GROSVENOR WATERSIDE GROUP LTD

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ASSOCIATED BRITISH PORTS HOLDINGS LIMITED AND SUBSIDIARIES

(Company Number 01612178)

ANNUAL REPORT AND ACCOUNTS 2014

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ASSOCIATED BRITISH PORTS HOLDINGS LIMITED AND SUBSIDIARIES

ANNUAL REPORT AND ACCOUNTS 2014

Strategic report

The directors present their strategic report for the year ended 31 December 2014.

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 activity of the company (number 01612178) is as an investment holding company.

The principal activities of the group comprise the ownership, operation and development of port facilities and the provision of related services to ship and cargo owners and other users of seaports in the UK. The group also provides other transport facilities and related services including the Hams Hall rail freight terminal 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 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. Economic impacts are mitigated by the group's diverse cargo base, its long-term contracts with a broad mix of customers and c 45% of the group's revenues being either guaranteed or not varying with throughput volumes

In 2013, 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 2013 UK port throughput. The share of total UK seaborne trade handled through facilities within ABP's Statutory Harbour Authority areas in 2013 was 24% (2012 23%).

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 infrastructure and equipment in partnership with quality customers which generate attractive rates of return. The group aims to be the first choice provider of port services and infrastructure to its customers

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.

Strategic report (continued)

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.

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 the Port of Southampton is the second largest container facility in the UK by throughput. In March 2014 the £80m redevelopment of SCT 5 (formerly berths 201/202) completed, comprising the construction of a new 500 metre long quay capable of handling ships with capacity of 18,000 Twenty-foot Equivalent Units, and installation of four new super post panamax cranes capable of reaching across ships 24 containers wide In November 2014 a £40m dredging project to deepen and widen the approach channel which links international shipping lanes to the port was completed The channel dredge enables the Port of Southampton to accommodate ships with a draught of up to 15.5 metres Additional dredging to widen the channel also means that navigational safety and the ability of vessels to pass each other has also been improved.

3.2 Southampton Cruise Facilities Upgrade

Southampton is the UK's leading cruise port with 1.6m passengers passing through the port in 2014 The group is undertaking investments totalling £27m to upgrade and reconfigure all four terminals to enhance capacity to cater for increasing vessel size, passenger processing capability and to improve passenger experience. The terminal upgrades will ensure that the port is able to accommodate the higher-capacity vessels of the two largest cruise operators served by the port, Carnival and Royal Caribbean.

3.3 Marchwood and Cracknore Hard Industrial Estates

In December 2014 the group contracted to acquire the freehold of Marchwood and Cracknore Hard Industrial Estates on the southwest bank of the River Test, opposite the Port of Southampton. The estates cover a total area of 114 acres and existing tenants comprise some of the largest self-contained industrial and warehousing units in the south east of England. The industrial estates are intended to provide strategic long-term value for the group The acquisition is scheduled to complete in June 2015.

3.4 Immingham Renewable Fuels Terminal

Immingham Renewable Fuels Terminal ("IRFT") is a new £130m facility that will be owned and operated by ABP at the Port of Immingham for the import, storage and onward distribution of wood pellet biomass fuel The new terminal will serve the Drax power station in North Yorkshire, which is the largest power station in the UK, meeting around 8% of the UK's electricity demand The Drax power station is currently being transformed into a significantly biomass-fuelled power station, and has already converted two of its six generating units to run on wood pellet biomass instead of coal.

Phase one of IRFT is now operational, with an initial throughput capacity of 3 million tonnes per year Construction work commenced on phase two of the project in 2014, and is expected to be completed by Q3 2015 and will double throughput capacity to 6 million tonnes per year When the first two phases are complete, IRFT will provide 200,000 tonnes of storage capacity in eight silos – making it the largest facility of its kind in the world

Strategic report (continued)

3.5 Green Port Hull

Green Port Hull is a collaboration between ABP, Hull City Council and East Riding Council to produce a world-class renewable energy hub at ABP's Port of Hull, which is ideally located in close proximity to the major Round 3 offshore wind farm zones being developed in the waters surrounding the UK In September 2014 the group signed an agreement for lease with Siemens to develop a 134 acre site at Alexandra Dock, Hull, on which Siemens plans to establish an offshore wind turbine and blade facility with a riverside berth export capability The works are expected to be completed in early 2017 at a cost of £136 7m Siemens will enter into a 15 year lease upon completion of the works, with an option to extend for a further 25 years In November 2014 ABP awarded a contract to carry out construction works for the development to Graham Lagan Construction Group JV.

4. Group review and KPIs

Financial overview and volumes

	2014	2013	Change from 2013	2012	2011
Revenue (£m)	**519.1**	**503.8**	+3 0%	471 7	423 4
Consolidated EBITDA[1,2] (£m)	**308.5**	**292.0**	+5.7%	271 9	256 1
Consolidated EBITDA margin (%)	**59%**	**58%**	+1 0%	58%	60%
Underlying operating profit[2] (£m)	**258.5**	**250.0**	+3.4%	229 7	218 1
Total tonnage (mt)[3]	**94.5**	**93.9**	+0 6%	89 6	89 2
Passenger volumes (000s)	**2,928**	**3,060**	-4 3%	2,967	2,956

[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 transactions and sale of non-current assets (see reconciliation to Operating Profit below)
[2] Underlying operating profit is defined as operating profit before movement in fair value of investment properties, profit on sale of associated undertaking and exceptional items
[3] Excluding volumes where the group generates conservancy income only

The operating performance for the year ended 31 December 2014 reflects the following highlights·

- The group delivered growth in its operating performance during 2014 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 3 0% to £519 1m (2013· £503 8m) reflecting contracted price increases and throughput volume growth, in particular biomass, metals, new vehicles and containers partially offset by reduced volumes of coal and oil
- Consolidated EBITDA (calculated in accordance with the definitions set out in the group's credit facilities) increased by 5.7% to £308 5m (2013· £292 0m), reflecting the favourable revenue performance whilst costs were broadly in line with 2013 reflecting increased operating costs associated with additional volumes offset by savings in overhead costs
- Consolidated EBITDA margin remained strong at 59%, marginally higher than prior year.
- Underlying operating profit (before increase in fair value of investment properties, exceptional items and profit on sale of associated undertaking) increased by 3.4% to £258 5m (2013 £250.0m)
- 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.

Strategic report (continued)

Reconciliation of Operating Profit to Consolidated EBITDA

	2014 £m	2013 £m
Operating Profit	**250.5**	276 1
Amortisation	**1.5**	1 2
Depreciation	**45.6**	41 0
Decrease/(increase) in fair value of investment properties	**8.0**	(57.2)
Profit on property transactions	-	(0 2)
Foreign exchange loss	**0.2**	-
Loss on sale of non-current assets	**2.7**	-
Profit on disposal of share in associated undertaking	-	(0.1)
Exceptional items	-	31 2
Consolidated EBITDA	**308.5**	292 0

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

	2014	2013	Change from 2013
Fatal accidents to employees	-	-	-
Reportable injuries per thousand employees	**4.4**	4.1	+7 3%
Percentage of employees provided with accredited training (target 95%)	**96.0%**	96 0%	-

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 principal risk to the business 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.

Environment
The table below provides details of the group's progress during 2014 against its relevant environmental indicators.

	2014	2013	Change from 2013
CO_2 emissions (tonnes)*	**71,545**	73,658**	-2 9%
CO_2 emissions (tonnes) per thousand tonnes of throughput	**0.757**	0 784**	-3 4%
Electricity consumption (million kWh)	**66.5**	67.3	-1 2%
Water consumption (million litres)	**1,510.0**	1,446.0	+4.4%

* Calculated based on the group's consumption of electricity, gas, oil, petrol and diesel converted to CO_2 at rates published by the Environment Agency
** Restated to exclude CO_2 in relation to dredging performed for third parties

Strategic report (contınued)

Employees
The table below sets out the group's performance ın relatıon to the management of ıts employees durıng 2014

Durıng 2014 the monthly average number of persons employed ın the busıness was 1,992 (2013· 1,980)

	2014	2013	Change from 2013
Sıckness and absenteeısm rate	**3.0%**	3.2%	-0.2%
	6.7 days per employee	7 2 days per employee	-0 5 days
Annual appoıntments as a percentage of headcount	**12.6%**	8.6%	+4 0%
Annual leavers as a percentage of headcount	**7.8%**	6.3%	+1 5%
Annual compulsory redundancıes as a percentage of headcount	**0.3%**	0.2%	+0 1%
Female employees as a percentage of headcount as at 31 December			
- Executıve dırectors	-	-	n/a
- Senıor Managers	**11.8%**	8 9%	+2 9%
- All employees	**12.7%**	12 7%	-

The group's objectıve ıs to monıtor and benchmark the above data to ensure that ıt ıs ın lıne wıth ındustry norms; exceptıons are ıdentıfied and addressed through the ımplementatıon of specıfic ınıtıatıves to promote good practıce and ımprove performance, and in doıng so, ensurıng our people achıeve theır potentıal

Whıle there remaın no female Dırectors on the board of Assocıated Brıtısh Ports Holdıngs Lımıted, Mıchelle Tılley joıned the board of Assocıated Brıtsh Ports, the group's prıncıpal operatıng subsıdıary, as Qualıty and Complıance Dırector on 3 March 2014. In additıon, on 12 January 2015, Yvonne Kay Penney joıned the board of Associated Brıtsh Ports as Human Resources Dırector

5. Development and performance of the business

	2014 £m	2013 £m	Change from 2013
Revenue	**519.1**	503 8	+3 0%
Operating costs (underlyıng)	**(260.6)**	(253.8)	-2.7%
Underlyıng operatıng profit	**258.5**	250 0	+3.4%
(Decrease)/ıncrease in faır value of ınvestment propertıes	**(8.0)**	57 2	-114.0%
Profit on dısposal of share ın assocıated undertakıng	-	0 1	-
Exceptıonal ıtems	-	(31 2)	-
Group operating profit	**250.5**	276 1	-9.3%
Net finance ıncome	**47.6**	35 2	+35.2%
Share of profit ın assocıated undertakıng	**6.8**	1 6	+325.0%
Profit before taxation	**304.9**	312 9	-2.6%
Taxatıon	**(66.3)**	(34 3)	-93.3%
Profit for the period	**238.6**	278 6	-14.4%
Cash generated by operatıons	**197.3**	111 3	+77.3%
Capıtal expendıture - cash	**187.9**	147 2	+27 6%

Strategic report (contınued)

