conditions of employment of the executive directors, including their remuneration. The Remuneration Committee is chaired by George Duncan, the Deputy Chairman and senior independent director, and comprises all of the non-executive directors.

The duties of the Nomination Committee, membership of which comprises all the non-executive directors and Bo Lerenius, under the Chairmanship of Sir Keith Stuart, involve making recommendations as to the Board's composition and balance.

Relations with shareholders

The Board aims to attract both private and institutional investors and to communicate fully with them. It remains the Board's intention that the annual report and accounts should be a significant means of communication to all shareholders and suitable for both private and institutional investors.

All shareholders are invited to attend the AGM, where a report on the Group's progress is provided. Private investors are encouraged to take advantage of the opportunity to ask questions.

The Group Chief Executive and Group Finance Director meet regularly with institutional shareholders. In particular, the Group issues trading statements in advance of entering its closed periods before the half year and full year reporting periods.

The Group's annual report and accounts, preliminary and interim announcements and trading statements are available on the Group's website www.abports.co.uk

Going concern

After making enquiries, the directors believe that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Internal control

The responsibility for the Group's system of internal control and for reviewing its effectiveness rests with the directors of the Company. The system is designed to manage risk, and while the system is subject to regular review and updating, it can provide only reasonable and not absolute assurance against material misstatement or loss.

Throughout 2000, the Group had in place procedures recommended in the Report of the Turnbull Committee.

A Risk Management Working Group, comprising senior executives, exists for the purpose of identifying the major risks facing the Group and to formalise the Group's risk objectives and processes. The recommendations of the Risk Management Working Group have been adopted by the Board.

To ensure that risk management is properly embedded into the Group's processes, monthly reports are received by the Group Chief Executive, from the operating units, covering key aspects of the business such as commercial matters, health and safety issues, personnel issues, financial results and future business prospects. These reports also specifically identify any emerging risks and actions being taken to manage them. Written reports are submitted to the Board on a regular basis covering areas of specific risk, such as health and safety and the environment.

In addition, the Group Chief Executive and the Group Finance Director meet on a regular basis with the senior operational and financial management of all the operating units within the Group to discuss in greater detail particular issues affecting those business units.

There is a comprehensive annual planning and financial reporting system, including a review of cash flow and borrowing requirements. Each operating unit updates, annually, a three-year strategic plan and prepares a detailed annual budget. Revised forecasts are prepared regularly throughout the year. All of these are reviewed by the Board before being approved and adopted. Results are reported monthly and compared to the budget and the prior year.

There are comprehensive procedures for the appraisal, approval, control and review of capital expenditure, which are incorporated within clearly defined reporting lines and authorisation procedures.

Internal audit supports the directors in assessing the effectiveness of internal control at each business unit through a programme of regular reviews. These reviews give priority to the areas of greatest risk, including major capital expenditure projects and computerised systems. Any control weaknesses are reported so that corrective action can be taken.

Each operating unit completes an annual control self-assessment questionnaire, for the measurement and assessment of risk areas and principal controls. These questionnaires are linked to the risk management procedures and are reviewed by internal audit. The results are reported to the Audit Committee and complement the existing internal and external audit procedures.

Compliance with the provisions of the Code

The Company has complied throughout the period with the provisions of the Code with the exception of B.1.7, which concerns directors' notice periods. The Board's view on this matter is set out in the Board report on remuneration on page 56.

Board report on remuneration

The Remuneration Committee is chaired by the Deputy Chairman, George Duncan, and comprises all of the non-executive directors. In implementing its remuneration policy, full consideration has been given to the Principles of Good Governance and Code of Best Practice under The Combined Code.

Basic salary
The remuneration of executive directors is designed to attract, retain and motivate high quality senior management. Salaries and other aspects of remuneration are tested, through external independent consultants, against the market and levels prevailing in other companies. Any increase in the pay of directors is awarded only after taking into account the performance of the individuals.

Bonus scheme
In January 2000, the Remuneration Committee introduced a performance-related bonus scheme for executive directors and other key employees, thus increasing the portion of the executives' remuneration related to the Group's performance.

Share option schemes
Part of the executive directors' remuneration is in the form of performance-related executive share options. As a matter of policy, options have been issued under the Executive Share Option Scheme on a phased basis and at no time have been issued at a discount. Since 1996, options have been issued subject to a performance target, the achievement of which will normally be a condition precedent to the exercise of an option. Accordingly, options are now granted on the basis that the ability to exercise is subject to the achievement of a percentage growth in the Company's earnings per share, which exceeds the rate of inflation, over a designated performance period, by at least 3 per cent per annum. No consideration is payable at the time of grant of these options, which are paid for at the time of exercise.

