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ASSOCIATED BRITISH PORTS HOLDINGS LIMITED AND SUBSIDIARIES

(Company Number 01612178)

ANNUAL REPORT AND ACCOUNTS 2013

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ASSOCIATED BRITISH PORTS HOLDINGS LIMITED AND SUBSIDIARIES

ANNUAL REPORT AND ACCOUNTS 2013

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Strategic report

The company is an intermediate holding company within the group of companies owned by ABP (Jersey) Limited. This strategic report covers the group activities, strategy, performance and operations of the company and its subsidiaries ("the group")

1. Principal activities

The principal activities of the group comprise the provision of high-quality port facilities and related services to users of seaports in the UK. The group also provides other transport facilities and related services including the Hams Hall rail freight terminal in the Midlands which provides intermodal container transfer. The group also generates income from the ownership and development of properties at its port locations within the UK. The group's principal operating subsidiary is Associated British Ports ("ABP").

The group owns and operates 21 general cargo ports within the UK. In addition, it owns 49% of Southampton Container Terminals Limited (trading as DP World Southampton, "DPWS"), which operates the second largest container terminal in the UK.

2. Market Environment

The group's main operating subsidiary, ABP, is the UK's largest ports operator with a portfolio of 21 ports spread around the country, serving diverse markets and customers. While each port is different, the group considers that market environment factors impacting each are common to the group. In 2012, 98% of total UK port volumes were handled by 51 major ports (defined by the DfT as ports with annual volumes in excess of 1 million tonnes). The top 20 ports, 4 of which are ABP owned, accounted for more than 86% of total 2012 UK port throughput. The share of total UK seaborne trade handled through facilities within ABP's Statutory Harbour Authority areas in 2012 was 23% (2011: 22%).

3. Strategy

The group's strategy is aimed at retaining and improving the group's position as the largest and leading port operator in the UK. The group focuses on delivering growth in its operating performance primarily by investment in long-term projects in partnership with quality customers which generate attractive rates of return.

This strategy is underpinned by a diversified cargo base and long term contracts which provide significant levels of guaranteed revenues from a broad mix of customers often while operating as tenants on the group's estate.

The strategy is formulated around a predominantly "landlord" business model. The group owns 21 ports around the UK and provides facilities (principally land, quays, cargo handling equipment and access to open water) and services (including stevedoring and warehousing) to users of its ports. The group's customers include terminal operators, licensed stevedores, shipping lines and cargo owners.

The provision of port facilities accounts for the majority of the group's revenues. The group selectively undertakes value-added transport related services where the opportunity exists to enhance the value provided to our customers. In addition, the group is responsible for providing pilotage services and for the conservancy of harbour areas at the majority of its ports.

Strategic report (continued)

In development of this strategy, the group continues to pursue a number of major investments, which have the potential to contribute significant growth during the coming years. Further information on these is provided below

3.1 Southampton Container Expansion

The container terminal at Southampton, operated by DPWS, is the second largest deep-sea container terminal in the UK. The group is committed to ensuring that Southampton continues to be one of the UK's leading container ports. The group has recently undertaken a programme of works to expand the container terminal, comprising

- the redevelopment of berths 201/202, renamed SCT5, completed in January 2014, which increases the terminal's capability to handle the world's largest container vessels;
- the purchase of four new ship-to-shore cranes to service SCT5, which were commissioned in February 2014, and
- a dredging programme to widen the channel near Marchwood, improving marine access for large container vessels, which is due to complete in April 2014.

The total cost of the above works amounts to £77m (£47.5m incurred in 2013).

In addition, the group has commenced the first phase of a dredging programme on the approach channel at Southampton, to further improve access for large container vessels. The works are anticipated to cost c.£35m and complete by the end of 2014.

3.2 Grimsby River Terminal

In July 2013, the group opened a new two berth riverside roll on-roll off facility at Grimsby for the import and export of new vehicles. The new terminal, which cost c. £26m, is located outside the river entrance to Grimsby Royal Dock. The investment is supported by a new long-term agreement with Volkswagen Group UK.

3.3 Immingham Renewable Fuels Terminal

In April 2013, the group awarded a contract for the design, development and construction of facilities for the handling and storage of biomass at its Humber International Terminal. The project is expected to cost c.£80m and is underpinned by a newly signed 15 year agreement with Drax Power Limited. Work on the new terminal commenced in June 2013 and is expected to be complete in Q4 2014. The new terminal will be operated by ABP.

3.4 Green Port Hull

The group continues to progress plans under a Memorandum of Understanding with Siemens to develop a 134 acre site at Alexandra Dock, Hull, on which Siemens plans to establish an offshore wind turbine facility with a riverside berth export capability. The development is subject to finalisation of long-term contractual arrangements with Siemens, having already obtained planning consent from the Marine Management Organisation.

The group has also been successful in obtaining Local Development Order ("LDO") planning consent for renewable energy manufacturing activity on an 80 acre site to the east of its main Port of Hull estate. This LDO was approved in July 2013 and grants outline planning consent for a site which will be used to accommodate Siemens' wider supply chain.

Strategic report (continued)

4. Group review and KPIs

Financial overview and volumes

	2013	2012	Change from	2011	2010
	£m	£m	2012	£m	£m
Revenue	503.8	471.7	+6.8%	423.4	408.1
Consolidated EBITDA ^{1,2}	292.0	271.9	+7.4%	256.1	243.4
Consolidated EBITDA margin ²	58%	58%	-	60%	60%
Underlying operating profit ^{2,3}	250.0	229.7	+8.8%	218.1	210.6
Total tonnage (mt) ⁴	93.9	89.6	+4.8%	89.2	90.7
Passenger volumes (000s)	3,060	2,967	+3.1%	2,956	2,787

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

² Certain amounts shown for 2012 and prior years do not correspond to the 2012 and prior years accounts and reflect adjustments made as detailed in notes 12 and 13 to the 2013 accounts

³ Underlying operating profit is defined as operating profit before movement in fair value of investment properties, amortisation of acquisition related adjustments, profit on sale of associated undertaking and exceptional items

⁴ Excluding volumes where the group generates conservancy income only

The operating performance for the year ended 31 December 2013 reflects the following highlights:

- The group delivered growth in its operating performance during 2013 which continues to be underpinned by a diversified cargo base, long term contracts with a broad mix of customers and a significant level of guaranteed revenues.
- Revenue increased by 6.8% to £503.8m (2012: £471.7m) reflecting throughput volume growth, in particular coal, import/export vehicles, increased cruise passengers and recognition of income relating to the Immingham Oil Terminal following the finalisation of new contractual arrangements
- Consolidated EBITDA (calculated in accordance with the definitions set out in the group's credit facilities) increased by 7.4% to £292.0m (2012 restated: £271.9m), reflecting the favourable revenue performance partially offset by increased operating and maintenance costs associated with the strong volumes through ABP operated facilities
- Consolidated EBITDA margin remained strong at 58%, in line with prior year.
- Underlying operating profit (before increase in fair value of investment properties, amortisation of acquisition related adjustments, exceptional items and profit on sale of associated undertaking) increased by 8.8% to £250.0m (2012 restated: £229.7m)
- The group continued to progress a number of strategic infrastructure development projects, further details of which can be found in section 3 of this strategic report

Health and Safety

Progress against the group's primary health and safety performance indicators is detailed below:

	2013	2012	Change from 2012
Fatal accidents to employees	-	-	-
Reportable injuries per thousand employees	4.1	3.6	+0.5
Percentage of employees provided with accredited training (target 95%)	96.0%	94.0%	+2%

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Strategic report (continued)

Environment

The table below provides details of the group's progress during 2013 against its relevant environmental indicators

	2013	2012	Change from 2012
CO ₂ emissions (tonnes)*	82,571	79,752	+3.5%
CO ₂ emissions (tonnes) per thousand tonnes of throughput	0.879	0.890	-1.2%
Electricity consumption (million kWh)	67.3	72.4	-7.0%
Water consumption (million litres)	1,445.8	1,493.8	-3.2%

* Calculated based on the group's consumption of electricity, gas, oil, petrol and diesel converted to CO₂ at rates published by the Environment Agency

Employees

The table below sets out the group's performance in relation to the management of its employees during 2013

During 2013 the monthly average number of persons employed in the business was 1,980 (2012 1,953)

	2013	2012	Change from 2012
Sickness and absenteeism rate	3.2%	2.8%	+0.4%
	7.2 days per employee	6.4 days per employee	+0.8 days
Annual appointments as a percentage of headcount	8.6%	9.6%	-1.0%
Annual leavers as a percentage of headcount	6.3%	9.7%	-3.4%
Annual compulsory redundancies as a percentage of headcount	0.2%	0.3%	-0.1%
Female employees as a percentage of headcount as at 31 December			
- Directors	-	-	-
- Senior Managers	8.9%	9.1%	-0.2%
- All employees	12.7%	12.3%	+0.4%

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

Strategic report (continued)

5. Development and performance of the business

	2013 £m	2012 Restated* £m	Change from 2012
Revenue	503.8	471.7	+6.8%
Operating costs (underlying)	(253.8)	(242.0)	-4.9%
Underlying operating profit	250.0	229.7	+8.8%
Increase in fair value of investment properties	57.2	475.5	-88.0%
Profit on disposal of share in joint venture	0.1	32.1	-99.7%
Exceptional items	(31.2)	(51.5)	+39.4%
Group operating profit	276.1	685.8	-59.7%
Net finance income	35.2	29.9	+17.7%
Share of profit in associated undertakings	1.6	0.2	+700.0%
Profit before taxation	312.9	715.9	-56.3%
Taxation	(34.3)	(115.5)	+70.3%
Profit for the period	278.6	600.4	-53.6%
Cash generated by operations	111.3	34.5	+222.6%
Capital expenditure	147.2	73.6	+100.0%

* Certain amounts shown for 2012 do not correspond to the 2012 accounts and reflect adjustments made as detailed in notes 12 and 12 to the accounts

- Revenue increased by 6.8% to £503.8m (2012: £471.7m) reflecting throughput volume growth, in particular coal, import/export vehicles, increased cruise passengers and recognition of income relating to the Immingham Oil Terminal following the finalisation of new contractual arrangements
- Underlying operating costs increased by 4.9% reflecting increased operating and maintenance costs associated with the strong volumes through ABP operated facilities
- The 2013 review of the fair value of the group's investment property portfolio resulted in income statement gain of £57.2m (2012: £475.5m). The significant uplift in investment property value in 2012 included the impact of a review of valuation yields and change in valuation policy with respect to properties with integral vessel berths. Further details on investment property are set out in note 10 to the accounts
- During the year the group sold its 49% of Associated Global Logistics Limited ("AGL"), an Irish based logistics company to AGL's other shareholders for a total consideration of £0.4m, representing a profit on sale of £0.1m
- The group recognised an exceptional cost of £31.2m (2012: £51.5m) in respect of liabilities relating to multi employer pension schemes of which ABP is a participating body. Further details are set out in note 12 to the accounts.
- The group's share of profit from associated undertakings increased to £1.6m (2012: £0.2m) reflecting improved profitability of DPWS whilst container volumes remained in line with 2012.
- Net finance income amounted to £35.2m (2012 restated: £29.9m) and included interest due from parent undertaking of £34.8m (2012: £27.2m).
- The overall net tax charge for the year ended 31 December 2013 amounted to £34.3m (2012 restated: £115.5m) and reflected a current tax charge of £64.3m (2012 restated: £71.4m) and a deferred tax credit of £30m (2012 restated: charge of £44.1m).
- Total capital expenditure for the year increased to £147.2m (2012: £73.6m) and included expenditure associated with the container berth expansion project in Southampton of £47.5m, the IRFT biomass project in Immingham of £18.8m and the Grimsby Riverside ro-ro project of £10.2m.

Strategic report (continued)

6. Position of the business at the year end

The group had net assets of £2,809.6m as at 31 December 2013 (2012: £2,512.6m) including cash of £25.4m (2012: £51.2m). The increase in net assets principally reflects an increase in the net book value of tangible assets (ie. property, plant and equipment and investment property) which were driven by investment in major new facilities (noted in section 3) and revaluation uplifts respectively.

7. Risks and uncertainties

The group's key risk management objectives are to:

- ensure that the health and safety of its employees, and third parties, are not put at risk by its undertakings,
- to prevent or mitigate events that have the potential to significantly damage the financial position of the group, its reputation or its ability to provide services;
- to identify, assess and prioritise opportunities to grow the business, having regard for the need to manage the group's commercial risks;
- to ensure that, in operating its business, it endeavours to meet the demands of trade while having due regard to the potential impact of its activities on the environment,
- to maintain a diversified cargo and customer base, and
- to ensure that it has in place mechanisms to understand, monitor and manage its obligations to all its stakeholders.

The group has implemented policies designed to identify, assess and manage risks which are supported by an organisational structure that ensures that responsibilities are clearly defined and communicated.

The principal risks and uncertainties facing the group are as follows

7.1 Commercial

Government energy policy

The group's largest single cargo by revenue is coal, which is predominantly imported for use in coal-fired power stations. With coal-fired power stations being subject to EU requirements to either fit emissions abatement technology or close down, the majority of power stations that import coal using ABP's ports have opted to fit the necessary technology. The UK government has also introduced carbon pricing, which is expected to increase the cost of electricity generated from coal and may have a further impact.

However, some of our customers have begun or are planning to convert existing coal plants to burn imported biomass. In another development of renewable energy, many offshore wind farms are planned for marine areas close to our ports.

While government energy policy is likely to affect ABP's cargo mix, the group is well placed to take advantage of the changes likely to flow from that policy including the importing of biomass and the construction and servicing of offshore wind farms as well as the continued use of coal to fuel some UK power stations.

Strategic report (continued)

Economic outlook

The UK's ports represent an important gateway for the country's international trade flows, as such the cargo volumes passing through the group's ports are affected by changes in the UK and global economies. In mitigation, the group has a diverse cargo base and has many long-term contracts with a broad mix of customers and c 45% of the group's revenues are either guaranteed or do not vary with throughput volumes.