- Revenue ıncreased by 3.0% to £519 1m (2013 £503.8m) reflectıng contractual prıce increases and throughput volume growth, ın partıcular biomass, metals, new vehicles and contaıners partially offset by reduced volumes of coal and oıl
- Underlyıng operatıng costs ıncreased by 2.7% (2013 ıncrease· 4 9%) reflectıng ıncreased operatıng costs assocıated wıth addıtıonal volumes and ıncrease ın deprecıatıon partıally offset by savıngs ın overhead costs
- The 2014 revıew of the faır value of the group's ınvestment property portfolıo resulted ın ıncome statement decrease of £8 0m (2013 ıncrease of £57 2m). Further detaıls on ınvestment property are set out ın note 10 to the accounts
- The group dıd not recognıse any exceptıonal ıtems ın 2014 The exceptıonal cost of £31.2m in 2013 was in respect of lıabılıtıes relatıng to multı employer pension schemes of whıch ABP is a partıcıpatıng body as set out ın note 12 of the accounts
- The group's share of profit from assocıated undertakıng increased to £6.8m (2013 £1.6m) reflectıng ıncreased contaıner volumes through DPWS
- Net finance income amounted to £47 6m (2013 £35.2m) and ıncluded ınterest due from parent undertakıng of £41.6m (2013: £34 8m)
- The overall net tax charge for the year ended 31 December 2014 amounted to £66 3m (2013· £34.3m) and reflected a current tax charge of £60.6m (2013. £64 3m) and a deferred tax charge of £5 7m (2013: credıt of £30 0m).
- Total capıtal expendıture for the year ıncreased to £187.9m (2013. £147 2m) and ıncluded expendıture assocıated wıth the contaıner berth and dredging expansıon project ın Southampton of £39.7m (2013 £47 5m), the IRFT bıomass project ın Immıngham of £68 1m (2013 £18 8m) and Green Port Hull project of £11 5m (2013 £0 8m)

6. Position of the business at the year end

The group had net assets of £3,041.5m as at 31 December 2014 (2013 restated £2,801 2m) includıng cash of £34 6m (2013: £25 4m) The ıncrease ın net assets prıncıpally reflects an ıncrease ın the net book value of tangible assets (ıe property, plant and equıpment and ınvestment property) whıch were drıven by ınvestment ın major new facılıtıes (noted in sectıon 3).

7. Risks and uncertainties

The group's key risk management objectıves are to

- ensure that the health and safety of ıts employees, and thırd partıes, are not put at rısk by ıts undertakıngs;
- to prevent or mitıgate events that have the potentıal to sıgnıficantly damage the financıal posıtıon of the group, ıts reputatıon or ıts abilıty to provıde servıces,
- to ıdentıfy, assess and prıorıtıse opportunıtıes to grow the busıness, havıng regard for the need to manage the group's commercıal rısks;
- to ensure that, ın operatıng ıts busıness, ıt endeavours to meet the demands of trade whıle havıng due regard to the potential ımpact of ıts actıvıtıes on the envıronment,
- to maıntaın a dıversıfied cargo and customer base, and
- to ensure that ıt has in place mechanısms to understand, monıtor and manage ıts oblıgatıons to all ıts stakeholders.

The group has ımplemented polıcıes desıgned to ıdentıfy, assess and manage rısks whıch are supported by an organısatıonal structure that ensures that responsıbılıtıes are clearly defined and communıcated.

The prıncıpal rısks and uncertaıntıes facıng the group are as follows

Strategic report (continued)

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 Coal-fired power stations are 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 either opted to fit the necessary technology or sign up to the National Transition Plan, which allows either for fitting of necessary technology by 2020, or closure by the earlier of 2023 and 17,500 operational hours from 1 January 2017 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 ABP's customers have begun or are planning to convert existing coal plants to burn imported biomass. This will require access to train delivery paths to ensure delivery and the development of innovative handling technology to cope with the volumes ABP has invested in equipment to handle the new material which will require greater volumes to be handled to achieve the same calorific effect In another renewable energy development, many offshore wind farms are planned for marine areas close to ABP's ports

7.2 Operational

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

Potential impacts from accidents and terrorist incidents

Accidents, natural disasters and acts of terrorism, (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 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. During 2015 the European Parliament is expected to begin its review of the draft EU Port Services Regulation ("PSR"), concerning market access and charges levied for port services and infrastructure. The UK ports sector has worked closely with UK government to mitigate any potential adverse consequences The impact of the PSR on ABP is currently unclear

The EU Concessions Directive came into force in April 2014. The Directive must be implemented by the UK government by April 2016. It is anticipated that the UK government will publish draft regulations in the first half of 2015 The Directive is likely to impact the way in which ABP awards qualifying large scale contracts ABP is reviewing current processes and procedures to ensure its compliance with the new regulations

Strategic report (continued)

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 effectively.

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 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 deterioration in the funding levels of such schemes could lead to the need for additional contributions

7.6 Financial risk management

Treasury matters throughout the group are controlled centrally and carried out in compliance with policies approved by the boards of Associated British Ports Holdings Limited and ABP (Jersey) Limited, the group's ultimate parent undertaking The treasury function's purpose is to identify, mitigate and hedge treasury-related financial risks inherent in the group's business operations and capital structure. 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

Liquidity risk

Liquidity risk is principally managed by the group's immediate parent undertaking ABP Acquisitions UK Limited ("ABPA") which maintains borrowing facilities at a level that is forecast to provide reasonable headroom in excess of the future needs of the ABPA group. As at 31 December 2014, ABPA had access to £399.0m and fellow group undertaking, ABP Finance PLC, had access to £41m of committed and undrawn borrowing facilities which are available for a period of one to eight years

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 As at 31 December 2014, the group had no bank debt

Foreign exchange risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. 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.

Strategic report (continued)

Capital risk

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. ABPA's external loan covenants impose certain restrictions on the group relating to capital which are regularly monitored by management The group was in compliance with these covenants during 2014 and 2013 and had significant headroom to the set limits.

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 principally arises from cash and cash equivalents, derivative financial instruments and accounts receivable The group has no material concentrations of credit risk.

Investment activity is reviewed on a regular basis and cash and cash equivalents are placed with approved counterparties, whose credit ratings are in accordance with internal treasury policies

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 2014 performance in relation to social and community matters.

	2014	**2013**	**Change from 2013**
Total cash and in-kind contributions	**£408,903**	£316,209	+29 3%

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 group. The group also consults with it employees about both the methods and substance of communication

Strategic report (continued)

10. Human Rights

The group operates solely within the United Kingdom, and is subject to national legislation which must accord with the rights set out within the European Convention on Human Rights The Convention was incorporated into UK law by the Human Rights Act 1998 Our internal policies and guidance, in particular those regarding human resources and data protection, are constantly reviewed to ensure compliance with relevant UK legislation and regulations.

11. Outlook

The group expects increased biomass volumes from the investment in IRFT, new revenues from the investment in Marchwood and Cracknore Hard Industrial Estates and benefits from the investment in container and cruise facilities in Southampton. However, the global economic backdrop is uncertain, particularly given the low growth in Europe, and in certain key commodities like coal and oil there is a real risk of significant reductions in volumes. Nevertheless, 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, which provide the business with a degree of protection from risks

By Order of the Board

JNS Cooper	**GSM Bull**
Chief Executive	**Chief Financial Officer**

10 **March 2015**

Directors' report

The directors present their report and the audited accounts for the year ended 31 December 2014.

Dividends

The directors do not recommend the payment of a dividend (2013 £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 OMERS Adminstration Corporation, GIC (Ventures) Pte, GS Global Infrastructure Partners I, LP, GS International Infrastructure Partners I, LP and GS Institutional Infrastructure Partners I, LP - together "GSIP Funds", 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, and Sebastian Bull, Chief Financial Officer 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 group shareholders or their intermediaries that the non-executive directors represent:

Director	Appointed by and changes
Executive	
Mr Sebastian Bull	
Mr James Cooper	
Mr Robert Walvis	
Non-executive	
Mr Philippe Busslinger[2]	Borealis International Investments Corporation
Mr Philippe Camu[2]	GS Infrastructure Partners
Mr Edward Clarke [1,2]	Infracapital Partners LP
Mr Stewart Hicks[1]	GIC Special Investments Pte
Mr George Kay[2]	GIC Special Investments Pte
Mr David Kerr[1]	GIC Special Investments Pte (resigned 6 February 2015)
Mr Peter Lyneham[1]	GS Infrastructure Partners
Mr John McManus[1]	Borealis International Investments Corporation
Mr John Morea	Borealis International Investments Corporation

[1] Member of audit committee for the year to 31 December 2014
[2] Member of remuneration and nomination committee for the year to 31 December 2014

In addition, the following served as alternate directors during the year and up to the date of these accounts·

Mr Kunal Koya
Mr Stephen Nelson
Mr Michael Rolland

An alternate director is a person, appointed by any director (the "appointor"), other than an alternate director, or by resolution of the board, to exercise that director's powers, and carry out that director's responsibilities, in relation to the taking of decisions by the directors in their absence.

Directors' report (continued)

An alternate director has the same rights in relation to any directors' meeting, all meetings of committees of directors of which his appointor is a member and directors' written resolution, as the alternate's appointor. Except as the company's articles specify otherwise, alternate directors are deemed for all purposes to be directors; are liable for their own acts and omissions; are subject to the same restrictions as their appointors and are not deemed to be agents of or for their appointors.

Where a director is also an alternate director, he has an additional vote on behalf of his appointor who is not participating in a directors' meeting, and would have been entitled to vote if they were participating in it Whether a person acts solely as an alternate, or is a director also acting as an alternate director; for the purposes of determining whether a meeting quorum is present he will count as one

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

The board meets four (2013 four) times a year and has a specific schedule of matters reserved for its consideration. Appointments to the board of the company are governed by a shareholders' agreement and are considered by the group's remuneration and nomination committee which is chaired by Mr George Kay. Appointments to the remuneration and nomination committee are made by the board and this committee is responsible for keeping under review the remuneration arrangements for the directors of the company and other senior managers within the group.

The audit committee chaired by Mr John McManus 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 During the first quarter, the internal audit function moved from being partially to fully outsourced to KPMG LLP. 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 for all directors and officers during the year 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.

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.

Directors' report (continued)

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 continued on the development of our container handling facilities and dredging of the approach channel 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 the development of a facility to support offshore wind capability at Alexandra Dock in Hull. It is possible that these may induce further developments of a similar nature within our ports 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

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
10 March 2015

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.