Subject to a minimum period of service, all UK employees, including executive directors, are eligible to participate in the Company's two other share schemes, the Employee Share Ownership Scheme and the Savings-Related Share Option Scheme. The Employee Share Ownership Scheme will be replaced after 2001 by the Company's new All-Employee Share Ownership Plan, shareholder approval for which was given at the Annual General Meeting (AGM) in 2000. Options under the Savings-Related Share Ownership Scheme are paid for at the time of exercise using the proceeds of monthly savings, which are taken direct from pay and held in accounts with either the Yorkshire Building Society or, in the case of options granted in October 1993 and 1994, the Nationwide Building Society. The Company's US and California Stock Purchase Plans are open only to employees in the USA.

Service contracts
Stuart Bradley retires as a director at the conclusion of the AGM on 24 April 2001. With regard to the length of contractual notice periods for the remaining three executive directors, Richard Adam has a contract with a notice period which reduces pro rata from two years to one between 15 November 2000 and 15 November 2001, and with a rolling one year's notice thereafter. Bo Lerenius has a contract with an initial two-year notice period until 17 May 2001, which reduces pro rata from two years to one between that date and 17 May 2002, and with a rolling one year's notice thereafter. James Shaw has a contract with a rolling two-year notice period. It is the Remuneration Committee's view that in this case a two-year notice period is in the Company's interest.

In the event of the Company facing any claim for compensation for loss of office by a director, the level of compensation would be subject to mitigation, if considered appropriate and legally sustainable.

Pension policy for executive directors
With the exception of Richard Adam and Bo Lerenius, who receive a supplemental payment in respect of their pension entitlement, executive directors' pensions are provided by the Associated British Ports Group Pension Scheme. For executive directors recruited after June 1989, the Inland Revenue "caps" the salary on which benefits can be provided from the pension scheme. Benefits for James Shaw are affected and are supplemented by arrangements outside the pension scheme.

Directors' emoluments

	Salary 2000 £000	**Performance related bonus 2000 £000**	**Pension contributions 2000 £000**	**Benefits in kind (g) 2000 £000**	**Total 2000 £000**	Salary 1999 £000	Performance related bonus 1999 £000	Pension contributions 1999 £000	Benefits in kind (g) 1999 £000	Total 1999 £000
Executive directors										
Sir Keith Stuart, Chairman (a,b)	**65**	**–**	**–**	**3**	**68**	370	–	–	15	385
Richard Adam	**203**	**40**	**51**	**13**	**307**	26	–	6	1	33
Stuart Bradley	**65**	**–**	**–**	**2**	**67**	123	–	–	1	124
Bo Lerenius (c)	**363**	**38**	**91**	**11**	**503**	239	37	53	2	331
Charles Orange (d)	**–**	**–**	**–**	**–**	**–**	183	–	–	12	195
James Shaw (e)	**183**	**17**	**–**	**13**	**213**	176	–	–	18	194
Andrew Smith (f)	**–**	**–**	**–**	**–**	**–**	31	–	–	2	33
Total	**879**	**95**	**142**	**42**	**1,158**	1,148	37	59	51	1,295

Directors' emoluments (continued)

	Fees 2000 £000	**Special duties 2000 £000**	**Total 2000 £000**	Fees 1999 £000	Special duties 1999 £000	Total 1999 £000
Non-executive directors						
Sir Keith Stuart, Chairman (a)	**23**	**101**	**124**	–	–	–
Aubrey Adams (h)	**30**	**8**	**38**	30	7	37
Lord Crickhowell (i)	**–**	**–**	**–**	10	4	14
Peter Dean	**30**	**3**	**33**	30	2	32
George Duncan	**30**	**44**	**74**	30	38	68
Derek Sach	**30**	**5**	**35**	30	1	31
Andrew Simon	**30**	**3**	**33**	30	2	32
Total	**173**	**164**	**337**	160	54	214

(a) Sir Keith Stuart became a non-executive director on 6 March 2000, following his retirement as an executive director. There were no Group pension contributions on his behalf (1999: nil).
(b) The Group received £13,577 (1999: £16,167) in respect of Sir Keith Stuart's outside directorships.
(c) The highest-paid director during the year was Bo Lerenius.
(d) Charles Orange retired as a director on 15 November 1999.
(e) The Group received £11,481 (1999: £10,989) in respect of an outside directorship held by James Shaw.
(f) Andrew Smith resigned as a director on 22 February 1999.
(g) Benefits in kind include car, fuel and medical insurance.
(h) Fees and payments for special duties in respect of Aubrey Adams have been paid to Savills plc.
(i) Lord Crickhowell, who retired as a director on 28 April 1999, has been retained as a consultant by the Company and received £15,000 in the year (1999: £10,000) in respect of these services.