7.2 Operational

Health and safety on our sites

The nature of the group's business means that the health and safety of its employees and other persons involved in its operations present a continuous challenge requiring proactive management. Effective management of health and safety matters can prevent loss of life or serious injury and damage to infrastructure and can limit social and financial impacts.

The group manages this risk through the enforcement of rigorous policies and procedures that are backed by a strong commitment from the board and designed to achieve continuous improvement through a rolling 5-year safety strategy. The group also continues to provide appropriate accredited health and safety training to all of its employees.

Asset maintenance and capital expenditure

The efficient maintenance of the group's assets and the effective delivery of new assets are required to safeguard the ongoing operation of the group's business. The group has experience of having completed a number of major capital projects in recent years and has access to appropriate resources to undertake its planned major developments. The maintenance of the group's assets to ensure safe and reliable operation of the port is managed through regular inspections and scheduled maintenance activity.

IT failure

The group relies upon Information Technology for communication and business critical activities such as vessel tracking, billing and terminal operations. The group mitigates this risk through the use of resilient hardware, routine back up of data and disaster recovery plans (including contracts for alternative/replacement facilities) prioritised for the most critical systems and data.

Potential impacts from terrorist incidents or other accidents

Acts of terrorism, natural disasters and accidents (both land and marine) all have the potential to negatively impact the group's ability to undertake its operations. The group mitigates these risks through contingency planning, insurance and through implementation of security policies and procedures.

7.3 Regulatory

Regulatory backdrop

The UK ports industry is unregulated in so far as there is no government-appointed regulator to oversee the conduct of industry participants. A draft EU Concessions Directive is currently under consideration by the European Parliament and the European Commission has recently published proposals for a Port Services Regulation. Both initiatives may have an impact on UK ports although the scale and nature of the potential impact is not clear. Representatives from the UK ports sector are working closely with UK government to mitigate any potentially adverse consequences.

Strategic report (continued)

Availability of planning approvals for future developments

The success of the group's future strategy of developing its core ports and transport business, largely through organic investment, is partly dependent upon the timely availability of appropriate planning approvals. Multi-disciplinary project teams and the group's senior management closely manage all planning applications, including those related to projects described in the strategy update above (section 3)

7.4 Environmental

Management of environmental matters

The group's UK port estates comprise over 12,000 acres of seabed and land. The wide range of operations undertaken on the group's estate by ABP and its customers has the potential to pose significant environmental risk if not managed coherently.

The group has in place an environmental management system comprising policies and procedures designed to ensure that its operational environmental risk is minimised and managed, involving a proactive process of risk management, assessment, audit and review, training and guidance. The group's central environmental management team work to continually improve the environmental management system via a rolling 5 year environmental strategy.

7.5 Financial risk management

Treasury matters throughout the group are controlled centrally and carried out in compliance with policies approved by the board of the company. The group's main financial risks are liquidity, interest rate, foreign exchange, capital and credit risk as described below. The group aims to manage these risks to an acceptable level.

The group does not use financial instruments for speculative purposes. The treasury function operates on a centralised basis. Its purpose is to identify, mitigate and hedge treasury-related financial risks inherent in the group's business operations and capital structure.

Liquidity risk

Liquidity risk is managed by maintaining borrowing facilities at a level that is forecast to provide reasonable headroom in excess of the future needs of the group. As at 31 December 2013, the group's immediate parent undertaking, ABP Acquisitions UK Limited had access to £150.0m of committed and undrawn borrowing facilities which are available for a period of approximately three years and a further £135.0m of undrawn facilities available to 10 December 2014. Debt maturities are spread over a range of dates, ensuring the group is not exposed to a material refinancing in any one year.

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

Interest rate risk

Risks arising from changes in interest rates are managed by maintaining an appropriate balance between fixed and floating rate debt. At 31 December 2013, the group had no bank debt.

Strategic report (continued)

Foreign exchange risk

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

Capital risk

The group finances itself with a mixture of retained earnings of £1,141.9m (2012: £907.0m) and finance leases £3.2m (2012: £nil). The group keeps its funding structure under review with a view to maximise shareholder value and to ensure that it has the resources and the capacity to meet its operational requirements and to facilitate the execution of its strategy.

Credit risk

In common with other companies, the group is exposed to credit related losses in the event of non-performance by counterparties to financial instruments. The group mitigates this risk by ensuring that its counterparties do not represent excessive credit risk prior to entering into new agreements. Exposure to counterparties is also reviewed on a regular basis to avoid any excessive reliance on a single one of them. The group's credit risk policies are discussed further in note 13 to the financial statements.

Credit risk arises from cash and cash equivalents and accounts receivable. The group has no material concentrations of credit risk. Investment activity is reviewed on a regular basis and no cash or cash equivalents are placed with approved counterparties with credit ratings that are below assigned limits.

Defined benefit pension liabilities

The valuation and service costs associated with the defined benefit pension schemes in which the group participates can vary depending on market conditions. A significant deterioration in the funding levels of such schemes could lead to the need for additional contributions.

8. Management of social and community issues

The group's daily operations can have an impact on local communities and the group aims to ensure that where possible the impacts are beneficial rather than detrimental. The group recognises that its business has the potential to make a positive contribution to local communities and that the group cannot operate successfully in isolation from them. We therefore endeavour to foster harmonious and mutually beneficial relationships with this important stakeholder group.

The group's social and community initiatives are focused on education, charities, arts sponsorship, engagement with civic organisations and the provision of free access to its facilities where practical and appropriate. The table below provides details of the group's 2013 performance in relation to social and community matters.

	2013	2012	Change from 2012
Total cash and in-kind contributions	£316,209	£284,365	+11.2%

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Strategic report (continued)

9. Employee involvement

The success of our business is dependent on our employees. The quality and effectiveness of the management of our people is therefore critical to the attainment of our business objectives. The group is committed to the development of its employees and provides relevant training for career progression. The group regularly communicates with its employees through in house publications and intranet. This communication includes information in respect of financial and economic factors affecting the performance of the company. The group also consults with its employees about both the methods and substance of communication.

10. Outlook

The improving UK economic growth expectations and the completion of the Immingham Renewable Fuels Terminal are expected to provide an encouraging backdrop to 2014 prospects. Notwithstanding the risks noted in section 7 above, the group continues to benefit from a wide-ranging mix of cargoes handled for a diversified customer base, many of whom operate under long-term contracts. These factors are expected to provide the group with both resilience and opportunities to grow in 2014.

By Order of the Board



JNS Cooper
Chief Executive



GSM Bull
Chief Financial Officer

12 March 2014

Directors' report

The directors present their report and the audited accounts for the year ended 31 December 2013.

Dividends

The directors do not recommend the payment of a dividend (2012. £nil).

Ownership

The company's ultimate parent company, ABP (Jersey) Limited, is owned (directly or through intermediaries, as set out in note 29 to the accounts) by Borealis International Investments Corporation, GIC Special Investments Pte, GS Infrastructure Partners and Infracapital Partners LP

Board of directors and governance

The board comprises nine non-executive directors who have been appointed as representatives of the group's shareholders together with Messrs James Cooper, Chief Executive, Robert Walvis, Chairman, Sebastian Bull, Chief Financial Officer, and Doug Morrison, Executive Director Associated British Ports Holdings Limited ("ABPH") is the immediate holding company for Associated British Ports, which is the group's main trading subsidiary. The following table lists the directors of the company (number 01612178) during the year and up to the date of these accounts, and lists the organisations that the non-executive directors represent:

Director	Appointed by and changes
<i>Executive</i>	
Mr Sebastian Bull	
Mr James Cooper	Appointed 2 April 2013
Mr Peter Jones	Resigned 2 April 2013
Mr Doug Morrison	Resigned 31 December 2013
Mr Robert Walvis	Appointed 2 August 2013
<i>Non-executive</i>	
Mr Philippe Busslinger ²	Borealis International Investments Corporation
Mr Philippe Camu ²	GS Infrastructure Partners
Mr Edward Clarke ^{1,2}	Infracapital Partners LP (appointed 2 January 2013)
Mr James Cooper	Infracapital Partners LP (resigned 2 January 2013)
Mr Stewart Hicks	GIC Special Investments Pte (appointed 13 November 2013)
Mr George Kay ²	GIC Special Investments Pte
Mr David Kerr ¹	GIC Special Investments Pte
Mr Peter Lyneham ¹	GS Infrastructure Partners
Mr John McManus ¹	Borealis International Investments Corporation (appointed 2 January 2013)
Mr John Morea	Borealis International Investments Corporation
Mr Michael Rolland	Borealis International Investments Corporation (resigned 2 January 2013)
Mr Robert Walvis	GIC Special Investments Pte (resigned 2 April 2013)

¹ Member of audit committee for the year to 31 December 2013

² Member of remuneration and nomination committee for the year to 31 December 2013

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

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

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Directors' report (continued)

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

Mr Kenton Bradbury	(resigned as Alternate 27 June 2013)
Mr Tom Ferguson	(resigned as Alternate 13 November 2013)
Mr Kunal Koya	(appointed as Alternate 13 November 2013)
Mr Stephen Nelson	(appointed as Alternate 27 June 2013)
Mr John McManus	(resigned as Alternate 2 January 2013)
Mr Michael Rolland	(appointed as Alternate 2 January 2013)

On 5 November 2012, it was announced that Mr Peter Jones would be retiring as Director and Chief Executive of ABPH with effect from the end of March 2013. Mr Jones was succeeded as Director and Chief Executive by Mr James Cooper with effect from 2 April 2013.

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

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

The board meets four (2012: five) times a year and has a specific schedule of matters reserved for its consideration. Appointments to the board of the company are governed by a shareholders' agreement and are considered by the group's remuneration and nomination committee which is chaired by Mr George Kay. Appointments to the remuneration and nomination committee are made by the board and this committee is responsible for keeping under review the remuneration arrangements for the directors of the company and other senior managers within the group.

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

Directors' indemnities

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

HR policies

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

Directors' report (continued)

The group also monitors the ethnic diversity of its employees and is committed to ensuring that all segments of its communities have the opportunity to participate in and contribute towards the success of its business

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

Important events of the year and likely future developments in the business

Within the year under review, work commenced on the further development of a container handling facility at the port of Southampton and the construction of a new biomass handling facility at the port of Immingham

The changes to energy policy have driven the development of new biomass handling facilities at our ports on the Humber and plans for the development of a facility to support offshore wind capability at Alexandra Dock in Hull. It is expected that these may induce further developments of a similar nature within our ports. The extension to the Southampton container terminal is being developed to cope with the global demand for larger container vessels. More details on these developments are contained in the strategic report

Annual general meeting

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

Auditor re-appointment

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

Matters disclosed in the Strategic Report

The directors consider the following matters of strategic importance and have chosen to disclose these in the strategic report, otherwise required to be disclosed in the directors' report:

- Quantitative measurements for emissions
- Financial risk management
- Employee involvement

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Directors' report (continued)

Audit information

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

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

By Order of the Board



AC Garner
Company Secretary
Aldwych House
71-91 Aldwych
London WC2B 4HN
12 March 2014

ASSOCIATED BRITISH PORTS HOLDINGS LIMITED AND SUBSIDIARIES ANNUAL REPORT AND ACCOUNTS 2013

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

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

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

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

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

By Order of the Board



AC Garner
Company Secretary
Aldwych House
71-91 Aldwych
London WC2B 4HN
(2 March 2014

ASSOCIATED BRITISH PORTS HOLDINGS LIMITED AND SUBSIDIARIES ANNUAL REPORT AND ACCOUNTS 2013

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

We have audited the financial statements of Associated British Ports Holdings Limited for the year ended 31 December 2013 which comprise the Group Income Statement, the Group Statement of Comprehensive Income, the Group Balance Sheet, the Group Statement of Cash Flows, the Group Statement of Changes in Equity and the related notes 1 to 29. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRSs") as adopted by the European Union

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

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 15, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion

- the financial statements give a true and fair view of the state of the group's affairs as at 31 December 2013 and of the group's profit for the year then ended,
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006

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

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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



Matthew Williams (Senior statutory auditor)

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

London

17 March 2014

ASSOCIATED BRITISH PORTS HOLDINGS LIMITED AND SUBSIDIARIES ANNUAL REPORT AND ACCOUNTS 2013

Group income statement for the year ended 31 December

	Note	2013 £m	2012 Restated* £m
Revenue		503.8	471.7
Cost of sales		(190.1)	(184.0)
Gross profit		313.7	287.7
Administrative expenses		(94.8)	(77.4)
Increase in fair value of investment properties	10	57.2	475.5
Operating profit	2	276.1	685.8
Analysed between			
Group operating profit before the following items		250.0	229.7
Profit on sale of associated undertaking	2	0.1	32.1
Increase in fair value of investment properties	10	57.2	475.5
Exceptional items – administrative expenses	4,12	(31.2)	(51.5)
		276.1	685.8
Finance costs	5	-	0.5
Finance income	5	35.2	29.4
Share of profit in associated undertakings	11	1.6	0.2
Profit before taxation		312.9	715.9
Taxation charge	6	(34.3)	(115.5)
Profit attributable to equity shareholder		278.6	600.4

*Certain amounts shown for 2012 do not correspond to the 2012 accounts and reflect adjustments made as detailed in notes 12 and 12

All results are derived from continuing operations in the UK

The exceptional items relate to the group's pension schemes. See note 12 for further details

Group statement of comprehensive income for the year ended 31 December

	Note	2013 £m	2012 Restated* £m
Profit attributable to equity shareholder		278.6	600.4
Other comprehensive income/(expense):			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods</i>			
Fair value loss on forward foreign exchange contract	16	-	-
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods</i>			
Surplus arising on revaluation of investment property	10	5.4	5.5
Actuarial gain/(loss) relating to net retirement benefit assets	12	14.5	(19.9)
Share of associated undertakings' actuarial gain/(loss) relating to net retirement benefit liabilities	11	1.0	(1.8)
Deferred tax associated with actuarial gain/(loss) relating to net retirement benefit assets	20	(4.6)	0.8
Deferred tax arising on revaluation of investment property	20	2.0	2.3
Other comprehensive income/(expense) for the period, net of tax		18.3	(13.1)
Total comprehensive income for the period, net of tax, attributable to equity shareholder		296.9	587.3