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 2014 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 14, 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 2014 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' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

Ernst & Young LLP

Matthew Williams (Senior statutory auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
London
11 March 2015

Group income statement for the year ended 31 December

	Note	2014 £m	2013 £m
Revenue		**519.1**	503 8
Cost of sales		**(206.0)**	(190 1)
Gross profit		**313.1**	313 7
Administrative expenses		**(54.6)**	(94 8)
(Decrease)/increase in fair value of investment properties	10	**(8.0)**	57 2
Operating profit	2	**250.5**	276 1
Analysed between			
Group operating profit before the following items		**258.5**	250 0
Profit on sale of associated undertaking	2	**-**	0 1
(Decrease)/increase in fair value of investment properties	10	**(8.0)**	57 2
Exceptional items – administrative expenses	4,12	**-**	(31 2)
		250.5	276 1
Finance costs	5	**5.8**	-
Finance income	5	**41.8**	35 2
Share of profit in associated undertaking	11	**6.8**	1 6
Profit before taxation		**304.9**	312 9
Taxation charge	6	**(66.3)**	(34 3)
Profit for the year attributable to equity shareholder		**238.6**	278 6

All results are derived from continuing operations in the United Kingdom.

The exceptional items in 2013 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	2014 £m	2013 £m
Profit for the year attributable to equity shareholder		**238.6**	278 6
Other comprehensive income/(expense):			
Other comprehensive income not to be reclassified to profit or loss in subsequent periods			
Surplus arising on revaluation of investment property	10	**12.8**	5 4
Share of associated undertaking's actuarial (loss)/gain relating to net retirement benefit liabilities	11	**(3.3)**	1 0
Actuarial (loss)/gain relating to net retirement benefit liabilities	12	**(8.9)**	14 5
Deferred tax associated with actuarial loss/gain relating to net retirement benefit liabilities	20	**1.5**	(4 6)
Deferred tax arising on revaluation of investment property	20	**(0.4)**	2 0
Other comprehensive income for the year, net of tax		**1.7**	18 3
Total comprehensive income for the year, net of tax, attributable to equity shareholder		**240.3**	296 9

Group balance sheet as at 31 December

	Note	2014 £m	Restated* 2013 £m	Restated* 1 January 2013 £m
Assets				
Non-current assets				
Goodwill	7	**14.5**	14 5	14 5
Intangible assets	8	**6.6**	5 9	5 9
Property, plant and equipment	9	**1,010.0**	920 8	869 1
Investment property	10	**1,622.5**	1,545 4	1,420 3
Investments in associates	11	**42.6**	39 0	36 7
Retirement benefit assets	12	**28.6**	35 9	15 3
Trade and other receivables	13	**1.1**	1 2	1 3
		2,725.9	2,562 7	2,363 1
Current assets				
Property and land held for sale	14	**0.6**	2 2	3 0
Trade and other receivables	13	**666.8**	569 3	444 3
Cash and cash equivalents		**34.6**	25 4	51 2
		702.0	596 9	498 5
Total assets		**3,427.9**	3,159 6	2,861 6
Liabilities				
Current liabilities				
Borrowings	15	**(0.2)**	(0 2)	-
Trade and other payables	18	**(79.9)**	(67 5)	(71.8)
Provisions	19	**(7.7)**	(11 0)	(14 0)
		(87.8)	(78 7)	(85 8)
Non-current liabilities				
Borrowings	15	**(2.8)**	(3 0)	-
Retirement benefit obligations	12	**(78.5)**	(85 7)	(54 1)
Provisions	19	**(18.9)**	(18 3)	(18 7)
Deferred tax liabilities	20	**(173.2)**	(168 7)	(196 1)
Other non-current liabilities	21	**(25.2)**	(4 0)	(2.7)
		(298.6)	(279 7)	(271 6)
Total liabilities		**(386.4)**	(358 4)	(357 4)
Net assets		**3,041.5**	2,801 2	2,504 2
Shareholder's equity				
Share capital	22	**77.5**	77 5	77 5
Share premium account		**130.6**	130 6	130 5
Revaluation reserve	23	**1,417.6**	1,412 8	1,350 8
Other reserves	23	**46.8**	46 8	46 8
Retained earnings		**1,369.0**	1,133 5	898 6
Total shareholder's equity		**3,041.5**	2,801 2	2,504 2

**Certain amounts shown for 2013 do not correspond to the 2013 accounts and reflect adjustments made as detailed in notes 1 2, 19 and 20*

The financial statements were approved by the board of directors on 4 March 2015 and signed on its behalf by

GSM Bull
Director

Group statement of cash flows for the year ended 31 December

	Note	2014 £m	2013 £m
Cash flows from operating activities			
Cash generated by operations	24	**197.3**	111 3
Interest paid		-	-
Interest received		**0.1**	0 3
Net cash inflow from operating activities		**197.4**	111 6
Cash flows from investing activities			
Proceeds from sale of associated undertaking		-	10 2
Proceeds from sale of property, plant and equipment		**0.4**	0 1
Purchase of intangible assets		**(2.2)**	(1 1)
Purchase of property, plant and equipment		**(149.6)**	(114 0)
Purchase of investment property		**(36.1)**	(32 1)
Net cash outflow from investing activities		**(187.5)**	(136 9)
Cash flows from financing activities			
Repayment of obligations under finance leases		**(0.7)**	(0 6)
Proceeds from issue of share capital		-	0 1
Net cash outflow from financing activities		**(0.7)**	(0 5)
Change in cash and cash equivalents during the year		**9.2**	(25.8)
Cash and cash equivalents at 1 January		**25.4**	51 2
Cash and cash equivalents at 31 December		**34.6**	25 4

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

	Share capital £m	Share premium account £m	Revaluation reserve £m	Capital redemption reserve £m	Share options reserve £m	Retained earnings £m	Total £m
At 1 January 2014 restated*	77 5	130 6	1,412 8	25 5	21 3	1,133 5	2,801 2
Profit for the year	-	-	(8 0)	-	-	246 6	238 6
Other comprehensive income/(expense)	-	-	12 8	-	-	(11 1)	1 7
Total comprehensive income/(expense)	-	-	4 8	-	-	235 5	240 3
At 31 December 2014	**77.5**	**130.6**	**1,417.6**	**25.5**	**21.3**	**1,369.0**	**3,041.5**

	Share capital £m	Share premium account £m	Revaluation 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
Pior year provisions adjustment*	-	-	-	-	-	(10 5)	(10 5)
Prior year deferred tax adjustment*	-	-	-	-	-	2 1	2 1
At 1 January 2013 restated*	77 5	130 5	1,350 8	25 5	21 3	898 6	2,504 2
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 restated*	**77.5**	**130.6**	**1,412.8**	**25.5**	**21.3**	**1,133.5**	**2,801.2**

**Certain amounts shown for 2013 do not correspond to the 2013 accounts and reflect adjustments made as detailed in notes 1 2, 19 and 20*

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

Notes to the financial statements

1 Accounting policies

1 1 Basis of preparation

The financial statements have been prepared on a going concern basis under the historical 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 (£m) except where otherwise indicated

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)

1 2 Prior year adjustment

Restatement of Self-insurance provision
The group recognises a provision for liabilities in respect of compensation claims relating to certain industrial diseases. This provision is presented within the Self-insurance provision in note 19

In prior periods the group made a provision using estimates based on actual claims history and assumptions concerning, amongst other matters, longevity of the potential claimants and the likely incidence of future claims within the possible claimant population

Having appointed an independent actuary to assist the group to determine the likely future claims during 2014 it became apparent that in determining the estimated liabilities to be provided in previous periods, the group did not take account of all available information that might reasonably be taken into account, such as longevity studies and HSE information concerning the relevant diseases and their incidents in the general population.

On this basis and in the context of a material additional liability of £10.5m being determined by the actuarial process, it was concluded that a material error was present in the prior period financial statements with respect to an understatement of the provisions for such claims.

As a consequence, the following restatements have been made to the comparative amounts in these financial statements

Notes to the financial statements

1 **Accounting policies** (contınued)

1 2 **Prior year adjustment** (contınued)

Restatement of Self-insurance provision (contınued)

	1 Jan 2013 £m	31 Dec 2013 £m
Increase ın non-current provısıons	10.5	10 5
Decrease ın deferred tax lıabılıty	(2.1)	(2 1)
Decrease ın retained earnıngs	8 4	8 4

1.3 **Changes in accounting policy**

The group has ımplemented the followıng new accountıng standards ın preparıng these financial statements

IFRS 10 Consolıdated Fınancıal Statements and IAS 27 Separate Fınancıal Statements
IFRS 10 establıshes a sıngle control model that applıes to all entıtıes ıncludıng specıal purpose entıtıes IFRS 10 replaces the parts of prevıously exıstıng IAS 27 Consolıdated and Separate Fınancıal Statements that dealt wıth consolıdated financıal statements and SIC-12 Consolıdation – Specıal Purpose Entıties. IFRS 10 changes the defınıtıon of control such that an ınvestor controls an ınvestee when ıt ıs exposed, or has rıghts, to varıable returns from ıts ınvolvement wıth the ınvestee and has the abılıty to affect those returns through ıts power over the ınvestee. IFRS 10 had no ımpact on the consolidatıon of ınvestments held by the group.

IFRS 11 Joint Arrangements and IAS 28 Investment ın Associates and Joınt Ventures (revised)
IFRS 11 replaces IAS 31 *Interests ın Joınt Ventures* and SIC-13 *Joıntly-controlled Entıtıes — Non-monetary Contrıbutıons by Venturers.* IFRS 11 defines joınt arrangements as an arrangement of whıch two or more partıes have joınt control and classifies a joınt arrangement as eıther a joınt operatıon or joınt venture IFRS 11 removes the optıon to account for joıntly controlled entıtıes (JCEs) usıng proportıonate consolıdatıon. Instead, JCEs that meet the definıtıon of a joınt venture under IFRS 11 must be accounted for usıng the equıty method. The group has consıdered the ımpact of the applıcatıon of thıs new standard on ıts arrangement wıth Southampton Contaıner Termınals Lımıted ("DPWS") and has concluded that ıt has not affected the classıficatıon and recognıtıon of the ınvestment as an assocıate

IFRS 12 Dısclosure of Interests ın Other Entıtıes
IFRS 12 sets out the requırements for dısclosures relating to an entıty's ınterests ın subsıdıarıes, joınt arrangements, assocıates and structured entıtıes. These dısclosures are reflected ın notes 11 and 27 of these financıal statements

Several other new and amended standards and ınterpretatıons apply for the first tıme ın 2014. The dırectors have concluded however, that they do not have a materıal ımpact on the group's financıal statements

Notes to the financial statements

1 **Accounting policies** (continued)

1 3 **Changes in accounting policy** (continued)