Pensions – defined benefit

The executive directors are eligible to join the Associated British Ports Group Pension Scheme, under which they are entitled to earn pension benefits, dependent on their length of service, as agreed by the Company. Of the executive directors, James Shaw is a member of the Associated British Ports Group Pension Scheme. Sir Keith Stuart was a member of the Scheme until his retirement from executive employment at age 60 on 4 March 2000. Stuart Bradley is a director of the Company but retired from the employment of Associated British Ports during 1996. Sir Keith Stuart and Stuart Bradley are no longer accruing pension benefits. They are both receiving pensions from the Associated British Ports Group Pension Scheme.

In some circumstances, for those executive directors who are members of the Associated British Ports Group Pension Scheme, the Inland Revenue will not permit the Scheme to meet an executive director's full pension entitlement, in which case the Company has promised to make good any shortfall by means of unfunded arrangements.

Details of the pension benefits earned by directors over the year ended 31 December 2000:

	Additional pension earned during the year ended 31 December 2000 £000	Accrued pension entitlement at 31 December 2000 £000	Members' contributions in the year ended 31 December 2000 £000	Age at 31 December 2000
James Shaw	**8**	**61**	**13**	**56**

- The additional pension earned during the year excludes any increase for inflation.
- The accrued pension entitlement shown is that which would be paid annually on retirement based on service to the end of the year.
- On retirement, James Shaw will be paid a pension of one-thirtieth of pensionable salary for each year of Company service, subject to a maximum of two-thirds of pensionable salary inclusive of retained benefits from former employments.
- Once in payment, pensions are guaranteed to increase in line with the retail price index, limited in the case of James Shaw to a maximum of 5 per cent per annum.
- A spouse's pension, equal to one-half of the member's pension, is payable on the death of executive directors.
- The taxable value of benefits in kind (excluding any amounts which arise from rights in respect of shares) is pensionable.

Pensions – defined contribution

Richard Adam and Bo Lerenius are not members of the Associated British Ports Group Pension Scheme and receive a supplemental payment in respect of their pension entitlement as shown on page 56.

Board report on remuneration (continued)

Directors' share options

Movements in the directors' holdings of options under both the Associated British Ports Executive Share Option Scheme and the Associated British Ports Savings-Related Share Option Scheme during the year are as follows:

Executive share option scheme

	At 1 January 2000	During the year			At 31 December 2000			
	Number	Granted	Exercised	Lapsed	**Number**	**Date of grant**	**Exercise price**	**When normally exercisable**
Sir Keith Stuart	80,000	–	80,000(a)	–	–	**Apr 1990**	**145.25p**	–
	80,000	–	80,000(a)	–	–	**Apr 1991**	**135.50p**	–
	80,000	–	80,000(a)	–	–	**Apr 1992**	**169.50p**	–
	20,000	–	–	20,000(b)	–	**Apr 1994**	**281.50p**	–
	20,000	–	–	20,000(b)	–	**Apr 1995**	**281.00p**	–
	75,000	–	–	75,000(b)	–	**Sep 1996**	**296.00p**	–
	75,000	–	–	11,539(c)	**63,461**(d)	**Sep 1997**	**293.50p**	**until Sep 2007†**
	75,000	–	–	75,000(c)	–	**Sep 1998**	**255.00p**	–
Richard Adam	134,000	–	–	–	**134,000**	**Nov 1999**	**297.00p**	**Nov 2002 to Nov 2009***
	–	68,816	–	–	**68,816**	**Sep 2000**	**311.00p**	**Sep 2003 to Sep 2010***
Stuart Bradley	20,000	–	–	–	**20,000**(e)	**Apr 1994**	**281.50p**	**until Apr 2004**
	20,000	–	–	–	**20,000**(e)	**Apr 1995**	**281.00p**	**until Apr 2005**
Bo Lerenius	350,000	–	–	–	**350,000**	**May 1999**	**284.00p**	**May 2002 to May 2009***
	–	156,270	–	–	**156,270**	**Sep 2000**	**311.00p**	**Sep 2003 to Sep 2010***
James Shaw	40,000	–	–	–	**40,000**	**Apr 1992**	**169.50p**	**until Apr 2002**
	20,000	–	–	–	**20,000**	**Apr 1994**	**281.50p**	**until Apr 2004**
	20,000	–	–	–	**20,000**	**Apr 1995**	**281.00p**	**until Apr 2005**
	50,000	–	–	–	**50,000**	**Sep 1996**	**296.00p**	**until Sep 2006†**
	50,000	–	–	–	**50,000**	**Sep 1997**	**293.50p**	**until Sep 2007†**
	40,000	–	–	–	**40,000**	**Sep 1998**	**255.00p**	**Sep 2001 to Sep 2008***
	30,000	–	–	–	**30,000**	**Sep 1999**	**293.00p**	**Sep 2002 to Sep 2009***
	–	15,000	–	–	**15,000**	**Sep 2000**	**311.00p**	**Sep 2003 to Sep 2010***