*Certain amounts shown for 2012 do not correspond to the 2012 accounts and reflect adjustments made as detailed in notes 12 and 12

ASSOCIATED BRITISH PORTS HOLDINGS LIMITED AND SUBSIDIARIES ANNUAL REPORT AND ACCOUNTS 2013

Group balance sheet as at 31 December

	Note	2013 £m	2012 £m
Assets			
Non-current assets			
Goodwill	7	14.5	14.5
Intangible assets	8	5.9	5.9
Property, plant and equipment	9	920.8	869.1
Investment property	10	1,545.4	1,420.3
Investments in associates	11	39.0	36.7
Retirement benefit assets	12	35.9	15.3
Trade and other receivables	13	1.2	1.3
		2,562.7	2,363.1
Current assets			
Property and land held for sale	14	2.2	3.0
Trade and other receivables	13	569.3	444.3
Cash and cash equivalents		25.4	51.2
		596.9	498.5
Total assets		3,159.6	2,861.6
Liabilities			
Current liabilities			
Borrowings	15	(0.2)	-
Trade and other payables	18	(67.5)	(71.8)
Provisions	19	(11.0)	(14.0)
		(78.7)	(85.8)
Non-current liabilities			
Borrowings	15	(3.0)	-
Retirement benefit obligations	12	(85.7)	(54.1)
Deferred tax liabilities	20	(170.8)	(198.2)
Provisions	19	(7.8)	(8.2)
Other non-current liabilities	21	(4.0)	(2.7)
		(271.3)	(263.2)
Total liabilities		(350.0)	(349.0)
Net assets		2,809.6	2,512.6
Shareholder's equity			
Share capital	22	77.5	77.5
Share premium account		130.6	130.5
Revaluation reserve	23	1,412.8	1,350.8
Other reserves	23	46.8	46.8
Retained earnings		1,141.9	907.0
Total shareholder's equity		2,809.6	2,512.6

The financial statements were approved by the board of directors on 26 February 2014 and signed on its behalf by



GSM Bull
Director

ASSOCIATED BRITISH PORTS HOLDINGS LIMITED AND SUBSIDIARIES ANNUAL REPORT AND ACCOUNTS 2013

Group statement of cash flows for the year ended 31 December

	Note	2013 £m	2012 £m
Cash flows from operating activities			
Cash generated by operations	24	111.3	34.5
Interest paid		-	-
Interest received		0.3	0.8
Taxation		-	0.2
Net cash inflow from operating activities		111.6	35.5
Cash flows from investing activities			
Proceeds from sale of associated undertaking		10.2	36.7
Proceeds from sale of property, plant and equipment		0.1	0.5
Purchase of intangible assets		(1.1)	(0.5)
Purchase of property, plant and equipment		(114.0)	(56.9)
Purchase of investment property		(32.1)	(16.2)
Net cash outflow from investing activities		(136.9)	(36.4)
Cash flows from financing activities			
Repayment of obligations under finance leases		(0.6)	(0.5)
Proceeds from issue of share capital		0.1	0.1
Net cash outflow from financing activities		(0.5)	(0.4)
Change in cash and cash equivalents during the year		(25.8)	(1.3)
Cash and cash equivalents at 1 January		51.2	52.5
Cash and cash equivalents at 31 December		25.4	51.2

ASSOCIATED BRITISH PORTS HOLDINGS LIMITED AND SUBSIDIARIES ANNUAL REPORT AND ACCOUNTS 2013

Statements of changes in equity for the year ended 31 December

	Share capital £m	Share premium account £m	Revaluation reserve £m	Hedging reserve £m	Capital redemption reserve £m	Share options reserve £m	Retained earnings £m	Total £m
At 1 January 2013	77.5	130.5	1,350.8	-	25.5	21.3	907.0	2,512.6
Profit for the year	-	-	57.2	-	-	-	221.4	278.6
Other comprehensive income	-	-	5.4	-	-	-	12.9	18.3
Total comprehensive income	-	-	62.6	-	-	-	234.3	296.9
Issue of ordinary shares	-	0.1	-	-	-	-	-	0.1
Realisation of revaluation reserve on disposals	-	-	(0.6)	-	-	-	0.6	-
At 31 December 2013	77.5	130.6	1,412.8	-	25.5	21.3	1,141.9	2,809.6

	Share capital £m	Share premium account £m	Revaluation reserve £m	Hedging reserve £m	Capital redemption reserve £m	Share options reserve £m	Retained earnings £m	Total £m
At 1 January 2012	77.5	130.4	869.8	-	25.5	21.3	800.7	1,925.2
Profit for the year ⁽¹⁾	-	-	475.5	-	-	-	129.6	605.1
Pension adjustment	-	-	-	-	-	-	(6.1)	(6.1)
Deferred tax adjustment	-	-	-	-	-	-	1.4	1.4
Profit for the year restated*	-	-	475.5	-	-	-	124.9	600.4
Other comprehensive income/(expense) ⁽¹⁾	-	-	5.5	-	-	-	(23.3)	(17.8)
Pension adjustment	-	-	-	-	-	-	6.1	6.1
Deferred tax adjustment	-	-	-	-	-	-	(1.4)	(1.4)
Other comprehensive income/(expense) restated*	-	-	5.5	-	-	-	(18.6)	(13.1)
Total comprehensive income	-	-	481.0	-	-	-	106.3	587.3
Issue of ordinary shares	-	0.1	-	-	-	-	-	0.1
At 31 December 2012	77.5	130.5	1,350.8	-	25.5	21.3	907.0	2,512.6

* Certain amounts shown for 2012 do not correspond to the 2012 accounts and reflect adjustments made as detailed in notes 12 and 12

⁽¹⁾ As previously stated

A description of the nature and use of the classes of equity is included in note 23

ASSOCIATED BRITISH PORTS HOLDINGS LIMITED AND SUBSIDIARIES ANNUAL REPORT AND ACCOUNTS 2013

Notes to the financial statements

1. Accounting policies

1.1 Basis of preparation

Statement of compliance

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

Basis of consolidation

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

Other basis of preparation

The financial statements have been prepared on a going concern basis under the historic cost basis, except for investment property and derivative financial instruments, which have been measured at fair value.

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

1.2 Changes in accounting policy

The group has implemented the following new accounting standards in these financial statements

IFRS 13 Fair Value Measurement

IFRS 13 is effective for accounting periods commencing on or after 1 January 2013 and shall be applied prospectively. The new standard defines fair value, sets out a framework for measuring fair value and requires disclosures regarding fair value measurement. The application of the new standard requires:

- the measurement of the fair value of the group's derivative financial instruments to be calculated using a discount rate that takes into account the group's and lender's credit risk. Due to the short term nature of the group's only derivatives, which are foreign exchange contracts, the impact of discounting is not significant therefore the approach has not resulted in a change in the fair value of the group's derivative financial instruments at 31 December 2013,
- the measurement of fair value of the group's investment properties to take into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. This takes into account the use of the asset that is physically possible, legally permissible and financially feasible. The change in approach has had no impact on the fair value of the group's investment properties based on the values at 31 December 2013; and

Notes to the financial statements

1. Accounting policies (continued)

1.2 Changes in accounting policy (continued)

IFRS 13 Fair Value Measurement (continued)

- additional disclosures in respect of fair value measurements of investment properties and derivatives. These disclosures are included in notes 10, 16 and 17.

IAS 19 (revised) Employee Benefits

IAS 19 (revised) is effective for accounting periods commencing on or after 1 January 2013 and is applied retrospectively. The revised standard requires.

- the income statement to be credited (or charged) with the net interest on the net defined benefit asset (or liability) in place of expected returns on scheme assets and interest costs on the scheme liabilities as required by the previous standard, and
- the net interest on the net defined benefit asset (or liability) to be calculated by multiplying the net defined benefit asset (or liability) by the discount rate used to value the scheme liabilities. The application of the revised standard has resulted in a decrease in net interest income recognised in the income statement of £8.4m for the year ending 31 December 2013 (2012: decrease £6.1m)

As a result of this accounting standard change, the following adjustments were made to amounts stated in previously issued financial statements for the year ended 31 December 2012:

- increase in administrative expenses of £6.1m (income statement)
- decrease in actuarial loss relating to net retirement benefit assets of £6.1m (other comprehensive income)
- decrease in deferred tax charge of £1.4m (income statement)
- decrease in deferred tax credit on actuarial loss of £1.4m (other comprehensive income)

During 2013, the group has also reclassified net interest on defined benefit arrangements from administrative expenses to finance income/costs, in line with industry norm. As a result, the following adjustments were made to amounts stated in previously issued financial statements for the year ended 31 December 2012 (after applying the £6.1m impact of the accounting standard change referred to above):

- increase in administrative expenses of £1.4m
- increase in finance income of £1.4m

IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1

This Amendment to IAS 1 is effective for accounting periods commencing on or after 1 January 2013. The amendment requires items that will be reclassified (“recycled”) to profit and loss at a future point in time to be presented separately from items that will not be reclassified. This presentation has been adopted.

ASSOCIATED BRITISH PORTS HOLDINGS LIMITED AND SUBSIDIARIES ANNUAL REPORT AND ACCOUNTS 2013

Notes to the financial statements

1. Accounting policies (continued)

1.2 Changes in accounting policy (continued)

Several other new standards and amendments apply for the first time in 2013. The directors have concluded however that they do not have a material impact on the group's financial statements.

New standards and amendments issued but not yet effective

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

		Effective for accounting periods beginning on or after
IFRS 9	Financial instruments – classification and measurement	*01.01.2017
	Financial instruments – mandatory effective date of IFRS 9 and transition disclosures	
IFRS 10	Consolidated financial statements	01.01.2014
IFRS 11	Joint arrangements	01.01.2014
IFRS 12	Disclosure of interests in other entities	01.01.2014
IAS 27 (revised)	Separate financial statements	01.01.2014
IAS 28 (revised)	Investments in associates and joint ventures	01.01.2014
IAS 32 (amendment)	Offsetting financial assets and liabilities	01.01.2014
IAS 39 and IFRS 9 (amendments)	Novation of derivatives and continuation of hedge accounting	01.01.2014
IAS 36 (proposed amendments)	Recoverable amount disclosures for non-financial assets	01.01.2014
IAS 19 (proposed amendments)	Defined benefit plans – employee contributions	01.07.2014
IFRIC 21	Levies	01.01.2014

* The effective date for this standard and amendment has not been confirmed by the IASB at the date of the approval of these financial statements, however it will not be earlier than the date indicated.

Notes to the financial statements

1. Accounting policies (continued)

1.3 Critical accounting policies, estimates and judgements

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

The directors consider the following to be the most important accounting policies in the context of the group's operations.

Revenue recognition

Revenue comprises the amounts receivable in respect of ports and transport services provided to third parties, income from investment properties and sales of property

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

Minimum lease payments from operating leases are recognised as rental income over the lease term on a straight line basis. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and also recognised as costs over the lease term. Contingent rents are recognised as rental income in the period in which they are earned.

Sales of property are recognised when contracts for sale have been exchanged and when all material conditions have been satisfied.

Impairment of non-financial assets

The group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use, and is determined for an individual asset unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current markets assessments of the time value of money and the risks specific to the assets.

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

Notes to the financial statements

1. Accounting policies (continued)

1.3 Critical accounting policies, estimates and judgements (continued)

Impairment of non-financial assets (continued)

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

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

Goodwill

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

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

Intangible assets

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

Investment property

Property (including land held for development) is classified as investment property if:

- it is not occupied by the group or used by the group for the provision of material operational port services (eg stevedoring),
- it is a defined area (land, buildings, jetties and other fixed structures) and one or more users pay an amount for use of that area for a period of one or more years, and
- any "ancillary services" provided by the group at the property are insignificant to the arrangements as a whole.

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

Valuations are conducted annually by the directors and reviewed by external valuers at least once every five years. Surpluses or deficits arising on the revaluation of investment property are recognised in the income statement.

Notes to the financial statements

1. Accounting policies (continued)

1.3 Critical accounting policies, estimates and judgements (continued)

Investment property (continued)

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

Retirement benefits

The group accounts for pensions and similar benefits under IAS 19 Employee Benefits

In respect of defined benefit plans, obligations are measured at their discounted present value using the projected unit cost method, while benefit plan assets are recorded at fair value. The operating and financing costs of such benefit plans are recognised as staff costs in the income statement, operating costs are spread systematically over the expected service lives of employees and financing costs are recognised in the periods in which they arise. Actuarial gains and losses are recognised immediately in the statement of comprehensive income. Curtailment gains and losses arising as a consequence of either significant amendments to the terms of defined benefit plans or significant reductions in the number of employees covered by the plans, are recognised in the income statement when the curtailment occurs.

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

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

1.4 Other accounting policies

Exceptional items

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

Borrowing costs

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

Leases – group as lessee

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

ASSOCIATED BRITISH PORTS HOLDINGS LIMITED AND SUBSIDIARIES ANNUAL REPORT AND ACCOUNTS 2013

Notes to the financial statements

1. Accounting policies (continued)

1.4 Other accounting policies (continued)

Leases – group as lessee (continued)

Operating leases, which do not transfer to the group substantially all the risks and rewards of ownership of the leased item, are not capitalised. Operating lease payments are charged to the income statement on a straight line basis over the lease term

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

Intangible assets

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

Property and land held for sale

Property and land held for sale is stated at the lower of cost (or transfer value, if transferred from non-current assets) and net realisable value

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

Cash and cash equivalents

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

Goodwill

Goodwill arising on a business combination, representing the excess of the cost of acquisition over the fair value of the identifiable assets less liabilities and contingent liabilities acquired, is capitalised in the year in which it arises and is thereafter subject to impairment reviews annually and when there are indications that the carrying value may not be recoverable.