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

		Effective for accounting periods beginning on or after
IFRS 9	Financial instruments	01.01 2018
IFRS 14	Regulatory deferral accounts	01.01 2016
IFRS 15	Revenue from contracts with customers	01.01 2017
IFRS 10 and IAS 28 (proposed amendments)	Sale or contribution of assets between an investor and its associate or joint venture	01 01 2016
IFRS 10, IFRS 12 and IAS 28 (amendments)	Investment entities· applying the consolidated exception	01 01 2016
IFRS 11 (amendment)	Accounting for acquisitions of interests in joint operations	01 01 2016
IAS 1 (amendment)	Disclosure initiatives	01 01 2016
IAS 16 and IAS 38 (amendments)	Clarification of acceptable methods of depreciation and amortisation	01 01 2016
IAS 16 and IAS 41 (proposed amendments)	Agriculture bearer plants	01.01 2016
IAS 19 (proposed amendments)	Defined benefit plans: employee contributions	01.07 2014
IAS 27 (amendment)	Equity method in separate financial statements	01 01 2016

IFRS 15 Revenue from contracts with customers
IFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS Either a full or modified retrospective application is required for annual periods on or after 1 January 2017 with early adoption permitted The group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date

The directors do not anticipate that the adoption of the remaining standards, amendments and interpretations will have a material impact on the group's financial statements in the period of initial application

The group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective

Notes to the financial statements

1. **Accounting policies** (continued)

1 4 Critical estimates, judgements and assumptions

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 critical estimates in applying these policies are as follows

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

In the process of applying the group's accounting policies, management have made the following judgements which have the most significant effect on the amounts recognised in the financial statements:

Judgements
- Classification of investment property – see accounting policy in note 1.5

1 5 Significant accounting policies

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

Notes to the financial statements

1 **Accounting policies** (continued)

1 5 **Significant accounting policies** (continued)

Impairment of non-financial assets
The group assesses at each reporting date whether there is an indication that an asset or cash-generating unit ("CGU") may be impaired If any indication exists, or when annual impairment testing for an asset or CGU is required, the group estimates the asset or CGU's recoverable amount An asset or CGU's recoverable amount is the higher of an asset or CGU's 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 or CGU 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 market assessments of the time value of money and the risks specific to the assets or CGU.

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

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased If such indication exists, the group estimates the asset 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 and CGU's

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

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the group's CGUs that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units

Notes to the financial statements

1. **Accounting policies** (continued)

1 5 **Significant accounting policies** (continued)

Impairment of non-financial assets (continued)
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 operational port services that are material in nature (eg stevedoring),
- it is a defined area (land, buildings, jetties and other fixed structures) and one or more users pay an amount, whether rental or commercial revenue 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. Ancillary services are deemed to be significant when they take place within the property, the value of the services exceeds one quarter of the estimated rental value of the property and they are provided under a non-cancellable contract.

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

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

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.

Notes to the financial statements

1 **Accounting policies** (continued)

1 5 **Significant accounting policies** (continued)

Property, plant and equipment (continued)
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.

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 and the effect of the asset ceiling 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.

1.6 **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.

Notes to the financial statements

1. **Accounting policies** (continued)

1.6 **Other accounting policies** (continued)

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

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

Notes to the financial statements

1. **Accounting policies** (continued)

1 6 **Other accounting policies** (continued)

Investment in associates (continued)
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.

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 asset or 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 assets or 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.

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 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 cost of 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

Notes to the financial statements

1. **Accounting policies** (continued)

1.6 **Other accounting policies** (continued)

Financial instruments (continued)
Derivative financial instruments utilised by the group comprise forward foreign exchange contracts Such instruments are used for hedging purposes (albeit they 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 financial instruments are initially recorded in the balance sheet at fair value

Recognition of gains or losses on derivative financial instruments depends on whether the instrument is designated as a hedge and the type of exposure it is designed to hedge. The group's derivatives are not designated as hedges They are recognised at fair value through profit and loss and gains and losses are taken to the income statement.

Foreign currencies
Transactions in currencies, other than the entity's functional currency, are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date Exchange differences are recognised in the profit and loss in the period in which they arise

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

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

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

Notes to the financial statements

2 Operating profit

Operatıng profit ıs stated after chargıng/(credıtıng)·

	2014 £m	2013 £m
Depreciatıon		
Property, plant and equıpment – other	**45.6**	41 0
Amortısatıon		
Intangıble assets – ıncluded ın cost of sales	**0.9**	0.8
Intangıble assets – ıncluded ın admınıstratıve expenses	**0.6**	0.4
Profit on sale of associated undertaking	**-**	(0.1)
Loss on dısposal of non-current assets	**2.7**	-
Other operatıng lease rentals payable		
Property, plant and equıpment	**3.9**	3 9
Repaırs and maıntenance expendıture on property, plant and equıpment	**18.1**	16 3
Thırd party labour and sub-contractor haulage	**34.2**	30 4
Utılıtıes and fuel	**18.0**	18 9
Trade receıvables ımpaırment	**1.0**	1 5

3 Audit fees

Remuneratıon receıved by Ernst & Young LLP (2013 Ernst & Young LLP) for the audıt of the company, group and subsıdıary accounts of the ultımate parent undertakıng, ABP (Jersey) Lımıted, and for tax servıces for the ABP (Jersey) Lımıted group ıs detaıled below and has been borne by a subsıdıary undertakıng

	2014 £'000	2013 £'000
Group and company audıts	**494.4**	475 8
Tax advısory servıces	**5.2**	30 0
Other servıces	**10.8**	-

In addıtıon to the above servıces, Ernst & Young LLP (2013 Ernst & Young LLP) acted as audıtor to the group's maın defined benefits pensıon scheme - The Assocıated Brıtısh Ports Group Pensıon Scheme The appointment of audıtors to the group's pensıon schemes and the fees paıd in respect of those audıts are agreed by the trustees of each scheme, who act ındependently from the management of the group The aggregate fees paıd to the group's audıtor for audıt servıces to the pensıon schemes durıng the year were £37,408 (2013 £24,259)

4 Directors and employees

Staff costs are analysed as follows:

Staff costs	2014 £m	2013 £m
Wages and salarıes	**76.5**	76 2
Socıal securıty costs	**8.2**	8 0
Pensıon costs (note 12)	**8.4**	8 9
	93.1	93.1
Exceptıonal pensıon ıtems (note 12)	**-**	31.2
Total staff costs	**93.1**	124.3

The monthly average number of people employed durıng the year was 1,992 (2013 1,980)

Notes to the financial statements

4. **Directors and employees** (continued)

Directors emoluments are analysed as follows·

Emoluments paid to directors of the company	**2014 £m**	**2013 £m**
Short-term employee benefits	**1.7**	2.3
Post-employment benefits	**0.1**	0 2
Other long-term benefits	**0.9**	0 6
Total directors emoluments	**2.7**	3 1

Emoluments comprise amounts paid to the directors of the company, by the company and its subsidiaries.

Key management compensation is analysed as follows:

Key management compensation	**2014 £m**	**2013 £m**
Short-term employee benefits	**2.7**	3.7
Post-employment benefits	**0.3**	0.4
Other long-term benefits	**1.4**	1 1
Termination benefits	**-**	0.5
Total key management compensation	**4.4**	5.7

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

One director (2013: two) of the company is eligible to join the Associated British Ports Group Pension Scheme, at 31 December 2014, one director (2013. two) is a member of the defined contribution scheme and one director (2013· two) received an allowance for contributions towards pension schemes unconnected with the group During 2013 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.

Highest paid director	**2014 £m**	**2013 £m**
Short-term employee benefits	**0.7**	0 7
Post-employment benefits	**0.1**	0 1
Other long-term benefits	**0.4**	0 2
Total highest paid director	**1.2**	1 0

For further disclosure of amounts paid to the shareholders for the directors of the group, refer to note 25.

Notes to the financial statements

5 Finance costs/(income)

	2014 £m	2013 £m
Net interest charge on net defined benefit lıabılıty	**2.0**	2 6
Other finance cost	**1.6**	0 8
Less capitalısed on non-current assets under constructıon	**(9.4)**	(3 4)
Finance costs	**(5.8)**	-
Interest on amounts due from parent undertakıng	**(41.6)**	(34.8)
Other finance ıncome	**(0.2)**	(0.4)
Finance income	**(41.8)**	(35.2)
Net finance income on financial assets and financial liabilities held at amortised cost	**(47.6)**	(35.2)

6 Taxation

Analysis of charge/(credit) for the year	2014 £m	2013 £m
Current tax – current year	**60.6**	64 3
Deferred tax (note 20)	**5.7**	(30 0)
Taxation	**66.3**	34 3

Current taxatıon for the current and prıor year represents a charge for group relief surrendered by other group undertakıngs, wıth the amount beıng added to amounts owed to group undertakıngs

Tax on items (charged)/credited to equity	2014 £m	2013 £m
Deferred tax associated wıth actuarıal loss/gaın relatıng to net retırement benefit asset	**1.5**	(4.6)
Deferred tax arısıng on revaluatıon of ınvestment property	**(0.4)**	2 0

The taxatıon for the year ıs hıgher (2013: lower) than the standard rate of taxatıon ın the UK of 21 49% (2013 23 25%) The dıfferences are explaıned below

	2014 £m	2013 £m
Profit before taxation	**304.9**	312 9
Profit before taxatıon multıplıed by standard rate of corporatıon tax ın the UK of 21 49% (2013 23 25%)	**65.5**	72 7
Effects of		
Expenses not deductıble for tax	**2.1**	1.8
Share of profit ın assocıated undertakıng	**(1.5)**	-
Decrease ın deferred taxes due to reductıon ın tax rate	**(0.5)**	(23.6)
Impact of ındexatıon allowance ın respect of revaluatıon gains	-	(11.5)
Tax ın respect of prıor years	**0.7**	(5.1)
Total tax charge for the group	**66.3**	34.3

Notes to the financial statements

7 Goodwill

	2014 £m	2013 £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 UK-wide ports and transport cash generating unit ("CGU")

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 relevant UK-wide ports and transport CGU

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 2014, 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 5% (2013· 8 4%) reflecting the specific risks relevant to the UK-wide ports and transport CGU.