The numbers of shares and prices have been amended to reflect the 1 for 1 scrip issues in 1990 and 1994.

† The performance criteria described on page 56 have been achieved in respect of options granted in 1996 and 1997.

*All options granted in September 1998 and subsequently are only exercisable should the performance criteria described on page 56 be achieved.

(a) Option exercised on 8 March 2000. All of the shares were retained. The market price at date of exercise was 226.5p.
(b) Option lapsed on 4 September 2000.
(c) Option lapsed on 4 March 2000.
(d) Option exercised on 22 February 2001. All of the shares were retained. The market price at date of exercise was 387.0p.
(e) Option exercised on 22 February 2001. All of the shares were sold. The market price at date of exercise was 387.0p.

Savings-related share option scheme

	At 1 January 2000	During the year			At 31 December 2000			
	Number	Granted	Exercised	Lapsed	**Number**	**Date of grant**	**Exercise price**	**When normally exercisable**
Sir Keith Stuart	1,820	–	1,820(a)	–	**–**	**Oct 1994**	**216.0p**	**–**
	5,130	–	–	5,130(b)	**–**	**Oct 1996**	**234.0p**	**–**
	590	–	–	590(b)	**–**	**Oct 1997**	**222.0p**	**–**
Richard Adam	–	3,799	–	–	**3,799**	**Oct 2000**	**255.0p**	**6 months from Jan 2004**
Stuart Bradley	2,427	–	2,427(c)	–	**–**	**Oct 1994**	**216.0p**	**–**
	2,833	–	2,833(c)	–	**–**	**Oct 1996**	**234.0p**	**–**
Bo Lerenius	–	3,799	–	–	**3,799**	**Oct 2000**	**255.0p**	**6 months from Jan 2004**
James Shaw	16,442	–	16,442(a)	–	**–**	**Oct 1992**	**91.5p**	**–**
	3,162	–	–	–	**3,162(d)**	**Oct 1993**	**180.0p**	**6 months from Jan 2001**
	5,625	–	–	–	**5,625**	**Oct 1998**	**208.0p**	**6 months from Jan 2006**
	3,110	–	–	–	**3,110**	**Mar 1999**	**217.0p**	**6 months from Jul 2004**

The numbers of shares and prices have been amended to reflect the 1 for 1 scrip issue in 1994.
(a) Option exercised on 25 January 2000. All of the shares were retained. The market price at date of exercise was 241.5p.
(b) Option lapsed on 4 March 2000.
(c) Option exercised on 28 July 2000. All of the shares were retained. The market price at date of exercise was 342.5p.
(d) Option exercised on 30 January 2001. All of the shares were retained. The market price at date of exercise was 368.5p.

Directors' interests

Directors' beneficial, including family, interests in the share capital of the Company, as recorded in the register maintained by the Company pursuant to section 325 of the Companies Act 1985, as at 31 December 2000 are set out in the table below.