Investment in associates

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

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

Notes to the financial statements

1. Accounting policies (continued)

1.4 Other accounting policies (continued)

Property, plant and equipment

Property, plant and equipment is measured at cost, subject to depreciation and impairment.

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

Capital investment grants are credited against the carrying cost of the asset to which they relate. Transfers of property, plant and equipment to investment properties are reflected net of any unamortised capital investment grants.

Transfers of property from non-current assets to current assets, property and land held for sale, are made at the lower of market value on the date of transfer or the carrying value at the last balance sheet date.

Depreciation is provided on a straight-line basis spread over the expected useful economic lives of the various types of asset and having taken account of the estimated residual values. Estimated residual values are reviewed and updated annually. Estimated useful lives extend up to a maximum of 50 years for capital dredging costs, dock structures, roads, quays and buildings, up to 30 years for floating craft and range between 2 and 30 years for plant and equipment. Freehold land is not depreciated.

Taxation

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

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

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

Deferred tax liabilities are measured at the tax rates that are expected to apply in the periods in which the temporary differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

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

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Notes to the financial statements

1 Accounting policies (continued)

1.4 Other accounting policies (continued)

Financial instruments

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

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

Borrowings are initially recognised at fair value, net of transaction costs (being incremental costs that are directly attributable to the inception of borrowings) incurred and are subsequently held at amortised cost. Any difference between the amount initially recognised and the redemption amount is recognised in the income statement over the period of the loan, using the effective interest method

Derivative financial instruments utilised by the group comprise forward foreign exchange contracts. Such instruments are used for hedging purposes (albeit may not be designated as such for accounting purposes) to manage the risk profile of an existing underlying exposure of the group in line with the group's risk management policies. All derivative instruments are initially recorded in the balance sheet at fair value

Recognition of gains or losses on derivative instruments depends on whether the instrument is designated as a hedge for accounting purposes and the type of exposure it is designed to hedge. Gains and losses on derivative instruments not designated as hedges are taken to the income statement

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

Provisions

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

Share capital

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

Dividends

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

Notes to the financial statements

1. Accounting policies (continued)

1.5 Critical estimates and judgements

The critical estimates and judgements in applying these policies are as follows:

Estimates

- Valuation of investment property – note 10
- Valuation of defined benefit pension scheme liabilities – note 12
- Goodwill impairment – note 7

Judgements

- Classification of investment property – see accounting policy in note 1.3

2 Operating profit

Operating profit is stated after charging/(crediting).

	2013	2012
	£m	£m
<i>Depreciation</i>		
Property, plant and equipment – other	41.0	41.3
<i>Amortisation</i>		
Intangible assets – included in cost of sales	0.8	0.8
Intangible assets – included in administrative expenses	0.4	0.1
<i>Profit on sale of associated undertaking</i>	(0.1)	(32.1)
<i>Loss on disposal of non-current assets</i>	-	0.1
<i>Other operating lease rentals payable</i>		
Property, plant and equipment	3.9	4.2
<i>Repairs and maintenance expenditure on property, plant and equipment</i>	16.3	18.2
<i>Trade receivables impairment</i>	1.5	1.6

3. Audit fees

Remuneration received by Ernst & Young LLP (2012: Ernst & Young LLP) for the audit of the company, group and subsidiary accounts of the ultimate parent undertaking ABP (Jersey) Limited and for tax services for the ABP (Jersey) Limited group is detailed below and has been borne by a subsidiary undertaking

	2013	2012
	£'000	£'000
Group and company audits	475.8	470.0
Tax advisory services	30.0	135.0

In addition to the above services, Ernst & Young LLP (2012: Ernst & Young LLP) acted as auditor to the group's main defined benefits pension scheme - The Associated British Ports Group Pension Scheme. The appointment of auditors to the group's pension schemes and the fees paid in respect of those audits are agreed by the trustees of each scheme, who act independently from the management of the group. The aggregate fees paid to the group's auditor for audit services to the pension schemes during the year were £24,259 (2012: £24,013).

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Notes to the financial statements

4. Directors and employees

Staff costs are analysed as follows:

	2013	2012
	£m	£m
Staff costs		
Wages and salaries	76.2	74.8
Social security costs	8.0	8.3
Pension costs (note 12)	8.9	7.9*
	93.1	91.0
Exceptional pension items (note 12)	31.2	51.5
Total staff costs	124.3	142.5

** Restated as detailed in notes 1, 2 and 12*

The monthly average number of people employed during the year was 1,980 (2012: 1,953)

Key management compensation is analysed as follows:

	2013	2012
	£m	£m
Key management compensation		
Short-term employee benefits	3.7	3.9
Post-employment benefits	0.4	0.4
Other long-term benefits	1.1	2.4
Termination benefits	0.5	-
Total key management compensation	5.7	6.7

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

Two directors (2012: three) of the company are eligible to join the Associated British Ports Group Pension Scheme; at 31 December 2013, two directors (2012: none) are members of the defined contribution scheme and two directors (2012: three) received an allowance for contributions towards pension schemes unconnected with the group. During the year none (2012: none) of the directors of the company exercised options over shares of 25p each in Associated British Ports Holdings Limited. No director holds options to be exercised in future years (2012: none)

	2013	2012
	£m	£m
Highest paid director		
Short-term employee benefits	0.7	1.0
Post-employment benefits	0.1	0.1
Other long-term benefits	0.2	0.8

ASSOCIATED BRITISH PORTS HOLDINGS LIMITED AND SUBSIDIARIES ANNUAL REPORT AND ACCOUNTS 2013

Notes to the financial statements

5. Finance costs/(income)

	2013	2012
	£m	£m
Net interest charge on net defined benefit liability	2.6	-
Other finance cost	0.8	0.5
Less. capitalised on non-current assets under construction (note 9)	(3.4)	(1.0)
Finance costs	-	(0.5)
Interest on amounts due from parent undertaking	(34.8)	(27.2)
Net interest credit on net defined benefit liability	-	(1.4)*
Other finance income	(0.4)	(0.8)
Finance income	(35.2)	(29.4)*
Net finance income on financial assets and financial liabilities held at amortised cost	(35.2)	(29.9)*

* Reclassified (see note 1.2)

6 Taxation

	2013	2012
	£m	£m
Analysis of charge/(credit) for the year		
Current tax – current year	64.3	71.4
Deferred tax (note 20)	(30.0)	44.1*
Taxation	34.3	115.5*

* Restated (see note 1.2)

Current taxation for the year represents a charge (2012. charge) for group relief surrendered by (2012 surrendered by) other group undertakings, with the amount being added (2012 added) to amounts owed to group undertakings.

	2013	2012
	£m	£m
Tax on items (charged)/credited to equity		
Deferred tax on actuarial gain/loss relating to net retirement benefit asset	(4.6)	0.8*
Deferred tax charge arising on revaluation of investment property	2.0	2.3

* Restated (see note 1.2)

ASSOCIATED BRITISH PORTS HOLDINGS LIMITED AND SUBSIDIARIES ANNUAL REPORT AND ACCOUNTS 2013

Notes to the financial statements

6. Taxation (continued)

The taxation charge (2012: charge) for the year is lower (2012: lower) than the standard rate of taxation in the UK of 23.25% (2012: 24.5%) The differences are explained below

	2013 £m	2012 £m
Profit before taxation	312.9	715.9*
Profit before taxation multiplied by standard rate of corporation tax in the UK of 23.25% (2012: 24.5%)	72.7	175.4*
Effects of:		
Expenses not deductible for tax	1.8	-
Income not chargeable to tax (inc TCS sale)	-	(6.7)
Share of profit in associated undertakings	-	0.8
Reduction in taxes due to reduction in tax rate	(23.6)	(22.5)*
Impact of indexation allowance in respect of revaluation gains	(11.5)	(34.0)
Tax in respect of prior years	(5.1)	0.2
Other	-	2.3
Total tax charge for the group	34.3	115.5*

* Restated (see note 1.2)

7 Goodwill

	2013 £m	2012 £m
Cost and net book value		
At 1 January	14.5	14.5
At 31 December	14.5	14.5

The group's goodwill balance relates to its ports and transport activities and is tested for impairment annually with reference to the value in use basis and the carrying value (including goodwill) of the relevant business units of the UK-wide ports and transport business

Forecast cash flows, used to determine value in use, represent pre-tax projections covering a five-year period, based on financial budgets approved by senior management, excluding significant capital expenditure that would enhance the scale of the business. Cash flows beyond the five-year period are projected forward using an estimated growth rate. This growth rate does not exceed the long-term historical and projected growth rate for the ports and transport segment

The calculation of the value in use for goodwill is most sensitive to the discount rate and the growth rate used to extrapolate cash flows beyond the budget period.

Discount rates – The discount rate was estimated based on a market derived weighted average cost of capital as at 31 December 2013, calculated based on the market projected average cost of debt over the next five years and a market cost of equity derived using the capital asset pricing model assuming a long term equity risk premium and an appropriate equity beta. The pre-tax discount rate applied to future cash flows was 8.4% (2012: 8.1%) reflecting the specific risks relevant to the ports and transport segment.

Notes to the financial statements

7. Goodwill (continued)

Growth rate – Rates are estimated based on published industry research appropriate to the group's ports and transport segment. The growth rate used was 3.0% (2012: 3.0%)

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

8. Intangible assets

	2013 £m	2012 £m
Acquired intangible assets		
Cost		
At 1 January	9.0	8.4
Additions	1.2	0.6
At 31 December	10.2	9.0
Accumulated amortisation		
At 1 January	(3.1)	(2.2)
Charge for the year	(1.2)	(0.9)
At 31 December	(4.3)	(3.1)
Net book value		
At 1 January	5.9	6.2
At 31 December	5.9	5.9

Intangible assets cost at 31 December 2013 relates to purchased computer software (£4.3m) and a 2011 payment in relation to the Transport Infrastructure Fund in connection with the expansion of rail infrastructure at Southampton (£5.9m). These assets have finite lives and are amortised over periods of between 3 years and 9 years on a straight-line basis.

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Notes to the financial statements

9 Property, plant & equipment

	Operational land £m	Buildings £m	Dock structures, quays and dredging £m	Floating craft £m	Plant and equipment £m	Assets in the course of construction £m	Total £m
2013							
Cost							
At 1 January 2013	390.4	152.1	409.7	66.1	265.7	42.4	1,326.4
Additions	-	4.0	11.5	2.6	10.9	91.8	120.8
Transfers within property, plant and equipment	-	0.3	2.7	0.2	1.7	(4.9)	-
Transfers (to)/from investment property (note 10)	2.0	(4.9)	1.1	-	-	(27.0)	(28.8)
Disposals	-	(2.2)	(2.2)	(5.3)	(4.1)	-	(13.8)
At 31 December 2013	392.4	149.3	422.8	63.6	274.2	102.3	1,404.6
Accumulated depreciation							
At 1 January 2013	-	(66.0)	(176.7)	(40.7)	(173.9)	-	(457.3)
Charge for year	-	(6.6)	(15.3)	(3.8)	(15.3)	-	(41.0)
Transfers to/(from) investment property (note 10)	-	1.1	(0.2)	-	-	-	0.9
Disposals	-	2.2	2.2	5.3	3.9	-	13.6
At 31 December 2013	-	(69.3)	(190.0)	(39.2)	(185.3)	-	(483.8)
Net book value							
At 1 January 2013	390.4	86.1	233.0	25.4	91.8	42.4	869.1
At 31 December 2013	392.4	80.0	232.8	24.4	88.9	102.3	920.8

ASSOCIATED BRITISH PORTS HOLDINGS LIMITED AND SUBSIDIARIES ANNUAL REPORT AND ACCOUNTS 2013

Notes to the financial statements

9 Property, plant & equipment (continued)

	Operational land £m	Buildings £m	Dock structures, quays and dredging £m	Floating craft £m	Plant and equipment £m	Assets in the course of construction £m	Total £m
2012							
Cost							
At 1 January 2012	392.0	150.1	408.8	64.6	259.6	33.3	1,308.4
Additions	0.1	3.7	6.0	1.7	8.8	35.6	55.9
Transfers within property, plant and equipment	-	1.5	18.3	0.2	5.1	(25.1)	-
Transfers to investment property (note 10)	(1.7)	(2.7)	(22.5)	-	(1.2)	(1.0)	(29.1)
Disposals	-	(0.5)	(0.9)	(0.4)	(6.6)	(0.4)	(8.8)
At 31 December 2012	390.4	152.1	409.7	66.1	265.7	42.4	1,326.4
Accumulated depreciation							
At 1 January 2012	-	(60.3)	(170.8)	(37.3)	(165.9)	-	(434.3)
Charge for year	-	(7.0)	(15.4)	(3.7)	(15.2)	-	(41.3)
Transfers to investment property (note 10)	-	0.8	8.6	-	0.7	-	10.1
Disposals	-	0.5	0.9	0.3	6.5	-	8.2
At 31 December 2012	-	(66.0)	(176.7)	(40.7)	(173.9)	-	(457.3)
Net book value							
At 1 January 2012	392.0	89.8	238.0	27.3	93.7	33.3	874.1
At 31 December 2012	390.4	86.1	233.0	25.4	91.8	42.4	869.1

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

Plant and equipment held under finance leases includes marine vessels operated by the group's ports and transport business. The finance leased assets had a book cost and accumulated depreciation at 31 December 2013 totalling £3.2m (2012: £2.9m) and £0.3m (2012: £2.9m) respectively.

The amount of borrowing costs capitalised during the year ended 31 December 2013 was £3.4m (2012: £1.0m). The weighted average rate used to determine the amount of borrowing costs eligible for capitalisation was 8.4% (2012: 8.1%).

The net book values for property, plant and equipment are reported net of government grants received during the year of £5.5m (2012: £3.0m).