Growth rate – Rates are estimated based on published industry research appropriate to the group's UK-wide ports and transport CGU The growth rate used was 3 0% (2013 3 0%)

With regards to the assessment of goodwill, senior 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

Notes to the financial statements

8 Intangible assets

Acquired intangible assets	2014 £m	2013 £m
Cost		
At 1 January	10 2	9 0
Additions	2 2	1 2
At 31 December	**12.4**	10 2
Accumulated amortisation		
At 1 January	(4 3)	(3 1)
Charge for the year	(1.5)	(1.2)
At 31 December	**(5.8)**	(4 3)
Net book value		
At 1 January	5 9	5.9
At 31 December	**6.6**	5.9

Intangible assets cost at 31 December 2014 relates to purchased computer software £6 5m (2013: £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 (2013: £5 9m). These assets have finite lives and are being amortised over periods of between 3 years and 9 years on a straight-line basis

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
2014							
Cost							
At 1 January 2014	392 4	149 3	422 8	63.6	274 2	102 3	1,404.6
Additions	-	5 5	46 8	1 5	12 9	101 6	168.3
Transfers within property, plant and equipment	-	7.7	17 3	1.3	9 2	(35 5)	-
Transfers (to)/from investment property	(5 1)	3.2	-	-	-	(31 2)	(33 1)
Disposals	-	-	(0 1)	(0.1)	(4 9)	-	(5 1)
At 31 December 2014	**387.3**	**165.7**	**486.8**	**66.3**	**291.4**	**137.2**	**1,534.7**
Accumulated depreciation							
At 1 January 2014	-	(69 3)	(190 0)	(39 2)	(185.3)	-	(483 8)
Charge for year	-	(7 9)	(19 0)	(3 7)	(15 0)	-	(45.6)
Disposals	-	-	-	-	4 7	-	4.7
At 31 December 2014	-	**(77.2)**	**(209.0)**	**(42.9)**	**(195.6)**	-	**(524.7)**
Net book value							
At 1 January 2014	392 4	80.0	232 8	24 4	88 9	102 3	920 8
At 31 December 2014	**387.3**	**88.5**	**277.8**	**23.4**	**95.8**	**137.2**	**1,010.0**

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
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	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	-	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**

All property, plant and equipment is stated at cost with the exception of operational land. The cost of operational land is the 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 2014 totalling £3 3m (2013: £3 2m) and £0.7m (2013 £0.3m) respectively

The amount of borrowing costs capitalised during the year ended 31 December 2014 was £7 0m (2013: £2.1m). The weighted average rate used to determine the amount of borrowing costs eligible for capitalisation was 8 5% (2013 8 4%).

The net book values for property, plant and equipment are reported net of amortised government grants received of £5 1m (2013: £5 5m)

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
2014				
At valuation				
At 1 January 2014	1,456 0	54 8	34.6	1,545.4
Additions	40 4	-	-	40.4
Disposals	(2.8)	-	-	(2 8)
Transfers within investment property	2 0	0 1	(2 1)	-
Transfers from property and land held for sale	-	-	1 6	1.6
Transfers from property, plant and equipment	26.0	6.8	0 3	33.1
	1,521.6	**61.7**	**34.4**	**1,617.7**
Surplus/(deficit) on revaluation	13 1	0 2	(0 5)	12.8
Expense on re-measurement	(7 4)	(0 2)	(0 4)	(8 0)
At 31 December 2014	**1,527.3**	**61.7**	**33.5**	**1,622.5**

	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	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**

Of the net surplus on revaluation during the year, £8.0m (2013 £57 2m) was included within the income statement as a decrease (2013 increase) in the fair value of investment property with the balance of £12 8m (2013 £5 4m) being credited (2013 credited) directly to the revaluation reserve, as it related to the initial revaluation of properties transferred from property, plant and equipment to investment property

There are no restrictions on the realisability of investment property or the remittance of income and proceeds of disposals

The amount of borrowing costs capitalised during the year ended 31 December 2014 was £2 4m (2013 £1 3m)

Notes to the financial statements

10 **Investment property** (continued)

Included under port-related investment properties is £48 4m relating to "Green Port Hull", an investment property under construction This is a project to develop port facilities to be used for off-shore wind turbine production. During 2014 an Agreement for Lease of the facilities was signed with Siemens Plc and construction works began The facilities are expected to be complete by 2017 The property has been valued at its fair value based on the expected value once completed, less projected costs required to complete the project and an appropriate developer's profit The gross capital cost of the project is forecast to be £136.7m

All gains and losses recorded in the income statement for recurring fair value measurements categorised within Level 3 of the fair value hierarchy are attributable to changes in unrealised gains or losses relating to investment property held at the end of the reporting period

Basis of valuation
Investment property valuations are conducted annually by the group's internal valuation team and are reviewed by external valuers at least once every five years, the most recent being as at 31 December 2013 The group's internal valuation team comprises four Regional Property Managers and is led by the Head of Property.

Investment properties fair values have 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 IFRS 13

The highest and best use for all investment property is considered by management to be the current use, except where a property is in the process of being developed. In these circumstances, the future intended use of the asset is considered to be its highest and best use

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 valuations also take into account the wider port operating costs either by applying an appropriate amount of such costs against the revenues generated by the property and/or by an adjustment to the yield

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.

Notes to the financial statements

10 **Investment property** (continued)

The investment property valuations are reviewed by the Regional and Group finance teams and discussions are held with the internal valuation team to determine whether changes in the valuation from the prior year are reasonable Discussions are then held with the Chief Financial Officer before presenting the results to the group's independent auditors

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

2014	**Port-related investment properties**	**Other investment properties**	**Total**
Observable			
Income per acre £'000	94.9	13.1	55.7
Income range per acre £'000	0-963	0-655	0-963
Unobservable			
Yield – average %	11 9	12.5	12.0
Yield – range %	6.0-33 3	7 0-28.0	6 0-33.3
Other assumptions			
Purchasers' costs %	1.8	1.8	1 8

2013	**Port-related investment properties**	**Other investment properties**	**Total**
Observable			
Income per acre £'000	90 0	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 2014 averages 12 0% (2013 12.3%) A decrease in the average yield of 0 5% would result in an increase in the aggregate valuation of £69 4m (2013. £47.4m) and an increase in the average yield of 0 5% would result in a decrease in the aggregate valuation of £63.9m (2013. £43 9m) Yields are not dependent on any other unobservable inputs used in the valuations.

Rental income

Rental income, excluding other income, generated from the group's investment property portfolio amounted to £66 5m (2013 £81.5m) and related operating expenses amounted to £1 4m (2013 £nil) Direct operating expenses relating to vacant property are considered to be immaterial.

The group leases various areas of land, buildings and other operational assets across its port facilities to its customers. 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

Notes to the financial statements

10. **Investment property** (contınued)

The future mınımum lease ıncome receıvable under non-cancellable operatıng leases ıs as follows

	2014 £m	2013 £m
Not later than one year	**63.2**	52 2
More than one year but not more than five years	**178.3**	166 8
More than five years	**435.0**	469 2
Total	**676.5**	688 2

11 **Investments**

	Interest in associates	
	2014 £m	**2013 £m**
At 1 January	**39.0**	36 7
Share of profit for the year	**6.8**	1 6
Actuarıal (loss)/gain relatıng to group's share of net retırement benefit lıabılıtıes of associated undertakıng	**(3.3)**	1 0
Dısposal of associated undertakıng	**-**	(0 3)
At 31 December	**42.6**	39 0

A list of the group's prıncıpal subsıdıarıes and associated undertaking ıs set out ın note 28

In May 2013, the group sold ıts 49% share ın Assocıated Global Logistıcs Lımıted for £0 4m, wıth the cash receıved ın that year.

Notes to the financial statements

11 **Investments** (continued)

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

	2014 £m	2013 £m
Revenue	**128.2**	101 1
Operating expenses	**(100.4)**	(87 8)
Depreciation and amortisation	**(10.4)**	(9 7)
Operating profit	**17.4**	3 6
Finance costs	**(0.8)**	(1 2)
Finance income	**0.1**	0 1
Profit before tax	**16.7**	2 5
Taxation	**(2.8)**	0.8
Profit after tax	**13.9**	3.3
Other comprehensive income	**(6.8)**	2.1
Total comprehensive income	**7.1**	5.4
Less comprehensive income attributable to controlling shareholder	**(3.6)**	(2 8)
Share of comprehensive income of associated undertaking	**3.5**	2 6
Non-current assets	**87.5**	92 4
Current assets	**60.0**	34 8
Current liabilities	**(26.7)**	(21 5)
Non-current liabilities	**(33.8)**	(25 1)
Net assets	**87.0**	80 6
Less net assets attributable to controlling shareholder	**(44.4)**	(41 6)
Share of net assets in associated undertaking	**42.6**	39 0

Included in the above are

	2014 £m	2013 £m
Cash and cash equivalents	**36.2**	14 6
Current financial liabilities	**(0.7)**	-
Non-current financial liabilities	**(2.4)**	(2 4)

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 The Merchant Navy Officers Pension Fund ("MNOPF"). 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.

Notes to the financial statements

12. **Pension commitments** (continued)

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

	2014 £m	2013 £m
ABPGPS and unfunded retirement benefit arrangements	**5.4**	5 5
Industry wide schemes	**(1.9)**	0 1
Defined contribution arrangements	**4.9**	3 3
Gross pension costs recognised within operating profit before exceptional items (note 4)	**8.4**	8 9
Exceptional items (note 4)		
PNPF	-	27 4
FRDWPF	-	2 0
MNOPF	-	1 8
Net pension charge recognised within operating profit	**8.4**	40.1
Net interest charge on net defined benefit liability	**2.0**	2 6
Net pension charge recognised in profit before tax	**10.4**	42.7

From 1 January 2013 the PNPF scheme was accounted for on a defined benefit basis under IAS 19. The increase in the liability as a result of this change was recognised as an exceptional item in the income statement in 2013, as noted above.

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

	2014 £m	2013 £m
ABPGPS – net funded pension asset	**28.6**	35.9
ABPGPS – net unfunded pension liability	**(2.7)**	(2.6)
	25.9	33 3
PNPF	**(73.0)**	(78.9)
FRDWPF	**(1.7)**	(2 4)
MNOPF	**(1.1)**	(1 8)
Net retirement benefit liability	**(49.9)**	(49 8)
Net retirement benefit assets total	**28.6**	35 9
Net retirement benefit obligations total	**(78.5)**	(85 7)
Net retirement benefit liability	**(49.9)**	(49 8)

Schemes accounted for on a defined benefit basis under IAS 19

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 2014 constituted less than 6% (2013: less than 5 25%) of the total asset value.

Notes to the financial statements

12 **Pension commitments** (continued)

Schemes accounted for on a defined benefit basis under IAS 19 (continued)

ABPGPS and unfunded retirement benefit arrangements (continued)
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 2014 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.

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.

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 2013.

Under the terms of the PNPF scheme rules and the trustee powers 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)

The actuary assessed and indicated the group's share of the deficit as at 31 December 2014 to be 35 5% (2013· 34 6%). During 2014 the deficit and schedule of deficit contributions was confirmed.