	Ordinary shares of 25p each		Ordinary shares of 25p each held by the Trustees of the Employee Share Ownership Scheme		Ordinary shares of 25p each subject to options under the Executive Share Option Scheme		Ordinary shares of 25p each subject to options under the Savings-Related Share Option Scheme	
	2000	1999	**2000**	1999	**2000**	1999	**2000**	1999
Sir Keith Stuart	**405,881**	143,537	**1,636**	1,330	**63,461**	505,000	**–**	7,540
Richard Adam	**3,000**	3,000	**–**	–	**202,816**	134,000	**3,799**	–
Aubrey Adams	**20,000**	10,000	**–**	–	**–**	–	**–**	–
Stuart Bradley	**43,833**	38,049	**1,636**	1,330	**40,000**	40,000	**–**	5,260
Peter Dean	**24,000**	12,000	**–**	–	**–**	–	**–**	–
George Duncan	**8,000**	8,000	**–**	–	**–**	–	**–**	–
Bo Lerenius	**1,400**	1,400	**830**	–	**506,270**	350,000	**3,799**	–
Derek Sach	**15,000**	10,000	**–**	–	**–**	–	**–**	–
James Shaw	**32,930**	11,964	**1,636**	1,330	**265,000**	250,000	**11,897**	28,339
Andrew Simon	**5,000**	5,000	**–**	–	**–**	–	**–**	–

Tim Bowdler was appointed a director on 1 January 2001. He has no beneficial interest in the share capital of the Company.

On 30 January 2001, James Shaw exercised an option under the Savings-Related Share Option Scheme over 3,162 shares, all of which have been retained. On 22 February 2001, Sir Keith Stuart exercised an option under the Executive Share Option Scheme over 63,461 shares, all of which have been retained. Also on 22 February 2001, Stuart Bradley exercised options under the Executive Share Option Scheme over 40,000 shares, which were then sold. There have been no other changes in total shareholdings by directors in the period between 31 December 2000 and 22 February 2001. None of the directors had any non-beneficial interest in the share capital of the Company during the period to 31 December 2000 nor the period from the year-end to 22 February 2001. The Company's Register of Directors' Interests (which is open to inspection) contains full details of directors' shareholdings and options to subscribe.

By Order of the Board

Hywel Rees
Company Secretary
150 Holborn, London EC1N 2LR
22 February 2001

Financial record

Group profit and loss account	2000 £m	1999 £m	1998 £m	1997 £m	1996 £m
Group turnover					
Ports and transport	**338.9**	310.1	274.1	234.9	222.3
Property investment	**15.9**	17.9	20.1	17.6	17.4
Property development	**35.8**	23.1	44.9	34.4	7.5
	390.6	351.1	339.1	286.9	247.2
Profit on ordinary activities before interest					
Ports and transport	**135.9**	126.9	121.0	111.3	104.1
Property investment	**12.6**	15.0	16.7	14.7	14.5
Property development	**11.5**	8.2	6.8	6.5	2.8
Share of operating profit in associates	**8.4**	7.3	5.7	4.8	4.0
Total underlying operating profit*	**168.4**	157.4	150.2	137.3	125.4
Goodwill amortisation	**(0.8)**	(3.8)	(2.0)	–	–
Exceptional items – other	**(0.8)**	–	–	–	–
Goodwill and fixed asset impairment	–	(80.2)	–	–	–
Total operating profit	**166.8**	73.4	148.2	137.3	125.4
Profit/(loss) on disposal of discontinued operations	**14.0**	–	1.2	0.5	(0.8)
Profit on sale of fixed assets	**2.2**	3.3	1.2	0.7	0.7
Provision for reorganisation and restructuring	–	–	–	(7.5)	–
Non-recurring share of loss in Universal Pipe Coaters Limited	–	–	–	–	(2.2)
Profit on ordinary activities before interest	**183.0**	76.7	150.6	131.0	123.1
Net interest payable					
Group	**(45.8)**	(44.9)	(40.8)	(33.7)	(31.1)
Associates	**0.2**	–	–	(0.1)	(0.3)
Interest capitalised	**1.5**	1.0	0.8	1.8	1.8
	(44.1)	(43.9)	(40.0)	(32.0)	(29.6)
Profit on ordinary activities before taxation	**138.9**	32.8	110.6	99.0	93.5
Underlying profit before tax*	**124.3**	113.5	110.2	105.3	95.8

Group financial statistics	2000	1999	1998	1997	1996
Earnings per share – basic	**31.8p**	1.6p	22.4p	19.8p	18.4p
Earnings per share – underlying*	**27.5p**	24.6p	22.4p	20.8p	18.9p
Dividend per share	**12.75p**	11.50p	10.25p	9.00p	7.75p
Net assets per share	**300p**	276p	282p	256p	239p
Net borrowings as a percentage of equity shareholders' funds	**43.1%**	57.0%	54.5%	39.5%	38.3%

*Before goodwill amortisation and exceptional items, goodwill and fixed asset impairment, profit/loss on disposal of discontinued operations, profit on sale of fixed assets, provision for reorganisation and restructuring and further proceeds and movement on provision on withdrawal from a discontinued business.