ASSOCIATED BRITISH PORTS HOLDINGS LIMITED AND SUBSIDIARIES ANNUAL REPORT AND ACCOUNTS 2013

Notes to the financial statements

10. Investment property

In determining the appropriate classes of investment property the group has considered the nature, characteristics and risks of its property.

	Port-related investment properties £m	Other investment properties £m	Land at ports held for development £m	Total £m
2013				
At valuation				
At 1 January 2013	1,348.6	44.8	26.9	1,420.3
Additions	34.6	-	-	34.6
Transfers within investment property	(3.8)	3.5	0.3	-
Transfers from property, plant and equipment (note 9)	26.4	0.2	1.3	27.9
	1,405.8	48.5	28.5	1,482.8
Surplus on revaluation	5.4	-	-	5.4
Income on re-measurement	44.8	6.3	6.1	57.2
At 31 December 2013	1,456.0	54.8	34.6	1,545.4
	Port-related investment properties £m	Other investment properties £m	Land at ports held for development £m	Total £m
2012				
At valuation				
At 1 January 2012	839.3	38.4	25.8	903.5
Additions	15.9	1.0	-	16.9
Transfers within investment property	(0.5)	0.4	0.1	-
Transfers (to)/from property and land held for sale (note 14)	(0.8)	0.2	0.4	(0.2)
Transfers from property, plant and equipment (note 9)	17.3	1.1	0.6	19.0
	871.2	41.1	26.9	939.2
Surplus/(deficit) on revaluation	5.9	0.6	(0.9)	5.6
Income on re-measurement	471.5	3.1	0.9	475.5
At 31 December 2012	1,348.6	44.8	26.9	1,420.3

Of the surplus on revaluation during the year, £57.2m (2012: £475.5m) was included within the income statement as an increase (2012: increase) in the fair value of investment property with the balance of £5.4m (2012: £5.6m) being credited (2012: credited) directly to the revaluation reserve, as it related to the initial revaluation of properties transferred from property, plant and equipment to investment property.

Basis of valuation

Investment properties fair value has been estimated on the basis of market value in accordance with the Appraisal and Valuation Standards issued by The Royal Institution of Chartered Surveyors ("RICS"), which is consistent with fair value as defined by IFRS13. The valuation of investment property as at 31 December 2013 has been reviewed by independent valuers, Savills (UK) Limited, Chartered Surveyors regulated by RICS.

Notes to the financial statements

10 Investment property (continued)

property as at 31 December 2013 has been reviewed by independent valuers, Savills (UK) Limited, Chartered Surveyors regulated by RICS

The valuations adopt conventional investment valuation methodology by assessing the income from the investment assets and then capitalising against an investment yield. Deductions have been made to reflect the costs that would be incurred by a purchaser of the asset, namely stamp duty, legal and surveyors fees. The main assumptions considered in arriving at the fair value of investment property are the current or estimated rental values, forecast variable income (typically set with regard to historic income) and prevailing market yields. The valuation of investment property has been categorised as a Level 3 fair value measurement under IFRS 13, being a recurring fair value measurement using significant unobservable inputs.

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

Income from these assets typically falls into two parts, a core rental for the asset together with income derived, for example, by reference to the volume of goods or equivalent brought across the dock, often subject to a minimum guaranteed volume.

The table below summarises the significant inputs used in the fair value measurement of the group's principal investment properties.

2013	Port-related investment properties	Other investment properties	Total
Observable			
Income per acre £'000	90	12.7	51.2
Income range per acre £'000	8 – 963	0 – 655	0 – 963
Unobservable			
Yield – average %	12.3	12.6	12.3
Yield – range %	6.0 – 33.3	7.0 – 28.5	6.0 – 33.3
Other assumptions			
Purchasers' costs %	1.8	1.8	1.8

The most sensitive input to the valuation of investment property is the yield, which for 2013 averages 12.3%. A decrease in the average yield of 0.5% would result in an increase in the aggregate valuation of £47.4m and an increase in the yield of 0.5% would result in a decrease in the aggregate valuation of £43.9m.

Rental income

Rental income generated from the group's investment property portfolio amounted to £81.5m (2012: £76.4m) and related operating expenses amounted to £nil (2012: £1.2m). Direct operating expenses relating to vacant property are considered to be immaterial.

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Notes to the financial statements

10. Investment property (continued)

The group leases various areas of land, buildings and other operational assets across its port facilities to its customers. The lease terms vary depending on the nature of the property and are unique to each property. Where renewal rights exist these rights are either contractual or statutory in nature.

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

	2013 £m	2012 £m
Not later than one year	52.2	49.8
More than one year but not more than five years	166.8	143.3
More than five years	469.2	495.7
Total	688.2	688.8

11. Investments

	Interest in associates	
	2013 £m	2012 £m
At 1 January	36.7	52.7
Share of profit for the year	1.6	0.2
Actuarial gain/(loss) relating to group's share of net retirement benefit liabilities of associated undertakings	1.0	(1.8)
Disposal of associated undertaking	(0.3)	(14.4)
At 31 December	39.0	36.7

A list of the group's associated undertakings and principal subsidiaries is set out in note 28.

In May 2013, the group sold its 49% share in Associated Global Logistics Limited for £0.4m, with the cash received in the year.

In January 2012 the company sold its 32.67% share of Tilbury Container Services Limited with proceeds of £36.7m received in January 2012 and the balance of £9.8m received in January 2013.

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

	2013 £m	2012 £m
Share of revenue in associated undertakings	49.5	50.9
Share of expenses in associated undertakings	(47.8)	(51.1)
Share of operating profit in associated undertakings	1.7	(0.2)
Share of net finance costs in associated undertakings	(0.5)	(0.4)
Share of taxation in associated undertakings	0.4	0.8
Share of profit in associated undertakings	1.6	0.2
Non-current assets	92.4	92.0
Current assets	34.8	31.2
Current liabilities	(21.5)	(19.0)
Non-current liabilities	(25.1)	(29.2)
Net assets	80.6	75.0
Share of net assets in associated undertakings	39.0	36.7

Notes to the financial statements

12. Pension commitments

The group participates in a number of pension schemes. The main scheme is a funded defined benefits scheme - The Associated British Ports Group Pension Scheme ("ABPGPS"). The group also makes contributions to three industry-wide defined benefit schemes - The Pilots National Pension Fund ("PNPF"), The Former Registered Dock Workers Pension Fund ("FRDWPF") and Merchant Navy Officers Pension Fund ("MNOFF"). The group also provides defined contribution arrangements (as a section of the ABPGPS) and has unfunded retirement benefit arrangements in respect of former employees. Except for unfunded retirement benefit arrangements, the assets of the group's pension schemes are held in trust funds independent of the group.

Summary

Income statement

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

	2013 £m	2012 £m
ABPGPS and unfunded retirement benefit arrangements	5.5	5.4
Industry wide schemes	0.1	0.1
Defined contribution arrangements	3.3	2.4
Gross pension costs recognised within operating profit before exceptional items (note 4)	8.9	7.9
Exceptional items (note 4)		
PNPF	27.4	51.5
FRDWPF	2.0	-
MNOFF	1.8	-
Net pension charge recognised within operating profit	40.1	59.4*
Net interest charge/(credit) on net defined benefit liability	2.6	(1.4)*
Net pension charge recognised in profit before tax	42.7	58.0*

* Restated and reclassified as detailed in note 1.2

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Notes to the financial statements

12 Pension commitments (continued)

Balance sheet

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

	2013	2012
	£m	£m
ABPGPS – net funded pension asset	35.9	15.3
ABPGPS – net unfunded pension liability	(2.6)	(2.6)
	33.3	12.7
PNPF	(78.9)	(51.5)
FRDWPF	(2.4)	-
MNOPF	(1.8)	-
Net retirement benefit liability	(49.8)	(38.8)
Retirement benefit assets total	35.9	15.3
Retirement benefit obligations total	(85.7)	(54.1)
Net retirement benefit liability	(49.8)	(38.8)

ABPGPS and unfunded retirement benefit arrangements

The defined benefits section of the ABPGPS is closed to new members. New members joining this scheme are offered membership of a defined contributions section, which at 31 December 2013 constituted less than 5.25% (2012: less than 4%) of the total asset value.

The most recent formal valuation of the ABPGPS was carried out as at 31 December 2012. The valuation of the liabilities as at 31 December 2013 detailed below has been derived by projecting forward the position as at 31 December 2012. This exercise was performed by an independent actuary, Towers Watson. The present value of the defined benefit obligations and the related current service cost were measured using the Projected Unit Credit method. In accordance with IAS 19, the present value of pension liabilities has been determined by discounting pension commitments (including an allowance for salary growth) using an AA corporate bond yield.

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

Assumptions

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

	2013	2012
Inflation (CPI/RPI)	2.30% / 3.30%	1.90% / 2.90%
Rate of increase in pensionable salaries	1.85%	1.85%
Rate of increase for pensions in payment (earned before 1 April 2007) (CPI/RPI)	2.30% / 3.05%	2.00% / 2.75%
Rate of increase for pensions in payment (earned on or after 1 April 2007)	2.25%	2.10%
Rate of increase for deferred pensions (CPI/RPI)	2.30% / 3.30%	2.00% / 2.75%
Discount rate	4.35%	4.30%

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12. Pension commitments (continued)

ABPGPS and unfunded retirement benefit arrangements (continued)

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

The mortality assumptions are based on standard mortality tables which allow for future mortality improvements. The assumptions are that a member who retires in 2028 at age 60 will live on average for a further 28.3 (2012: 27.0) years after retirement if they are male and a further 30.8 (2012: 30.7) years after retirement if they are female.

The sensitivity analysis below has been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period assuming all other assumptions are held constant

Sensitivity	Increase in liabilities	
	2013	2012
	£m	£m
Decrease in discount factor by 0.5%	45.1	38.9
Increase in rate of mortality of a 60 year old by 1 year	21.5	14.0

Income statement

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

	2013	2012
	£m	£m
Current service cost	5.5	5.4
Net interest credit on net defined benefit asset	(0.9)	(1.6)*
Net interest charge on unfunded retirement benefit liabilities	0.2	0.2
Net pension charge/(credit) recognised within profit before tax	4.8	4.0

**Restated and reclassified as detailed in note 1.2*

The current service cost represented 31.4% (2012: 28.6%) of the applicable pensionable payroll and is recognised within administrative expenses. The group is paying deficit contributions at the rate of £6.1m per annum to 31 October 2013 and thereafter at £4.5m per annum until 31 July 2017

Returns on assets and interest on liabilities are determined by reference to the actuarial assumptions adopted at the beginning of each financial period. The actual return on assets for 2013 was a gain of £27.4m (2012: gain of £36.4m).

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Notes to the financial statements

12. Pension commitments (continued)

ABPGPS and unfunded retirement benefit arrangements (continued)

Balance sheet

Changes in fair value of scheme assets were as follows.

	2013 £m	2012 £m
Fair value of scheme assets at 1 January	533.0	509.7
Interest income	22.7	24.2*
Actuarial gain	4.7	12.2*
Contributions by employees	0.3	0.3
Contributions by employer	11.4	11.8
Benefits paid	(27.1)	(25.2)
Fair value of scheme assets at 31 December	545.0	533.0

* Restated as detailed in note 12

The scheme's assets were represented by investments in:

	2013 %	2012 %
Equities	-	30.6
Liability driven investments	48.4	38.1
Property	10.0	10.2
Diversified growth funds	40.9	19.7
Other	0.7	1.4

Changes in fair value of scheme liabilities were as follows:

	2013 £m	2012 £m
Fair value of scheme liabilities at 1 January	(520.3)	(484.9)
Current service cost	(5.5)	(5.4)
Interest cost	(22.0)	(22.8)
Actuarial gain/(loss)	9.1	(32.1)
Contributions by employees	(0.3)	(0.3)
Benefits paid directly by employer	0.2	-
Benefits paid	27.1	25.2
Fair value of scheme liabilities at 31 December	(511.7)	(520.3)

As at 31 December 2013, the cumulative actuarial loss recognised in the group's statement of comprehensive income amounted to £64.0m (2012 restated loss of £77.8m)

Notes to the financial statements

12. Pension commitments (continued)

ABPGPS and unfunded retirement benefit arrangements (continued)

Historical record

Amounts for the current and previous years are as follows:	2013 £m	2012 £m	2011 £m	2010 £m	2009 £m
Fair value of scheme assets	545.0	533.0	509.7	489.2	447.6
Present value of funded scheme obligations	(509.1)	(517.7)	(482.6)	(469.2)	(443.9)
Present value of unfunded obligations	(2.6)	(2.6)	(2.3)	(3.1)	(2.9)
Net assets recognised in the balance sheet	33.3	12.7	24.8	16.9	0.8
Actuarial loss due to changes in assumptions	(16.5)	(23.9)	(26.4)	(5.2)	(75.5)
Experience gain/(loss) on scheme liabilities	25.6	(8.2)	(1.9)	(15.4)	(3.1)
Experience gain on scheme assets	4.7	12.2*	1.4	27.9	25.5
Actuarial gain/(loss) relating to net retirement benefit assets recognised in the statement of comprehensive income	13.8	(19.9)*	(26.9)	7.3	(53.1)

* Restated as detailed in note 1.2

The Pilots National Pension Fund ("PNPF")

The PNPF is an industry-wide defined benefits scheme, with all categories of members being either employed or self employed. The most recent triennial actuarial valuation was carried out by an independent actuary as at 31 December 2010.

Under the terms of the PNPF scheme rules and the trustee powers established by a court ruling in July 2010 but under dispute until April 2012, the group is exposed to actuarial risks associated with the current and former employees of other participating entities. As such, the group's share of the liabilities of the scheme is sensitive to changes in the overall membership composition of the scheme and the experience in rates of retirement, mortality, cash commutations, augmentations and increase in salaries.

Other risks associated with the group's share of the net liabilities of the scheme include potential challenges from participating bodies to the allocation of liabilities in relation to self employed members to sponsoring employers and the impact of participating bodies leaving the scheme (eg, under Section 75 of the Pensions Act).