The results of the latest valuation have been adjusted to the balance sheet date, taking account of experience over the period since 31 December 2013, 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 £4.9m in 2015 rising by 3 4% from 2016 onwards until 2028

Notes to the financial statements

12. **Pension commitments** (continued)

Schemes accounted for on a defined benefit basis under IAS 19 (continued)

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

	ABPGPS		PNPF	
	2014	**2013**	**2014**	**2013**
	%	**%**	**%**	**%**
Inflation (CPI/RPI)	**1.95/2.95**	2 30/3.30	**2.00/3.00**	2 30/3 30
Rate of increase in pensionable salaries	**1.85**	1 85	**3.50**	3 80
Rate of increase for pensions in payment[1]	**1.95/2.80**	2 30/3 05	**3.60**	3 20
Rate of increase for pensions in payment[2]	**2.10**	2 25	**2.90**	3 70
Rate of increase for deferred pensions (CPI/RPI)	**1.95/2.95**	2 30/3 30	**2.00**	2 30
Discount rate	**3.50**	4 35	**3.40**	4 35

[1] *ABPGPS - (earned before 1 April 2007) (CPI/RPI), PNPF (maximum 5%, minimum 0%)*
[2] *ABPGPS - (earned on or after 1 April 2007), PNPF (maximum 5%, minimum 3%)*

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

The mortality assumptions are based on standard mortality tables which allow for future mortality improvements The assumptions as at 31 December were as follows

	ABPGPS		PNPF	
	2014	**2013**	**2014**	**2013**
	Years	**Years**	**Years**	**Years**
Male life expectancy retiring at age 60 in 15 years	**28.4**	28 3	**28.3**	28.7
Female life expectancy retiring at age 60 in 15 years	**30.9**	30 8	**30.6**	31 4

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:

	ABPGPS		PNPF	
	2014	**2013**	**2014**	**2013**
Increase in liabilities	**£m**	**£m**	**£m**	**£m**
Decrease in discount factor by 0.5%	**52.0**	45 1	**13.8**	13 1
Increase in rate of mortality of a 60 year old by 1 year	**22.9**	21.5	**8.3**	7 8

Notes to the financial statements

12 **Pension commitments** (contınued)

Schemes accounted for on a defined benefit basis under IAS 19 (contınued)

Income statement

The amounts recognısed ın the ıncome statement durıng the year were as follows

	ABPGPS		PNPF	
	2014	**2013**	**2014**	**2013**
	£m	**£m**	**£m**	**£m**
Current and past servıce costs	**5.4**	5 5	**(0.8)**	0 1
Net ınterest (credıt)/charge on net defined benefit asset/lıabılıty	**(1.7)**	(0 9)	**3.4**	3.3
Net ınterest charge on unfunded retırement benefit lıabılıtıes	**0.2**	0 2	**-**	-
Exceptıonal ıtem	**-**	-	**-**	27 4
Net pension charge recognised within profit before tax	**3.9**	4.8	**2.6**	30.8

The current servıce cost represented 32 5% (2013. 31.4%) for the ABPGPS and unfunded retırement benefit arrangements and 28 5% (2013: 21 3%) for the PNPF, of the applıcable pensıonable payroll and ıs recognısed wıthın admınıstratıve expenses

Returns on assets and ınterest on liabılıtıes are determıned by reference to the actuarıal assumptıons adopted at the begınnıng of each financıal perıod The actual return on assets for 2014 was a gaın of £71.5m (2013 gaın of £27 4m) for the ABPGPS and unfunded retırement benefit arrangements and a gaın of £21 7m (2013: £6 6m) for the PNPF

Balance sheet

Changes ın faır value of scheme assets were as follows

	ABPGPS		PNPF	
	2014	**2013**	**2014**	**2013**
	£m	**£m**	**£m**	**£m**
Faır value of scheme assets at 1 January/ ıncrease ın assets from reclassıficatıon	**545.0**	533 0	**95.4**	96 9
Interest ıncome	**23.3**	22 7	**3.9**	4 0
Actuarıal gaın	**48.2**	4 7	**17.8**	2 6
Contrıbutıons by employees	**0.3**	0 3	**0.1**	0 1
Contrıbutıons by employer	**9.8**	11.4	**4.1**	2 7
Benefits paıd	**(28.4)**	(27 1)	**(10.9)**	(10 9)
Fair value of scheme assets at 31 December	**598.2**	545.0	**110.4**	95 4

The scheme's assets were represented by ınvestments ın

	2014	**2013**
ABPGPS	**%**	**%**
Lıabılıty drıven ınvestments	**52.6**	48 4
Property	**9.6**	10 0
Dıversıfied growth funds	**37.5**	40 9
Other	**0.3**	0 7

Notes to the financial statements

12 **Pension commitments** (contınued)

Schemes accounted for on a defined benefit basis under IAS 19 (contınued)

PNPF	2014 %	2013 %
Global equitıes	**14.6**	17 8
Corporate bonds	**38.6**	38 7
Fund of hedge funds	**16.2**	16 9
Dıversıfied growth funds	**15.1**	17 2
Gılts	**13.0**	8 9
Cash	**2.5**	0 5

Changes in faır value of scheme lıabılıtıes were as follows:

	ABPGPS		PNPF	
	2014 £m	**2013 £m**	**2014 £m**	**2013 £m**
Faır value of scheme lıabılıtıes at 1 January/ ıncrease ın lıabılıtıes from reclassificatıon	**(511.7)**	(520.3)	**(174.3)**	(175.8)
Current and past servıce costs	**(5.4)**	(5.5)	**0.8**	(0.1)
Interest cost	**(21.8)**	(22.0)	**(7.3)**	(7.3)
Actuarıal (loss)/gaın	**(61.5)**	9.1	**(13.4)**	(1.9)
Contrıbutıons by employees	**(0.3)**	(0 3)	**(0.1)**	(0.1)
Benefits paıd dırectly by employer	**-**	0.2	**-**	-
Benefits paid	**28.4**	27.1	**10.9**	10 9
Fair value of scheme liabilities at 31 December	**(572.3)**	(511 7)	**(183.4)**	(174 3)

As at 31 December 2014, the cumulatıve actuarıal result recognised ın the group's statement of comprehensıve ıncome amounted to a loss of £77 3m (2013. £64 0m) for the ABPGPS and unfunded retırement benefit arrangements and a gaın of £5.1m (2013 gaın £0.7m).

Historical record – ABPGPS and unfunded retirement benefit arrangements

Amounts for the current and prevıous years are as follows.	**2014 £m**	**2013 £m**	**2012 £m**	**2011 £m**	**2010 £m**
Faır value of scheme assets	**598.2**	545 0	533 0	509 7	489 2
Present value of funded scheme oblıgatıons	**(569.6)**	(509.1)	(517 7)	(482 6)	(469 2)
Present value of unfunded oblıgatıons	**(2.7)**	(2 6)	(2 6)	(2 3)	(3 1)
Net assets recognised in the balance sheet	**25.9**	33 3	12 7	24 8	16 9
Actuarıal loss due to changes ın assumptıons	**(59.7)**	(16 5)	(23 9)	(26 4)	(5 2)
Experıence (loss)/gaın on scheme lıabılıtıes	**(1.8)**	25.6	(8 2)	(1 9)	(15 4)
Experıence gaın on scheme assets	**48.2**	4.7	12 2	1 4	27 9
Actuarial (loss)/gain relating to net retirement benefit assets recognised in the statement of comprehensive income	**(13.3)**	13.8	(19 9)	(26 9)	7 3

Notes to the financial statements

12 **Pension commitments** (contmued)

Schemes accounted for on a defined benefit basis under IAS 19 (contmued)

Historical record – PNPF

Amounts for the current and previous years are as follows·	2014 £m	2013 £m
Fair value of scheme assets	**110.4**	95 4
Present value of funded scheme obligations	**(183.4)**	(174 3)
Net liabilities recognised in the balance sheet	**(73.0)**	(78 9)
Actuarial (loss)/gain due to changes in assumptions	**(11.2)**	1 2
Experience loss on scheme liabilities	**(2.2)**	(3 1)
Experience gain on scheme assets	**17.8**	2 6
Actuarial gain relating to net retirement benefit liabilities recognised in the statement of comprehensive income	**4.4**	0 7

Schemes accounted for on a defined contribution basis under IAS 19

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 in 2013. These are being paid in by the group in four equal annual installments starting in 2013 As at 31 December 2014, the group had a remaining liability of £0 3m (2013 £0 4m)

In July 2014 a contributions agreement was formally agreed by all parties to the scheme. This requires the group to contribute £1.9m (2013: £2.0m) over a period of 6.5 years into the fund. As at 31 December 2014, the group has provided for £1 4m (2013 £2 0m) although, in certain circumstances and at any time, the Trustees can call for the remaining balance to be paid at short notice The reduction in the provision of £0 6m (2013: £nil) was recognised in the industry wide scheme costs within the income statement

From 31 August 2013 there ceased to be any active members of the fund. Consequently the group made contributions of £nil (2013 £12,524) to this scheme in relation to its current active members and in 2013 recorded these as defined contribution costs within the income statement.

The Merchant Navy Officers Pension Fund ("MNOPF")
At 31 December 2014 the group has provided £1 1m (2013 £1.8m) for an impending s75 debt, which would be payable upon the retirement of the group's last remaining member of the scheme. The reduction in the provision of £0.7m (2013 £nil) has been recorded in the industry wide schemes cost within the income statement

In 2014 the group expensed as defined contribution pension costs a total of £7,620 (2013. £10,091) of contributions to this scheme.

Notes to the financial statements

12. Pension commitments (contınued)

Schemes accounted for on a defined contribution basis under IAS 19 (contınued)

The Merchant Navy Officers Pension Fund ("MNOPF") (continued)
Gıven the group's ımmaterıal exposure, the lack of availabılıty of data and the lımıted influence the group has over the affaırs of thıs scheme, the group ıntends to contınue to account for thıs scheme as a defined contrıbution scheme

Defined contribution arrangements
The defined contrıbutıon pensıon cost represents the actual contrıbutions payable by the group to the arrangements provıded by ABPGPS. At 31 December 2014, there were no amounts outstandıng as beıng due to these arrangements from the group (2013: £nıl)

13. Trade and other receivables

	2014 £m	2013 £m
Non-current		
Prepayments and accrued ıncome	**1.0**	1 0
Other receıvables	**0.1**	0 2
Total non-current trade and other receivables	**1.1**	1 2
Current		
Gross trade receıvables	**61.4**	56 9
Provısıon for doubtful receıvables	**(3.6)**	(3 5)
Net trade receıvables	**57.8**	53 4
Amounts due from parent undertakıng	**557.1**	481 5
Amounts due from associated undertaking	**8.4**	7 8
Prepayments and accrued ıncome	**29.5**	17 0
Other receıvables	**14.0**	9 6
Total current trade and other receivables	**666.8**	569 3

Detaıls of amounts due from related partıes are dısclosed ın note 25

Wıth the exceptıon of the amounts due from parent undertakıng, all trade and other receıvables are non-ınterest bearıng. Dısclosure of the financıal rısks related to these financıal ınstruments are dısclosed ın note 17.