Financial record

Group balance sheet	2000 £m	1999 £m	1998 £m	1997 £m	1996 £m
Fixed assets					
Intangible assets	**23.3**	10.4	72.4	–	–
Tangible operating assets	**744.3**	711.9	692.4	567.6	519.9
Tangible property assets	**614.9**	704.0	745.4	752.4	694.2
Investments	**54.3**	38.4	32.7	27.3	24.1
	1,436.8	1,464.7	1,542.9	1,347.3	1,238.2
Property developments and land held for sale	**29.7**	21.8	25.7	55.4	71.3
Net current assets, liabilities and deferred income	**(3.3)**	6.6	7.6	(26.5)	(44.5)
Net borrowings	**(440.7)**	(542.2)	(556.3)	(389.6)	(350.6)
Net assets	**1,022.5**	950.9	1,019.9	986.6	914.4
Capital and reserves					
Called-up share capital	**85.2**	86.2	90.5	96.3	95.7
Share premium account	**63.1**	57.7	53.5	44.6	39.4
Revaluation reserve	**642.1**	660.9	612.8	561.1	532.3
Other reserves	**33.9**	12.6	7.9	1.3	1.3
Profit and loss account	**198.2**	133.5	255.2	283.3	245.7
Equity shareholders' funds	**1,022.5**	950.9	1,019.9	986.6	914.4

Group cash flow	2000 £m	1999 £m	1998 £m	1997 £m	1996 £m
Net cash inflow from operating activities	**191.5**	177.6	180.3	152.7	121.2
Dividends received from associated undertakings	**2.0**	1.5	2.8	1.4	0.3
Net interest paid	**(46.6)**	(44.4)	(36.4)	(34.2)	(30.2)
Taxation	**(14.0)**	(26.4)	(28.5)	(22.4)	(18.2)
Gross capital expenditure	**(88.9)**	(64.6)	(46.2)	(93.4)	(83.0)
Sale of fixed assets	**75.0**	64.5	17.7	0.7	29.2
Movement on investment in own shares	**2.4**	(2.6)	(2.8)	(4.8)	–
Decrease in investment in associated undertakings	**–**	–	–	–	0.3
Free cash flow	**121.4**	105.6	86.9	–	19.6
Acquisitions and disposals	**40.9**	(2.4)	(119.5)	(11.1)	–
Equity dividends paid	**(40.9)**	(37.8)	(35.8)	(31.8)	(26.8)
Net cash inflow/(outflow) before financing	**121.4**	65.4	(68.4)	(42.9)	(7.2)
Issue of shares	**3.9**	3.7	3.6	3.9	3.4
Repurchase of shares	**(18.4)**	(54.2)	(80.7)	–	–
Borrowings on acquisition of subsidiary undertakings	**(1.6)**	–	(21.2)	–	–
Currency translation differences	**(3.8)**	(0.8)	–	–	–
Net decrease/(increase) in borrowings less cash	**101.5**	14.1	(166.7)	(39.0)	(3.8)
Net borrowings at 1 January	**(542.2)**	(556.3)	(389.6)	(350.6)	(346.8)
Net borrowings at 31 December	**(440.7)**	(542.2)	(556.3)	(389.6)	(350.6)

Notice of meeting

Notice is hereby given that the nineteenth Annual General Meeting of Associated British Ports Holdings PLC will be held at the Great Eastern Hotel, Liverpool Street, London EC2M 7QN on Tuesday, 24 April 2001 at 12 noon for the following purposes:

Resolution 1
THAT the report of the directors and the audited financial statements for the year ended 31 December 2000 be received and adopted.

Resolution 2
THAT a final dividend of 7.25p per ordinary share of the Company be declared.

Resolution 3
THAT Mr D S Sach be re-elected as a director.

Resolution 4
THAT Mr T J Bowdler be re-elected as a director.

Resolution 5
THAT PricewaterhouseCoopers be re-appointed as auditors.

Resolution 6
THAT the directors be authorised to set the remuneration of PricewaterhouseCoopers as auditors.