In prior years there was insufficient consistent and reliable information to account for the scheme on a defined benefit basis under IAS 19 but during 2013 certain key uncertainties were resolved so, whilst the above actuarial risks still exist, the group's advisers and directors now believe the actuarial valuation can be updated with sufficient consistency and reliability for accounting purposes. As such the group has accounted for the scheme on a defined benefit basis under IAS 19 from 1 January 2013.

The trustee assessed and indicated the group's share of the deficit as at 31 December 2010 to be 34.6% and during 2013 the deficit and schedule of deficit contributions was confirmed. The 2007 and 2010 draft valuations were formally approved in 2013.

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Notes to the financial statements

12. Pension commitments (continued)

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

The re-classification of the fund liabilities is included within the calculation of actuarial gains and losses as if the loss arose at the beginning of the year. The increase in the liability has been recognised as an exceptional item in the income statement. A reserve for expenses equal to 2% of the respective liabilities has also been incorporated into both the defined benefit obligation and current service cost.

The results of the latest valuation have been adjusted to the balance sheet date, taking account of experience over the period since 31 December 2010, changes in market conditions and differences in the financial and demographic assumptions. The present value of the defined benefit obligation was measured using the Projected Unit Credit method.

Under the scheme deficit recovery plan, the group will be required to make payments towards the funding of the deficit with payments of £3.9m in 2014 and £4.9m in 2015 rising by 3.4% from 2016 onwards until 2028.

Assumptions

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

	2013
Inflation (CPI/RPI)	2.30% / 3.30%
Rate of increase in pensionable salaries	3.80%
Rate of increase for pensions in payment (maximum 5%, minimum 0%)	3.20%
Rate of increase for pensions in payment (maximum 5%; minimum 3%)	3.70%
Rate of increase for deferred pensions	2.30%
Discount rate	4.35%

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

The mortality assumptions are based on recent actual mortality experience of fund members, allowing for future improvements in mortality rates. The assumptions are that a member who retires in 2033 at age 65 will live on average for a further 24.3 years after retirement if they are male and a further 26.9 years after retirement if they are female.

The sensitivity analysis below has been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period assuming all other assumptions are held constant:

	Increase in liabilities
Sensitivity	2013 £m
Decrease in discount factor by 0.25%	5.1
Increase in rate of mortality of a 65 year old by 1 year	7.7

Notes to the financial statements

12. Pension commitments (continued)

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

Income statement

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

	2013 £m
Current service cost	0.1
Net interest on net defined benefit liability	3.3
Exceptional item	27.4
Net pension charge recognised within profit before tax	30.8

The current service cost represented 21.3% of the applicable pensionable payroll and has been recognised within administrative expenses

Returns on assets and interest on liabilities are determined by reference to the actuarial assumptions adopted at the beginning of each financial period. The actual return on assets for 2013 was a gain of £6.6m.

Balance sheet

Changes in fair value of scheme assets were as follows

	2013 £m
Increase in assets from reclassification	96.9
Interest income	4.0
Actuarial gain	2.6
Contributions by employees	0.1
Contributions by employer	2.7
Benefits paid	(10.9)
Fair value of scheme assets at 31 December	95.4

The scheme's assets were represented by investments in:

	2013 %
Global equities	17.8
Corporate bonds	38.7
Fund of hedge funds	16.9
Diversified growth funds	17.2
Gilts	8.9
Cash	0.5

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Notes to the financial statements

12 Pension commitments (continued)

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

Changes in fair value of scheme liabilities were as follows.

	2013 £m
Increase in liabilities from reclassification	(175.8)
Current service cost	(0.1)
Interest cost	(7.3)
Actuarial loss	(1.9)
Contributions by employees	(0.1)
Benefits paid	10.9
Fair value of scheme liabilities at 31 December	(174.3)

As at 31 December 2013, the cumulative actuarial gain recognised in the group's statement of comprehensive income amounted to £0.7m. The gain arose as a result of an experience loss on scheme liabilities of £3.1m, a re-measurement gain on scheme assets of £2.6m and an actuarial gain of £1.2m in respect of changes in assumptions.

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

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

With effect from 31 August 2013 all remaining active members of the fund opted out of pensionable service and the fund was closed to future accruals. The remaining active members were granted additional service credits of £0.5m. These will be paid in by the group in four equal annual installments starting in 2013. As at 31 December 2013 the group had a remaining liability of £0.4m.

Discussions with the Trustee to formalise a funding target in relation to the scheme are nearing completion. This will require the group to contribute £2m over a period of 6.5 years into the fund, which has been provided for during 2013 although, in certain circumstances and at any time, the Trustees can call for the remaining balance to be paid at short notice.

During 2013, the group also made contributions of £12,524 (2012: £22,000) to this scheme in relation to its current active members and has recorded these as defined contribution costs within the income statement.

Merchant Navy Officers Pension Fund ("MNOFP")

In 2013 the group has provided £1.8m for an impending s75 debt, which would be payable upon the retirement of the group's last remaining member of the scheme. In 2013 the group expensed as defined contribution pension costs a total of £10,091 (2012: £4,000) of contributions to this scheme.

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

Notes to the financial statements

12. Pension commitments (continued)

Defined contribution arrangements

The defined contribution pension cost represents the actual contributions payable by the group to the arrangements provided by ABPGPS. At 31 December 2013, there were no amounts outstanding as being due to these arrangements from the group (2012: £nil).

13. Trade and other receivables

	2013 £m	2012 £m
Non-current		
Trade receivables	1.2	1.3
Total non-current trade and other receivables	1.2	1.3
Current		
Gross trade receivables	56.9	58.2
Provision for doubtful receivables	(3.5)	(5.1)
Net trade receivables	53.4	53.1
Amounts due from associated undertakings	7.8	8.4
Amounts due from parent undertaking	481.5	348.6
Other receivables	9.6	11.3
Prepayments and accrued income	17.0	22.9
Total current trade and other receivables	569.3	444.3

Details of amounts due from related parties are disclosed in note 25.

Disclosure of the financial risks related to these financial instruments is disclosed in note 17.

With the exception of the amounts due from parent undertaking, all trade and other receivables are non-interest bearing.

Other receivables mainly comprise costs incurred that are recoverable from third parties.

As at 31 December 2013, the group held trade receivables that were past due but not impaired as set out in the table below. These relate to a number of independent customers for whom there is no recent history of default and terms and amounts have not been renegotiated in the last year. The ageing of these trade receivables is as follows:

	2013 £m	2012 Restated* £m
Up to 3 months	9.3	9.3
3 to 6 months	0.4	0.6
Over 6 months	(0.2)	(0.6)
Total past due but not impaired receivables	9.5	9.3

* Restated to reflect a national rather than regional analysis

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Notes to the financial statements

13. Trade and other receivables (continued)

As at 31 December 2013, the group held trade receivables that were fully or partially impaired as set out in the table below. The ageing of these trade receivables is as follows. The other classes of assets within trade and other receivables do not contain impaired assets.

	2013	2012
	£m	Restated* £m
Up to 3 months	4.9	6.8
3 to 6 months	0.8	1.0
Over 6 months	2.6	3.4
Total fully/partially impaired receivables	8.3	11.2

* Restated to reflect a national rather than regional analysis

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

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

	2013	2012
	£m	£m
At 1 January	5.1	4.7
Provision for the impairment of trade receivables	1.5	1.6
Receivables written off as uncollectable	(2.7)	(1.0)
Impairment provisions released	(0.4)	(0.2)
At 31 December	3.5	5.1

There are no significant receivables of the group that are denominated in foreign currencies. The group does not hold any collateral as security.

Further details on credit risk are disclosed in note 17.

14. Property and land held for sale

	2013	2012
	£m	£m
At 1 January	3.0	2.8
Disposals	(0.8)	-
Transfers from investment property (note 10)	-	0.2
At 31 December	2.2	3.0

The historical cost of property and land held for sale totalled £1.3m (2012: £2.4m).

Notes to the financial statements

15 Borrowings

	2013 £m	2012 £m
Current		
Obligations under finance leases	0.2	-
Current borrowings	0.2	-
Non-current		
Obligations under finance leases	3.0	-
Non-current borrowings	3.0	-

The group's borrowings are all denominated in sterling.

Obligations under finance leases are secured on related leased assets.

Disclosure of the financial risks related to these financial instruments is disclosed in note 17.

Details of the group's contingent liabilities in relation to the ultimate parent company's group borrowings are set out in note 27.

16 Derivative financial instruments

The terms and fair value of derivative financial instruments held by the group at the balance sheet date were:

	Expiry	Notional Amount £m	Assets £m	Liabilities £m
2013				
Designated as hedges				
Forward foreign exchange contracts	2014	1.1	-	-
Fair value of derivative financial instruments		1.1	-	-
	Expiry	Notional Amount £m	Assets £m	Liabilities £m
2012				
Designated as hedges				
Forward foreign exchange contracts	2013	0.7	-	-
Fair value of derivative financial instruments		0.7	-	-

These contracts were transacted in order to hedge the group's currency exposure in relation to contracted future payments for the purchase of property, plant and equipment denominated in foreign currency to be made between January and April 2014. The change in the fair value of the forward foreign exchange contracts arose entirely as a result of foreign exchange rate movements and was insignificant

Disclosure of the financial risks related to these financial instruments is disclosed in note 17

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Notes to the financial statements

17. Financial instruments

The group's policies regarding financial instruments are set out in accounting policies note 1. Risk and numerical disclosures are set out below.

Fair value of financial instruments

The fair value of financial assets and liabilities are an estimate of the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale

The carrying amounts of financial assets and financial liabilities in the financial statements approximate to their fair value. The following methods and assumptions were used to estimate the fair values.

- The fair value of cash and cash equivalents, trade and other receivables and trade and other payables approximates to their carrying amounts due to the short-term maturities of these instruments;
- The fair value of amounts due from parent undertaking approximates to their carrying amounts as interest charged is linked to a weighted average cost of debt, which is mostly linked to LIBOR; and
- The fair value of foreign exchange contracts is based on market price, corresponding to Level 1 in the hierarchy set out in IFRS 7 27.

Financial risk management

Treasury matters throughout the group are controlled centrally and carried out in compliance with policies approved by the group's board. The group's main financial risks are liquidity, market, credit risk and capital risk. The group aims to manage these risks to an acceptable level.

The group does not use financial instruments for speculative purposes. The treasury function operates on a centralised non-speculative risk basis. Its purpose is to identify, mitigate and hedge treasury-related financial risks inherent in the group's business operations and funding.

Liquidity risk

Liquidity risk is managed by the wider group, owned by the company's ultimate parent, ABP (Jersey) Limited, by maintaining borrowing facilities at a level that is forecast to provide reasonable surplus beyond the future needs of the group. Management monitors rolling forecasts of the group's liquidity reserve (comprised of undrawn borrowing facilities and cash and cash equivalents) on the basis of expected cash flow.

The table below analyses the group's financial liabilities, excluding finance leases, based on undiscounted contracted payments.

	2013 £m	2012 £m
Trade and other payables and non-current liabilities		
Not later than one year	67.5	71.8
More than one year but not more than two years	2.5	1.9
More than two years but not more than five years	1.5	0.8
Total payments	71.5	74.5

Notes to the financial statements

17. Financial instruments (continued)

Financial risk management (continued)

The group did not have direct access to any undrawn borrowing facilities at 31 December 2013 (2012: £nil). The group can access committed undrawn borrowings through its immediate parent undertaking, ABP Acquisitions UK Limited, as set out in the table below

	2013 £m	2012 £m
Expiring in:		
More than two years but not more than five years	150.0	325.0
Undrawn borrowing facilities	150.0	325.0

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

	2013 Total outflows £m	2013 Total inflows £m	2012 Total outflows £m	2012 Total Inflows £m
Forward foreign exchange contract				
Not later than one year	(1.1)	-	(0.7)	-
Total	(1.1)	-	(0.7)	-

It has been determined that one lease and related sub-lease should be accounted for as finance leases and as such they have been reclassified from operating leases to finance leases. The 2012 comparative has been adjusted so it is on a comparable basis to the current year in the finance lease tables below

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

	2013 £m	2012 Restated £m
Future minimum lease payments paid on finance leases		
Not later than one year	0.6	-
More than one year but not more than five years	2.7	0.1
More than five years	18.1	15.5
	21.4	15.6
Less: finance charges allocated to future periods	(18.2)	(15.5)
Present value of minimum lease payments	3.2	0.1

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17. Financial instruments (continued)

Financial risk management (continued)

	2013	2012
		Restated
	£m	£m
Amounts payable under finance leases		
Not later than one year	0.2	-
More than one year but not more than five years	1.0	-
More than five years	2.0	0.1
Total obligations under finance leases	3.2	0.1

The maturity profile of the group's minimum rental receipts under finance leases was as follows:

	2013	2012
		Restated
	£m	£m
Future minimum rental receipts from finance leases		
Not later than one year	-	-
More than one year but not more than five years	0.2	0.2
More than five years	35.5	34.9
	35.7	35.1
Less: finance charges allocated to future periods	(35.5)	(34.9)
Present value of minimum lease payments receivable	0.2	0.2

Amounts receivable under finance leases

Not later than one year	-	-
More than one year but not more than five years	-	-
More than five years	0.2	0.2
Total finance lease receivables	0.2	0.2

Market risk

Interest rate risk

The group does not have any floating rate debt and therefore is not exposed to interest rate risk.

Foreign exchange risk

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

Credit risk

Customer credit risk is managed locally in line with a group policy which is designed to ensure that the group's exposure to concentration of credit is appropriately managed through implementation of credit checks and limits. Based on the quality and diversity of its customer base and institutions with which cash is deposited, management considers the group's exposure to concentration of credit risk to not be material. The maximum exposure to credit risk at 31 December 2013 is the carrying amount of each class of receivable. The group uses external credit rating agencies to assess and monitor its trade receivables.