Other receivables maınly comprıse costs ıncurred that are recoverable from thırd partıes

As at 31 December 2014, the group held trade receıvables that were past due but not ımpaıred as set out ın the table below. These relate to a number of ındependent customers for whom there ıs no recent hıstory of default and where terms and amounts have not been renegotıated ın the last year The ageıng of these trade receivables ıs as follows

	2014 £m	2013 £m
Up to 3 months	**14.2**	9 3
3 to 6 months	**2.0**	0 4
Over 6 months	**0.2**	(0 2)
Total past due but not impaired receivables	**16.4**	9 5

Notes to the financial statements

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

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

	2014 £m	2013 £m
At 1 January	**3.5**	5 1
Provision for the impairment of trade receivables	**1.0**	1.5
Receivables written off as uncollectable	**(0.1)**	(2 7)
Impairment provisions released	**(0.8)**	(0.4)
At 31 December	**3.6**	3 5

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**

	2014 £m	2013 £m
At 1 January	**2.2**	3 0
Disposals	**-**	(0 8)
Transfers to investment property (note 10)	**(1.6)**	-
At 31 December	**0.6**	2 2

The historical cost of property and land held for sale totalled £0 3m (2013 £1 3m).

15 **Borrowings**

	2014 £m	2013 £m
Current		
Obligations under finance leases	**0.2**	0 2
Current borrowings	**0.2**	0 2
Non-current		
Obligations under finance leases	**2.8**	3 0
Non-current borrowings	**2.8**	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

Notes to the financial statements

15. **Borrowings** (continued)

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**

Forward foreign exchange contracts with a notional amount of £0.1m (2013· £1 1m) 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 by May 2015 (2013 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.

17. **Financial instruments**

The group'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 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 13 72

Financial risk management
Treasury matters throughout the group are controlled centrally and carried out in compliance with policies approved by the company's board and the board of ABP (Jersey) Limited, the group's ultimate parent undertaking The group's main financial risks are liquidity, market, credit 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

Notes to the financial statements

17 **Financial instruments** (contınued)

Financial risk management (continued)

Lıquıdıty rısk

Lıquıdıty rısk ıs managed by the wıder group, owned by the company's ultımate parent, ABP (Jersey) Lımıted, by maıntaınıng borrowıng facılıtıes at a level that ıs forecast to provıde reasonable headroom ın excess of the future needs of the group Management monıtors rollıng forecasts of the group's lıquıdıty reserve (comprısed of undrawn borrowıng facılıtıes and cash and cash equıvalents) on the basıs of expected cash flows

The table below analyses the group's financıal lıabılıtıes, excludıng finance leases and forward foreıgn exchange contracts whıch are dısclosed below, based on undıscounted contractual payments

Trade and other payables and other non-current liabilities	2014 £m	2013 £m
Not later than one year	**79.9**	67 5
More than one year but not more than two years	**2.9**	2 5
More than two years but not more than five years	**14.1**	1 5
More than five years	**8.2**	-
Total payments	**105.1**	71 5

The table below analyses the group's forward foreıgn exchange contracts whıch wıll be settled on a gross basıs ınto relevant maturity groupıngs, based on the remaınıng perıod at the balance sheet date to the contractual maturıty date The amounts dısclosed ın the table are the contractual undıscounted cash flows

	2014		2013	
Forward foreign exchange contract	**Total outflows £m**	**Total inflows £m**	**Total outflows £m**	**Total Inflows £m**
Not later than one year	**(0.1)**	-	(1 1)	-
Total forward foreign exchange contracts	**(0.1)**	-	(1 1)	-

The group leases a marına and pılot vessels under finance lease arrangements. The marına has a 999 year lease whıch expıres ın March 2987, whıle the lease over the pılot vessels runs for 10 years and expıres ın December 2022. The lease over the pılot vessels has an optıon to renew, subject to revıew ın 2021 The lease over the pılot vessels also contaıns an oblıgatıon to pay a contıngent rental should the usage ın any year exceed 12,500 hours.

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

Future minimum lease payments paid on finance leases	2014 £m	2013 £m
Not later than one year	**0.7**	0 6
More than one year but not more than five years	**2.6**	2 7
More than five years	**17.5**	18 1
	20.8	21 4
Less finance charges allocated to future perıods	**(17.8)**	(18 2)
Present value of minimum lease payments	**3.0**	3.2

Notes to the financial statements

17. **Financial instruments** (continued)

Financial risk management (continued)

Amounts payable under finance leases	**2014 £m**	**2013 £m**
Not later than one year	**0.2**	0 2
More than one year but not more than five years	**1.2**	1 0
More than five years	**1.6**	2 0
Total obligations under finance leases	**3.0**	3.2

The group sub-leases the marina to a third party under a finance lease arrangement over the same term as the principal lease. The sub-lease also provides the group with a contribution from the sub-tenants over the same period as the principal lease based on the number of berths at the marina.

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

Future minimum rental receipts from finance leases	**2014 £m**	**2013 £m**
Not later than one year	-	-
More than one year but not more than five years	**0.2**	0 2
More than five years	**36.0**	35 5
	36.2	35.7
Less· finance charges allocated to future periods	**(36.0)**	(35.5)
Present value of minimum lease rental receipts	**0.2**	0 2

Amounts receivable under finance leases	**2014 £m**	**2013 £m**
Not later than one year	-	-
More than one year but not more than five years	-	-
More than five years	**0.2**	0.2
Total receivables under finance leases	**0.2**	0 2

The group did not have direct access to any undrawn borrowing facilities at 31 December 2014 (2013: £nil) The group can access committed undrawn borrowings thorough its immediate parent undertaking, ABP Acquisitions UK Limited ("ABPA") as set out in the table below:

	2014 £m	**2013 £m**
Expiring in.		
More than two years but not more than five years	**240.0**	150.0
More than five years	**60.0**	-
Undrawn borrowing facilities	**300.0**	150 0

Market risk

Interest rate risk

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

Notes to the financial statements

17 **Financial instruments** (continued)

Financial risk management (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.

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 not to be material The group uses external credit rating agencies to assess and monitor its trade receivables

Given the counterparties of group receivables, as set out in note 13, management considers the group's exposure to credit risk to be minimal. The maximum exposure to credit risk at 31 December 2014 is the carrying amount of each class of receivable.

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 £1,369 0m (2013 restated: £1,133 5m) and finance leases £3 0m (2013: £3 2m). The group's immediate parent undertaking, ABPA also has committed but unutilised facilities totalling £300 0m (2013. £150 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 - current**

	2014	**2013**
	£m	**£m**
Trade payables	**34.5**	20.0
Accruals	**37.3**	39 5
Other creditors	**4.5**	4 5
Taxation	**3.5**	3 4
Property completions payable	**0.1**	0 1
Trade and other payables - current	**79.9**	67 5

All trade and other payables are non-interest bearing.

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

Notes to the financial statements

19. Provisions

	Restructuring £m	Property £m	Restated* Self insurance £m	Other £m	Restated* Total £m
At 1 January 2014	2.5	4 7	20.9	1 2	29 3
Charged/(credited) to income statement during the year	0.5	(1 2)	1 2	-	0 5
Utilised in the year	(1 3)	(0 2)	(3 0)	(0.2)	(4 7)
Commutation transfer in year	-	-	0 5	-	0 5
Amortisation of discounting	-	-	1 0	-	1 0
At 31 December 2014	**1.7**	**3.3**	**20.6**	**1.0**	**26.6**
Expected utilisation with one year	1.7	0 2	4 8	1 0	7 7

	Restructuring £m	Property £m	Restated* Self insurance £m	Other £m	Restated* Total £m
At 1 January 2013	0.4	6 9	24 1	1.3	32 7
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**	**20.9**	**1.2**	**29.3**
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·

	2014 £m	Restated* 2013 £m
Current	**7.7**	11 0
Non-current	**18.9**	18 3
Total provisions	**26.6**	29 3

**Certain amounts shown for 2013 do not correspond to the 2013 accounts and reflect adjustments made as detailed in notes 1 2 and 20*

Restructuring
During 2013 a restructuring programme was initiated and an appropriate provision was 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

Notes to the financial statements

19 **Provisions** (contınued)

Self insurance
The group self-ınsures varıous matters relatıng prımarıly to property, employer's lıabılıtıes and general thırd party lıabılıtıes associated wıth ıts busıness

Part of the provısıon has been revıewed and updated ın conjunctıon wıth an ındependent actuary Cash flows, where approprıate, have been dıscounted on a pre-tax basıs usıng a dıscount rate of 4 0% (2013 restated 4 0%). The group reassesses these lıabılıtıes on an annual basıs The potential lıabılıtıes have been projected forward untıl 2075 The remaınıng parts of the provısıon are revıewed and updated ın conjunctıon wıth an external ınsurance advıser.