Resolution 7
As special business, to consider and, if thought fit, pass the following Ordinary Resolution:

THAT the directors be and they are hereby generally and unconditionally authorised to exercise all powers of the Company to allot relevant securities (within the meaning of section 80 of the Companies Act 1985) in substitution for any existing power to allot relevant securities (within the meaning of the said section 80) up to an aggregate nominal amount of £28,460,905 (being one third of the issued share capital of the Company) during the period expiring on the date of the Annual General Meeting of the Company to be held in 2002 and at any time thereafter in pursuance of any offer or agreement made by the Company before such expiry.

Resolution 8
As special business, to consider and, if thought fit, pass the following Special Resolution:

THAT subject to the passing of Resolution 7 the directors be and they are hereby empowered pursuant to section 95 of the Companies Act 1985 to allot equity securities (within the meaning of section 94 of the said Act) for cash pursuant to the authority conferred by the said previous Resolution as if sub-section (1) of section 89 of the said Act did not apply to any such allotment provided that this power shall be limited:

(i) to the allotment of equity securities in connection with an offer of securities, open for acceptance for a period determined by the directors, by way of rights to holders of ordinary shares on the register on a fixed record date in proportion to their respective holdings of such ordinary shares or in accordance with the rights attached thereto (but subject to such exclusions or other arrangements as the directors may deem necessary or expedient to deal with fractional entitlements that would otherwise arise or with legal or practical problems under the law of, or the requirements of, any regulatory body or any stock exchange in, any territory); and

(ii) to the allotment (otherwise than pursuant to sub-paragraph (i) above) of equity securities up to an aggregate nominal value of £4,269,135;

and shall expire on the date of the next Annual General Meeting of the Company after the passing of this Resolution save that after such expiry the directors may allot securities in pursuance of an offer or agreement made by the Company before such expiry.

Resolution 9
As special business, to consider and, if thought fit, pass the following Special Resolution:

THAT the Company be and is hereby generally and unconditionally authorised to make one or more market purchases (within the meaning of section 163(3) of the Companies Act 1985) on the London Stock Exchange of up to a maximum aggregate amount equal to the lower of:

(i) 34.1 million ordinary shares of 25p each in the capital of the Company (being 10 per cent of the Company's issued ordinary share capital as at 22 February 2001); and

(ii) 10 per cent of the Company's issued ordinary share capital as at the date of passing of this Resolution;

at a price per share of not less than 25p and not more than 105 per cent of the average of the middle market quotations for such an ordinary share, as derived from the London Stock Exchange Daily Official List, for the five business days immediately preceding the day of purchase; unless previously revoked or varied, such authority will expire at the conclusion of the Annual General Meeting of the Company to be held in 2002, save that the Company may purchase ordinary shares at any later date where such purchase is pursuant to any contract or contracts made by the Company before the expiry of this authority.

Resolution 10
THAT the amendment to the Rules of the Associated British Ports Executive Share Option Scheme to allow for the grant of incentive stock options, as approved by the Board of directors of the Company on 5 September 2000, be and is hereby approved.

Resolution 11
THAT the proposed amendment to the individual limit in the Rules of the Associated British Ports Executive Share Option Scheme as explained in the report of the directors, be and it is hereby approved and the directors be and they are hereby authorised to do all such acts and things as may be necessary to carry the same into effect.

By Order of the Board

Hywel Rees

Hywel Rees

Hywel Rees
Company Secretary
150 Holborn, London EC1N 2LR
13 March 2001

A copy of the Rules of the Executive Share Option Scheme, incorporating the US Rule approved by the Board of directors in September and showing the proposed draft amendment for the new individual limit, may be inspected at the registered office of the Company and at the offices of Slaughter and May, 35 Basinghall Street, London EC2V 5DB at any time during normal business hours on week days (Saturdays and public holidays excepted) up to and including the day of the Annual General Meeting, and at the venue for the meeting from half an hour before the time fixed for the meeting until the conclusion of the meeting.

The Register of Directors' Shareholdings will be available for reference at the commencement of and during the continuance of the Annual General Meeting.

A member entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and on a poll to vote instead of him or her; a proxy need not be a member. To be effective, proxies must be lodged at Computershare Services PLC, Registrars, PO Box 435, Owen House, 8 Bankhead Crossway North, Edinburgh EH11 4BR, not later than 48 hours before the time of the meeting.

Pursuant to section 34 of the Uncertificated Securities Regulations 1995, only those shareholders registered in the Register of Members as at 12 noon on 22 April 2001 shall be entitled to attend or vote at the Annual General Meeting in respect of the number of ordinary shares registered in their name at that time. Changes to entries on the Register of Members after 12 noon on 22 April 2001 shall be disregarded in determining the rights of any person to attend or vote at the meeting.