Notes to the financial statements

17. Financial instruments (continued)

Financial risk management (continued)

Given the counterparties of group receivables management considers the group's exposure to credit risk to be minimal.

The maximum exposure to credit risk at the reporting date for derivative instruments is their fair value.

Capital risk

The group finances itself with a mixture of retained earnings £1,141.9m (2012 £907.0m) and finance leases £3.2m (2012 £nil). The group's immediate parent undertaking, ABP Acquisitions UK Limited, also has committed but unutilised facilities totalling £285.0m (2012: £460.0m). The group keeps its funding structure under review with a view to maximising shareholder value and to ensure that it has the resources and the capacity to meet its operational requirements and to facilitate the execution of its strategy

18 Trade and other payables

	2013 £m	2012 £m
Trade payables	20.0	14.3
Other creditors	4.5	4.4
Taxation	3.4	3.2
Accruals	39.5	49.8
Property completions payable	0.1	0.1
Trade and other payables	67.5	71.8

Disclosure of the financial risks related to these financial instruments is disclosed in note 17

19 Provisions

	Restructuring £m	Property provision £m	Self insurance £m	Other £m	Total £m
At 1 January 2013	0.4	6.9	13.6	1.3	22.2
Charged/(credited) to income statement during the year	3.8	(1.8)	(2.4)	-	(0.4)
Utilised in the year	(1.7)	(0.4)	(1.1)	(0.1)	(3.3)
Amortisation of discounting	-	-	0.3	-	0.3
At 31 December 2013	2.5	4.7	10.4	1.2	18.8
Expected utilisation with one year	2.5	0.7	7.7	0.1	11.0

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

	2013 £m	2012 £m
Current	11.0	14.0
Non-current	7.8	8.2
Total provisions	18.8	22.2

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Notes to the financial statements

19. Provisions (continued)

Restructuring

A restructuring provision was originally made in 2007 and mostly utilised by 2008/2009, with the final property matter utilising the remaining balance in 2013. During 2013 a restructuring programme was initiated and a new provision made

Property

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

Self insurance

The group self-insures various matters relating primarily to property, employer's liabilities and general third party liabilities associated with its business. In determining parts of the provision, cash flows, where appropriate, have been discounted on a pre-tax basis using a discount rate of 8.4% (2012: 7.6%). The group reassesses these liabilities on an annual basis. The potential liabilities have been projected forward until 2029. Other parts of the provision are reviewed and updated in conjunction with an external insurance adviser.

Other

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

20. Deferred tax

The change in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and then from 21% to 20% (effective 1 April 2015) was substantively enacted on 2 July 2013. Accordingly, the deferred tax balances have been remeasured from 23% to 20%. Deferred tax is calculated in full on temporary differences under the liability method.

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

	2012 £m	Adjustments in respect of previous periods (credited)/charged to income statement £m	(Credited) /charged to income statement £m	(Credited)/ charged to equity £m	Total 2013 £m
Accelerated tax depreciation	90.8	(2.7)	(9.8)	-	78.3
Revaluation of operational land and investment properties	127.7	(0.3)	(10.8)	(2.7)	113.9
Capital losses	(11.6)	-	-	0.7	(10.9)
Retirement benefit obligations	(8.3)	(2.2)	(4.3)	4.6	(10.2)
Other	(0.4)	0.1	-	-	(0.3)
Net deferred tax liability	198.2	(5.1)	(24.9)	2.6	170.8

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20. Deferred tax (continued)

	2011 £m	Adjustments in respect of previous periods (credited)/charged to income statement £m	(Credited) /charged to income statement £m	(Credited)/ charged to equity £m	Total 2012 £m
Accelerated tax depreciation	106.0	1.7	(16.7)	(0.2)	90.8
Revaluation of operational land and investment properties	59.0	(1.5)	73.9	(3.7)	127.7
Capital losses	(13.0)	-	-	1.4	(11.6)
Retirement benefit obligations	6.1	0.1	(13.7)*	(0.8)*	(8.3)
Other	(0.9)	(0.1)	0.4	0.2	(0.4)
Net deferred tax liability	157.2	0.2	43.9*	(3.1)*	198.2

* Restated (see notes 12 and 12)

The group does not expect the deferred tax liability to crystallise within the foreseeable future and has classified the balance as being non-current

The group has unrecognised capital losses of £314.1m (2012: £314.7m) that are only available for offset against future sales of land and buildings from the port estates

The group had no unrecognised deferred income tax assets (2012: £nil) that can be carried forward against future taxable income

21 Other non-current liabilities

	2013 £m	2012 £m
Other liabilities	4.0	2.7

22 Share capital

Issued and fully paid

Ordinary shares of 25p each	Shares	2013 £m	Shares	2012 £m
At 1 January	309,978,896	77.5	309,950,039	77.5
Allotted under share option schemes	31,557	-	28,857	-
At 31 December	310,010,453	77.5	309,978,896	77.5

The company did not repurchase any of its own shares during 2013 or 2012

Potential issue of shares

(i) Outstanding share options

During the year, options exercised resulted in the issue of 31,557 (2012: 28,857) ordinary shares of 25p each. The company received a total of £0.1m (2012: £0.1m) in respect of these shares. A summary of options granted to employees and outstanding at 31 December 2013 under share option schemes is given below.

ASSOCIATED BRITISH PORTS HOLDINGS LIMITED AND SUBSIDIARIES ANNUAL REPORT AND ACCOUNTS 2013

Notes to the financial statements

22. Share capital (continued)

Potential issue of shares (continued)

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

All grants of options made under the Savings-Related Share Option Scheme ("SRSOS") were, as permitted by the rules of the scheme, made at a price equal to 80% of the average middle-market quotations as derived from the Daily Official List of the London Stock Exchange for the dealing days specified in rule 6(11) of the scheme

(ii) Changes in share options

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

	2013		2012	
	Number of shares	Weighted average exercise price (pence)	Number of shares	Weighted average exercise price (pence)
Outstanding at 1 January	31,728	398.0	60,585	377.1
Lapsed	(171)	-	-	-
Exercised	(31,557)	398.0	(28,857)	354.0
Outstanding at 31 December	-	-	31,728	398.0
Exercisable at 31 December	-	-	-	-

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

2013					2012		
Weighted average exercise price (pence)	Number of shares	Weighted average remaining life expected (years)	Weighted average remaining life contracted (years)	Range of exercise prices (pence)	Weighted average exercise price (pence)	Number of shares	Weighted average remaining life expected (years)
-	-	-	-	398.0	398.0	31,728	0.2

The weighted average share price during the year for options exercised over the year was 398.0p (2012 354.0p).

23. Reserves

Revaluation reserve

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

Notes to the financial statements

23 Reserves (continued)

Hedging reserve

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

Capital redemption reserve

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

Share option reserve

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

24. Cash generated by operations

Reconciliation of profit before taxation to cash generated by operations:	2013 £m	2012 £m
Profit before taxation	312.9	715.9*
Finance costs	-	(0.5)
Finance income	(35.2)	(29.4)*
Share of profit in associated undertakings	(1.6)	(0.2)
Depreciation of property, plant and equipment	41.0	41.3
Amortisation of intangible assets	1.2	0.9
Profit on sale of associated undertaking	(0.1)	(32.1)
Loss on sale of property, plant and equipment	-	0.1
Decrease in provisions	(3.7)	(5.0)
Revaluation of investment properties	(57.2)	(475.5)
Difference between pension contributions paid and defined benefit pension credit/charge through profit and loss	22.8	44.9*
Operating cash flows before movements in working capital	280.1	260.4
Decrease in property and land held for sale	0.8	-
(Increase)/decrease in trade and other receivables	(164.3)	24.7
Decrease in trade and other payables	(5.3)	(250.6)
Cash generated by operations	111.3	34.5

*Certain amounts shown for 2012 do not correspond to the 2012 accounts and reflect adjustments made as detailed in notes 12 and 12

25 Related party transactions

At 31 December 2013, the group had an interest in an associated undertaking Southampton Container Terminals Limited (trading as DPWS). Until its disposal in May 2013, the group also had an associate interest in Associated Global Logistics Limited. The nature of these investments is described more fully in note 28

ASSOCIATED BRITISH PORTS HOLDINGS LIMITED AND SUBSIDIARIES ANNUAL REPORT AND ACCOUNTS 2013

Notes to the financial statements

25. Related party transactions (continued)

	Amounts charged during the year*		Amounts outstanding	
	2013 £m	2012 £m	2013 £m	2012 £m
Transactions with associates				
Southampton Container Terminals (DPWS)	31.2	32.2	7.8	7.0
Associated Global Logistics	-	-	-	0.3
Transactions with associates	31.2	32.2	7.8	7.3

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

The group's UK retirement benefit schemes are managed by The Associated British Ports Group Pension Scheme (see note 12). During the year, the group charged The Associated British Ports Group Pension Scheme £0.1m (2012: £0.1m) in respect of administrative services. At 31 December, £nil (2012: £nil) remained owing to the group by The Associated British Ports Group Pension Scheme in respect of these charges.

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

	2013 £	2012 £
Goldman Sachs International and Goldman Sachs & Co. (on behalf of Admiral Institutional S à r l and Admiral Global and International S à r.l)	70,000	70,000
Borealis International Investments Corporation and Borealis (Luxembourg) S C A.	105,000	105,000
Cheyne Walk Investment Pte Limited	85,853	130,000
M&G Investment Management Limited (on behalf of Infracapital Partners LP)	35,000	35,000

Further details of the shareholders' share ownership are set out in note 29.

The group has also entered into related party transactions and/or holds balances with the following related parties:

Name	Relationship
ABP Acquisitions UK Limited	Immediate parent

The following table shows the current account transactions that have been entered into by the group with related parties, together with period end balances, for the relevant financial year.

ASSOCIATED BRITISH PORTS HOLDINGS LIMITED AND SUBSIDIARIES ANNUAL REPORT AND ACCOUNTS 2013

Notes to the financial statements

25. Related party transactions (continued)

ABP Acquisitions UK Limited	2013 £m	2012 £m
Intercompany receivable at start of the year	348.6	155.4
Non-cash increase in intercompany receivable	98.1	166.0
Interest charged - 7.6% per annum (2012: 8.2%)	34.8	27.2
Intercompany receivable at end of the year	481.5	348.6

26. Financial commitments

Capital expenditure

	2013 £m	2012 £m
Group capital expenditure contracted but not provided for	134.5	56.3

The group's share of the capital commitments of its associated undertakings amounted to £0.2m (2012: £0.2m)

Operating leases

It has been determined that one lease and related sub-lease should be accounted for as finance leases and as such they have been reclassified from operating leases to finance leases. The 2012 comparative has been adjusted so it is on a comparable basis to the current year in the table below.

	2013 £m	2012 Restated £m
Total future minimum lease instalments expected to be paid under non-cancellable operating leases are as follows:		
Not more than one year	2.6	2.1
More than one year but not more than five years	4.5	5.4
More than five years	14.4	12.0
Total to be paid	21.5	19.5

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

	2013 £m	2012 Restated £m
Total future minimum lease instalments expected to be received under non-cancellable subleases are as follows:		
Not more than one year	0.6	0.7
More than one year but not more than five years	1.2	2.4
More than five years	0.9	1.8
Total to be received	2.7	4.9

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

ASSOCIATED BRITISH PORTS HOLDINGS LIMITED AND SUBSIDIARIES ANNUAL REPORT AND ACCOUNTS 2013

Notes to the financial statements

27. Contingent liabilities

	2013	2012
	£m	£m
Contingent liabilities under claims, indemnities and guarantees		
Guarantees in respect of group borrowings	1,912.5	1,850.0
Guarantees in respect of undrawn group borrowings	285.0	460.0
Other guarantees and contingencies	0.4	0.2
Total cross guarantees by group	2,197.5	2,310.0
Group's guaranteed borrowings as set out in note 15	-	-
Total borrowings and undrawn facilities of group of which company is a member	2,197.5	2,310.0

As part of the security package for borrowing facilities of the wider group owned by the company's ultimate parent company, certain wider group companies have granted a guarantee and fixed and floating charges over their respective assets including over real property owned by them and shares in subsidiaries (excluding Associated British Ports and its subsidiaries) and various other assets including the company's rights in relation to its principal subsidiary, Associated British Ports. No guarantees or security have been granted by Associated British Ports or its subsidiaries in respect of such borrowing facilities.

Other guarantees and contingencies relate primarily to performance bonds

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

The bankers of an immediate subsidiary undertaking, ABP Insurance Limited, have issued letters of credit totalling £1.4m (2012: £3.0m) in favour of the group's employer's liability insurers. The letters of credit are secured against cash deposits of £1.4m (2012: £3.0m).

Subsidiary undertaking, Associated British Ports, has deposited £1.6m (2012: £nil) cash into an escrow account regarding a UK customs duty and Value Added Tax dispute with HMRC.

The company has agreed that the following subsidiaries of the company may take advantage of the exemption provided under s479A of the Companies Act 2006, in respect of the requirement for audit. Furthermore, the company has given guarantees for the financial year ending 31 December 2013 in accordance with section 479C to the following subsidiary undertakings to enable them to take advantage of the exemption from audit.