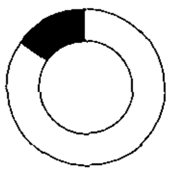
Details of the proxy voting figures will be available following the Annual General Meeting via the internet at www.abports.co.uk or on application in writing to the Company Secretary.

Shareholder analysis at 31 December 2000

Ordinary shares of 25p each – by number of shares held	Number of holders	%	Number of shares	%
1 - 1,000	4,679	41.6	2,415,896	0.7
1,001 - 2,000	1,951	17.3	3,016,077	0.9
2,001 - 4,000	1,968	17.5	5,952,005	1.7
4,001 - 20,000	2,078	18.5	17,031,402	5.0
20,001 - 400,000	468	4.2	43,513,737	12.8
400,001+	98	0.9	268,703,274	78.9
Total	**11,242**	**100.0**	**340,632,391**	**100.0**

Ordinary shares of 25p each – by category of holder	Number of holders	%	Number of shares	%
Individuals	9,556	85.0	28,335,774	8.3
Institutions	1,686	15.0	312,296,617	91.7
Total	**11,242**	**100.0**	**340,632,391**	**100.0**

Percentage of shareholders



Percentage of shares

Substantial shareholdings

The following had notified substantial share interests as at 22 February 2001:

		Number of shares	% of issued ordinary capital
(i)	Zurich Scudder Investments Limited	37,607,250	11.01
(ii)	Jupiter Asset Management Limited	28,577,813	8.37
(iii)	Prudential PLC	25,980,299	7.61
(iv)	Schroder Investment Management Limited	20,912,256	6.12
(v)	Aegon AM (UK)	13,837,719	4.05
(vi)	UBS Asset Management Limited	13,792,780	4.04
(vii)	The Capital Group Companies Inc	13,066,856	3.83
(viii)	AXA Investment Managers UK Limited	12,977,685	3.80

Company information

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Audit Committee
Derek Sach (Chairman)
Aubrey Adams
Tim Bowdler#
Peter Dean CBE*
Andrew Simon OBE

Remuneration Committee
George Duncan (Chairman)
Aubrey Adams
Tim Bowdler
Peter Dean CBE*
Derek Sach
Andrew Simon OBE
Sir Keith Stuart

Nomination Committee
Sir Keith Stuart (Chairman)
Aubrey Adams
Tim Bowdler
Peter Dean CBE*
George Duncan
Bo Lerenius
Derek Sach
Andrew Simon OBE

*until 24 April 2001
#with effect from 24 April 2001

Secretary and registered office
Hywel Rees FCIS
150 Holborn
London EC1N 2LR
Registered in England No. 1612178

Auditors
PricewaterhouseCoopers
1 Embankment Place
London WC2N 6RH

Bankers
Barclays Bank PLC
54 Lombard Street
London EC3P 3AH

Lloyds TSB Bank plc
71 Lombard Street
London EC3P 3BS

The Royal Bank of Scotland PLC
135 Bishopsgate
London EC2M 3UR

Brokers
Cazenove & Co.
12 Tokenhouse Yard
London EC2R 7AN

Merrill Lynch International
20 Farringdon Road
London EC1M 3NH

Merchant bankers
Merrill Lynch International
Ropemaker Place
25 Ropemaker Street
London EC2Y 9LY

Registrars
Computershare Services PLC
PO Box 435
Owen House
8 Bankhead Crossway North
Edinburgh EH11 4BR
Web: www.computershare.com

Solicitors
Slaughter and May
35 Basinghall Street
London EC2V 5DB

This annual report and accounts and other information about the Group are available via the internet at www.abports.co.uk

Financial calendar

24 April 2001
Annual General Meeting

1 May 2001
Payment of 2000 final dividend

June 2001
Trading statement – pre-2001 interim results

September 2001
Publication of interim results

November 2001
Payment of 2001 interim dividend

December 2001
Trading statement – pre-2001 full-year results

February 2002
2001 preliminary results announcement

March 2002
2001 annual report and accounts

ProShare Award for Excellence
Commended for The 2000 Award for Best Annual Report and Accounts for the Private Investor in a Company with a market capitalisation above £250 million.

Associated British Ports holdings PLC

Annual report and accounts 2000

Humber International Terminal, at ABP's Port of Immingham, is a deep-water general-cargo facility able to handle the largest vessels using the Humber Estuary today.