ABP (Aldwych) Limited	Company No. (2075565)
ABP Nominees Limited	Company No. (2508040)
Associated British Ports Investments Limited	Company No. (2086213)
Grosvenor Waterside Group Limited	Company No. (2298208)
Grosvenor Waterside (Holdings) Limited	Company No. (1463558)
UK Dredging Management Limited	Company No. (77980)

Notes to the financial statements

27 Contingent liabilities (continued)

The company has agreed that the following dormant subsidiaries of the company may take advantage of the exemptions provided under section 394A, in respect of the obligation to prepare accounts, and under section 448A, in respect of the obligation to file accounts for the financial year ending 31 December 2012. Furthermore, the company has given guarantees in accordance with sections 394C(1) and 448C(1) in respect of the subsidiary undertakings to enable them to take advantage of the exemptions from preparing and filing accounts for the year ending 31 December 2013:

ABP (No 1) Limited	Company No. (1770398)
ABP Connect Limited	Company No (1960152)
ABP Infrastructure Grimsby Limited	Company No. (8058904)
ABP Major Projects Limited	Company No (8058898)
ABP Quest Trustees Limited	Company No. (3249871)
ABP Southampton Properties Limited	Company No (1921515)
American Port Services Holdings Limited	Company No. (3960060)
Amports Cargo Services Limited	Company No (2380300)
Amports Contract Personnel Limited	Company No (2433314)
Amports Holdings Limited	Company No (3056685)
Amports Vehicle Terminals Limited	Company No (2651826)
Auto Shipping Limited	Company No (1910901)
Grosvenor Buchanan Properties Limited	Company No (SC111227)
Grosvenor Waterside Asset Management Limited	Company No (3960039)
Grosvenor Waterside (Cardiff Bay) Limited	Company No (1617261)
Humber Pilotage (CHA) Limited	Company No (41972)
Marine Environmental Research Limited	Company No (1989216)
Northern Cargo Services Limited	Company No (2511979)
Southampton Free Trade Zone Limited	Company No (1744766)
Whitby Port Services Limited	Company No (1597957)

28 Principal subsidiary and associated undertakings

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

ASSOCIATED BRITISH PORTS HOLDINGS LIMITED AND SUBSIDIARIES ANNUAL REPORT AND ACCOUNTS 2013

Notes to the financial statements

28. Principal subsidiary and associated undertakings (continued)

	% held by Group
Subsidiary undertakings	
Ports and transport	
Associated British Ports	(see below) ¹
The Teignmouth Quay Company Limited	100
ABP Marine Environmental Research Limited (directly owned)	100
Property	
Grosvenor Waterside (Holdings) Limited	100
ABP Property Development Company Limited	100
Grosvenor Waterside Investments Limited	100
Associated undertakings: Ports and transport	
Southampton Container Terminals Limited (trading as DPWS)	49

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

At 31 December 2012 the group owned 49% of the issued ordinary share capital in Associated Global Logistics. The group's holding of the ordinary share capital was disposed of in May 2013.

29. Ultimate controlling parties

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

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

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

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

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

We have audited the financial statements of Associated British Ports Holdings Limited for the year ended 31 December 2013 which comprise the, the Company Balance Sheet, the Company Statement of Cash Flows, the Company Statement of Changes in Equity and the related notes 1 to 14. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRSs") as adopted by the European Union and the provisions of the Companies Act 2006.

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

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 15, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2013,
- have been properly prepared in accordance with IFRSs as adopted by the European Union,
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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



Matthew Williams (Senior statutory auditor)

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

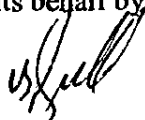
18 March 2014

ASSOCIATED BRITISH PORTS HOLDINGS LIMITED AND SUBSIDIARIES ANNUAL REPORT AND ACCOUNTS 2013

Company balance sheet as at 31 December

	Note	2013 £m	2012 £m
Assets			
Non-current assets			
Investments	5	152.2	152.2
Group receivables	6	631.9	641.3
		784.1	793.5
Current assets			
Group receivables	6	481.5	348.6
		481.5	348.6
Total assets		1,265.6	1,142.1
Liabilities			
Current liabilities			
Group and other payables	8	(25.7)	(26.9)
		(25.7)	(26.9)
Non-current liabilities			
Other non-current liabilities	9	(0.2)	(0.4)
		(0.2)	(0.4)
Total liabilities		(25.9)	(27.3)
Net assets		1,239.7	1,114.8
Shareholder's equity			
Share capital	10	77.5	77.5
Share premium account		130.6	130.4
Other reserves		40.4	40.4
Retained earnings		991.2	866.5
Total shareholder's equity		1,239.7	1,114.8

The financial statements were approved by the board of directors on 26 February 2014 and signed on its behalf by



GSM Bull
Director

ASSOCIATED BRITISH PORTS HOLDINGS LIMITED AND SUBSIDIARIES ANNUAL REPORT AND ACCOUNTS 2013

Company statement of cash flows for the year ended 31 December

	Note	2013 £m	2012 £m
Cash flows from operating activities			
Cash absorbed by operations	11	(2.1)	(84.3)
Interest paid		-	-
Net cash outflow from operating activities		(2.1)	(84.3)
Cash flows from financing activities			
Dividends received from subsidiary		2.0	84.2
Proceeds from issue of share capital		0.1	0.1
Net cash inflow from financing activities		2.1	84.3
Change in cash and cash equivalents during the year		-	-
Cash and cash equivalents at 1 January		-	-
Cash and cash equivalents at 31 December		-	-

Details of significant non-cash transactions affecting the company are set out in note 12 to the company financial statements

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

	Share capital £m	Share premium account £m	Capital redemption reserve £m	Share options reserve £m	Retained earnings £m	Total £m
At 1 January 2012	77.5	130.4	25.5	14.9	727.2	975.5
Profit for the year	-	-	-	-	139.3	139.3
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	139.3	139.3
At 31 December 2012	77.5	130.4	25.5	14.9	866.5	1,114.8
Profit for the year	-	-	-	-	124.7	124.7
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	124.7	124.7
Issue of ordinary shares	-	0.2	-	-	-	0.2
At 31 December 2013	77.5	130.6	25.5	14.9	991.2	1,239.7

ASSOCIATED BRITISH PORTS HOLDINGS LIMITED AND SUBSIDIARIES ANNUAL REPORT AND ACCOUNTS 2013

Notes to the financial statements

1. Accounting policies

1 1 Basis of preparation

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

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

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

1 2 Changes in accounting policy

None of the new accounting standards that apply for the first time in 2013 as set out in note 1 2 to the consolidated financial statements have had any impact on the company's financial statements.

1 3 Critical accounting policies, estimates and judgements

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

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

1 4 Other accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out in note 1 to the consolidated financial statements with the addition of the following.

Investments

Investments in subsidiaries are stated at cost. The company assesses at each reporting date whether there is any indication that the investment may be impaired

ASSOCIATED BRITISH PORTS HOLDINGS LIMITED AND SUBSIDIARIES ANNUAL REPORT AND ACCOUNTS 2013

Notes to the financial statements

2. Company result

The company has not presented its own income statement as permitted by s408 of the Companies Act 2006. The company's result attributable to equity shareholder amounts to a profit of £124.7m (2012: £139.3m). The company did not pay any dividends during the current or prior year.

3 Auditor's remuneration

The auditor's remuneration for 2013 and 2012 was borne by a fellow group company.

Details of fees for other services are provided in note 3 to the consolidated financial statements.

4. Directors and employees

No director received any emoluments in relation to their services to the company (2012: £nil), which were incidental to their services for other group companies.

The company had no employees during the year (2012: nil).

5 Investments

Details of principal subsidiary undertakings are provided in note 28 of the consolidated financial statements.

	Interest in subsidiary undertakings	
	2013	2012
	£m	£m
At 1 January	152.2	152.2
At 31 December	152.2	152.2

6 Group receivables

	2013	2012
	£m	£m
Non-current		
Amounts due from subsidiary undertakings	631.9	641.3
Total non-current group receivables	631.9	641.3
Current		
Amounts due from parent undertaking	481.5	348.6
Total current group receivables	481.5	348.6

Non-current amounts due from subsidiary undertakings primarily relate to a receivable from Associated British Ports, the company's immediate subsidiary. Current amounts due from parent undertaking relate to a balance with ABP Acquisitions UK Limited. For further details see note 12.

Notes to the financial statements

6. Group receivables (continued)

Amounts due from subsidiary and parent undertakings are not overdue for repayment and are not considered to be impaired.

Further disclosure of the financial risks related to these financial instruments is disclosed in note 7

The company does not hold any collateral as security. The company's receivables are denominated in sterling

7 Financial instruments

The company's policies regarding financial instruments are set out in the accounting policies in note 1 Risk and numerical disclosures are set out below.

Fair value of financial instruments

The fair value of financial assets and liabilities are an estimate of the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The carrying amounts of financial assets and financial liabilities in the financial statements approximate to their fair value The following methods and assumptions were used to estimate the fair values:

- The fair value of amounts due from Associated British Ports and ABP Acquisitions UK Limited approximates to their carrying amounts as interest charged is linked to a weighted average cost of debt, which is mainly linked to LIBOR.

Financial risk management

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

The company's group risks are disclosed in note 17 to the consolidated financial statements Company specific risks are set out below

Liquidity risk

Liquidity risk is managed by the wider group, owned by the company's ultimate parent, ABP (Jersey) Limited, maintaining borrowing facilities at a level that is forecast to provide reasonable surplus beyond the future needs of the group The directors monitor rolling forecasts of the group's liquidity reserve (comprised of undrawn borrowing facilities and cash and cash equivalents) on the basis of expected cash flow

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

ASSOCIATED BRITISH PORTS HOLDINGS LIMITED AND SUBSIDIARIES ANNUAL REPORT AND ACCOUNTS 2013

Notes to the financial statements

7 Financial instruments (continued)

Financial risk management (continued)

	2013	2012
	£m	£m
Not later than one year	25.7	26.9
More than one year but not more than two years	0.2	0.4
More than two years but not more than five years	-	-
More than five years	-	-
Total undiscounted contracted payments	25.9	27.3

Credit risk

Given the counterparties of group receivables the directors consider the company's exposure to credit risk to be minimal. The maximum exposure to credit risk at the reporting date for group receivables is the carrying value of each class of receivable.

8 Group and other payables - current

	2013	2012
	£m	£m
Amounts due to subsidiary undertaking	25.1	25.1
Accruals	0.6	1.8
Total current group and other payables	25.7	26.9

Amounts due to subsidiary undertaking relates to Amports Holdings Limited, an immediate dormant subsidiary. For further details see note 12.

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

Further disclosure of the financial risks related to these financial instruments is disclosed in note 7.

9. Other non-current liabilities

	2013	2012
	£m	£m
Other liabilities	0.2	0.4

10. Share capital

Details of share capital are provided in note 22 to the consolidated financial statements.

Notes to the financial statements

11 Cash absorbed by operations

Reconciliation of profit before taxation to cash absorbed by operations:	2013 £m	2012 £m
Profit before taxation	141.9	72.6
Dividend income	(68.0)	-
Finance income	(75.6)	(73.8)
Operating cash flows before movements in working capital	(1.7)	(1.2)
Decrease in group receivables	1.0	-
Decrease in group and other payables	(1.4)	(83.1)
Cash absorbed by operations	(2.1)	(84.3)

12 Related party transactions

During the year, twelve of the directors of the company were representatives of the shareholders of the ultimate parent undertaking, ABP (Jersey) Limited. Each shareholder is entitled to receive fees for the services of these directors and may request that the fees are paid directly to a director. The fees earned during the year are set out in note 25 to the consolidated financial statements.

Further details of the shareholders' share ownership are set out in note 29 to the consolidated financial statements.

The company has entered into related party transactions and/or has balances with the following related parties:

Related party	Relationship
ABP Acquisitions UK Limited	Immediate parent undertaking
Associated British Ports	Immediate subsidiary undertaking
Amports Holdings Limited	Immediate subsidiary undertaking
ABP (Aldwych) Limited	Immediate subsidiary undertaking
ABP Marine Environmental Research Limited	Immediate subsidiary undertaking
ABP Nominees Limited	Immediate subsidiary undertaking

The company has a loan due from the following related party:

Entity	Due date	Rate per annum	2013 £m	2012 £m
Associated British Ports	2021	7.6%	590.6	-

This balance was transferred from a related party receivable to a loan as at 31 December 2013.

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Notes to the financial statements

12. Related party transactions (continued)

The company also has the following current account balances due from/(to) related parties.

	2013 £m	2012 £m
ABP Acquisitions UK Limited	481.5	348.6
Amports Holdings Limited	(25.1)	(25.1)
Total current balances	456.4	323.5
Associated British Ports	-	600.0
ABP (Aldwych) Limited	0.2	0.2
ABP Nominees Limited	41.1	41.1
Total non-current balances	41.3	641.3

The following tables show the current account transactions that have been entered into by the company with related parties, together with period end balances, for the relevant financial year

	2013 £m	2012 £m
ABP Acquisitions UK Limited		
Intercompany receivable at start of the year	348.6	155.4
Non-cash increase in intercompany receivable	98.1	166.0
Interest charged - 7.6% per annum (2012: 8.2%)	34.8	27.2
Intercompany receivable at end of the year	481.5	348.6

	2013 £m	2012 £m
Associated British Ports		
Intercompany receivable at start of the year	600.0	652.7
Non-cash decrease in intercompany receivable	(40.1)	(56.5)
Interest charged - 7.6% per annum (2012: 8.2%)	40.7	43.8
Cash received	(10.0)	(40.0)
Transferred to loan account	(590.6)	-
Intercompany receivable at end of the year	-	600.0

13. Contingent liabilities

	2013 £m	2012 £m
Contingent liabilities under claims, indemnities and guarantees:		
Guarantees in respect of group borrowings	1,912.5	1,850.0
Guarantees in respect of undrawn group borrowings	285.0	460.0
Other guarantees and contingencies	0.4	0.2
Total cross guarantees by company	2,197.5	2,310.0
Company's guaranteed borrowings	-	-
Total borrowings and undrawn facilities of group of which company is a member	2,197.5	2,310.0

Notes to the financial statements

13. Contingent liabilities (continued)

As part of the security package for borrowing facilities of the wider group owned by the company's ultimate parent company, certain wider group companies have granted a guarantee and fixed and floating charges over their respective assets including over real property owned by them and shares in subsidiaries (excluding Associated British Ports and its subsidiaries) and various other assets including the company's rights in relation to its principal subsidiary, Associated British Ports. No guarantees or security have been granted by Associated British Ports or its subsidiaries in respect of such borrowing facilities.

Other guarantees and contingencies relate primarily to performance bonds

14. Ultimate controlling parties

Details of the ultimate controlling parties are set out in note 29 to the consolidated financial statements.