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

20 **Deferred tax**

The change ın the UK corporatıon tax rate from 23% to 21% (effectıve from 1 Aprıl 2014) and then from 21% to 20% (effectıve 1 Aprıl 2015) was substantıvely enacted on 2 July 2013 Accordıngly, the deferred tax balances are remeasured to 20% Deferred tax ıs calculated ın full on temporary dıfferences under the lıabılıty method

The movement on the deferred tax ıs shown below

	Restated* 2013 £m	**Adjustments in respect of previous periods (credited)/charged to income statement £m**	**Charged/ (credited) to income statement £m**	**(Credited) /charged to equity £m**	**Total 2014 £m**
Accelerated tax depreciatıon	78 3	0 7	4 9	-	**83.9**
Revaluatıon of operatıonal land and ınvestment propertıes	113 9	-	(1 6)	0 4	**112.7**
Capıtal losses	(10 9)	-	-	-	**(10.9)**
Retırement benefit oblıgatıons	(10 2)	-	1 6	(1 5)	**(10.1)**
Other	(2 4)	-	-	-	**(2.4)**
Net deferred tax liability	168 7	0 7	4 9	(1 1)	**173.2**

**Certaın amounts shown for 2013 do not correspond to the 2013 accounts and reflect adjustments made as detaıled ın notes 1 2 and 20*

Notes to the financial statements

20 **Deferred tax** (contınued)

	Restated* 2012 £m	Adjustments in respect of previous periods (credited)/charged to income statement £m	(Credited) /charged to income statement £m	Charged/ (credited) to equity £m	Restated* Total 2013 £m
Accelerated tax depreciatıon	90.8	(2 7)	(9 8)	-	**78.3**
Revaluatıon of operatıonal land and ınvestment propertıes	127.7	(0 3)	(10 8)	(2 7)	**113.9**
Capıtal losses	(11.6)	-	-	0.7	**(10.9)**
Retırement benefit oblıgatıons	(8.3)	(2.2)	(4 3)	4.6	**(10.2)**
Other	(2 5)	0.1	-	-	**(2.4)**
Net deferred tax liability	196 1	(5.1)	(24 9)	2 6	**168.7**

**Certaın amounts shown for 2012 and 2013 do not correspond to the 2012 and 2013 accounts and reflect adjustments made as detaıled ın notes 1 2 and 19*

The group does not expect the deferred tax lıabılıty to crystallıse wıthın the foreseeable future and has classıfied the balance as beıng non-current

The group has unrecognısed capital losses of £314.1m (2013 £314 1m) that are only avaılable for offset agaınst future sales of land and buıldıngs from the port estates These have not been recognısed as future property sales cannot be projected with suffıcıent certaınty

The group had no unrecognısed deferred ıncome tax assets (2013. £nıl) that can be carrıed forward against future taxable ıncome

21. **Other non-current liabilities**

	2014 £m	2013 £m
Other liabilities	**25.2**	4.0

The movement ın other non-current lıabılıtıes relates prıncıpally to rent and other ıncome receıved ın advance

22 **Share capital**

Authorised

	Shares	2014 £m	Shares	2013 £m
Ordinary shares of 25p each	**500,000,000**	**125.0**	500,000,000	125.0

Notes to the financial statements

22 **Share capital** (contınued)

Issued and fully paid

Ordınary shares of 25p each	Shares	2014 £m	Shares	2013 £m
At 1 January	**310,010,453**	**77.5**	309,978,896	77 5
Allotted under share optıon schemes	**-**	**-**	31,557	-
At 31 December	**310,010,453**	**77.5**	310,010,453	77 5

The company dıd not repurchase any of ıts own shares durıng 2014 or 2013

Potential issue of shares

(i) Outstanding share options
In 2013 optıons exercısed resulted ın the ıssue of 31,557 ordınary shares of 25p each The company receıved a total of £0 1m ın respect of these shares A summary of options granted to employees and outstandıng at 31 December 2013 under share optıon schemes ıs gıven below All optıons expıred ın 2013.

	Date granted	Price per share	Date option normally exercisable	Number of options outstanding
Savıngs-related scheme	October 2005	398 0p	2012 to 2013	-

All grants of options made under the Savıngs-Related Share Optıon Scheme ("SRSOS") were, as permıtted by the rules of the scheme, made at a prıce equal to 80% of the average mıddle-market quotatıons as derıved from the Daıly Offıcıal Lıst of the London Stock Exchange for the dealıng days specıfied ın rule 6(ıı) of the scheme

(ii) Changes in share options
A reconcılıatıon of the changes ın share optıons ıs shown below·

	2014		2013	
	Number of shares	**Weighted average exercise price (pence)**	**Number of shares**	**Weighted average exercise price (pence)**
Outstandıng at 1 January	-	-	31,728	398.0
Lapsed	-	-	(171)	-
Exercısed	-	-	(31,557)	398 0
Outstanding at 31 December	-	-	-	-
Exercisable at 31 December	-	-	-	-

There were no optıons outstandıng at the end of 2014 and 2013

Notes to the financial statements

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

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	2014 £m	2013 £m
Profit before taxation	**304.9**	312 9
Finance costs	**(5.8)**	-
Finance income	**(41.8)**	(35.2)
Share of profit in associated undertaking	**(6.8)**	(1.6)
Depreciation of property, plant and equipment	**45.6**	41.0
Amortisation of intangible assets	**1.5**	1 2
Profit on sale of associated undertaking	**-**	(0.1)
Loss on sale of non-current assets	**2.7**	-
Decrease in provisions	**(3.7)**	(3 7)
Revaluation of investment properties	**8.0**	(57 2)
Difference between pension contributions paid and defined benefit pension credit/charge through profit and loss	**(10.7)**	22 8
Operating cash flows before movements in working capital	**293.9**	280 1
Decrease in property and land held for sale	**-**	0 8
Increase in trade and other receivables	**(116.6)**	(164 3)
Increase/(decrease) in trade and other payables	**20.0**	(5 3)
Cash generated by operations	**197.3**	111 3

Notes to the financial statements

25 Related party transactions

At 31 December 2014, the group had an interest in an associated undertaking. Southampton Container Terminals Limited (trading as DPWS) The nature of this investment is described more fully in note 28.

	Amounts charged during the year*		Amounts outstanding	
	2014 £m	2013 £m	2014 £m	2013 £m
Transactions with associates				
Southampton Container Terminals Limited (DPWS)	**36.5**	31 2	**8.4**	**7.8**
Transactions with associates	**36.5**	31 2	**8.4**	**7.8**

** Charges related to fees for property management and operational services provided by the group and these are included in revenue*

The group's UK retirement benefit schemes are managed by The Associated British Ports Group Pension Scheme ("ABPGPS") (see note 12) During the year, the group charged ABPGPS £0 1m (2013: £0.1m) in respect of administrative services At 31 December 2014, £nil (2013 £nil) remained owing to the group by ABPGPS in respect of these charges.

During the year, twelve (2013 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

	2014 £	2013 £
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 Infrastructure Management Inc (on behalf of Borealis International Investments Corporation and Borealis (Luxembourg) S C A)	**105,000**	105,000
Cheyne Walk Investment Pte Limited	**105,000**	85,853
M&G Investment Management Limited (on behalf of Infracapital ABP SLP 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

Notes to the financial statements

25 **Related party transactions** (contınued)

The followıng table shows the current account transactions that have been entered ınto by the group wıth related partıes, together wıth peпod end balances, for the relevant financıal year:

ABP Acquisitions UK Limited	**2014** **£m**	**2013** **£m**
Intercompany receıvable at start of the year	**481.5**	348 6
Increase ın receıvable	**34.0**	98 1
Interest charged – 7 7% per annum (2013 7 6%)	**41.6**	34 8
Intercompany receıvable at end of the year	**557.1**	481 5

26. **Financial commitments**

Capital expenditure

	2014 **£m**	**2013** **£m**
Group capıtal expendıture contracted but not provıded for	**155.0**	134 5

The group's share of the capıtal commıtments of ıts assocıated undertakıng amounted to £2 4m (2013· £0 2m)

On 19 December 2014 ABP Marchwood Ltd, a wholly owned subsıdıary of Assocıated Bntısh Ports, undertook a condıtıonal exchange of contracts to purchase the assets of Marchwood Industrıal Park and Cracknore Industrıal Park from Oceanıc Estates Ltd and Marchwood Slıpways Ltd for £89 0m On exchange a deposıt of £0 9m was paıd and thıs has been recognısed ın trade and other receıvables at 31 December 2014.

Subject to the completıon of the exchange condıtıons, the expected completıon date for the purchase of Marchwood Industrıal Park and Cracknore Industrıal Park ıs 24 June 2015

Operating leases (excluding investment property)

The group leases varıous vehıcles and property under non-cancellable operatıng lease agreements, which have terms between 37 to 125 years wıth varıous renewal rıghts

Total future mınımum lease ınstalments expected to be paid under non-cancellable operatıng leases are as follows	**2014** **£m**	**2013** **£m**
Not more than one year	**2.7**	2.6
More than one year but not more than five years	**4.0**	4 5
More than five years	**16.4**	14 4
Total to be paid	**23.1**	21.5

Notes to the financial statements

26. **Financial commitments** (continued)

The group subleases vanous properties under non-cancellable operatıng lease agreements, whıch have vanous terms and renewable nghts.

Total future mınımum lease ınstalments expected to be received under non-cancellable operatıng subleases are as follows:	2014 £m	2013 £m
Not more than one year	**0.6**	0 6
More than one year but not more than five years	**0.7**	1 2
More than five years	**0.2**	0 9
Total to be received	**1.5**	2 7

27. **Contingent liabilities**

Contıngent liabılıtıes under claıms, indemnıtıes and guarantees	2014 £m	2013 £m
Guarantees ın respect of group borrowıngs	**1,968.7**	1,912.5
Guarantees ın respect of undrawn group borrowıngs	**440.0**	285 0
Other guarantees and contıngencies	**0.6**	0 4
Total cross guarantees by group	**2,408.7**	2,197.5
Group's guaranteed borrowıngs as set out ın note 15	**-**	-
Total borrowings and undrawn facilities of group of which company is a member	**2,408.7**	2,197.5

As part of the secunty package for borrowıng facılıtıes of the wider group owned by the company's ultımate parent company, certaın wıder group companıes have granted a guarantee and fixed and floatıng charges over theır respectıve assets ıncludıng over real property owned by them and shares ın subsıdıanes (excludıng Assocıated Bntısh Ports and ıts subsıdıanes) and vanous other assets ıncludıng the company's nghts ın relatıon to ıts prıncıpal subsıdıary, Assocıated Bntısh Ports No guarantees or secunty have been granted by Assocıated Bntısh Ports or ıts subsidıanes ın respect of such borrowıng facılıtıes

Other guarantees and contıngencıes relate pnmanly to performance bonds.

The group makes contnbutıons to three ındustry-wıde defined benefit pensıon schemes, whıch have vanous fundıng levels The group's abılıty to control these schemes ıs limited and therefore the ımpact on the group's future cash flows and cost base from these schemes ıs uncertaın Further detaıls on these schemes are set out ın note 12.

Followıng the groups decısıon to close the ıntermedıate undertakıng ABP Insurance Lımıted ("ABPIL") ın 2014, letters of credıt held by the company were cancelled (2013 £1.4m). Cash reserves are stıll held ın ABPIL £2 1m (2013 £1 4m) and wıll be transferred once the company ıs lıquıdated The assocıated lıabılıtıes are now held ın the company, wıth ıssued letters of credıt totallıng £1.0m (2013. £nıl) The company ıs not requıred to secure any cash reserves agaınst these letters of credit.

Subsıdıary undertaking, Associated Bntısh Ports, has deposited £1.6m (2013 £1 6m) cash ınto an escrow account regardıng a UK customs duty and Value Added Tax dıspute wıth HMRC. No matenal lıabılıty is expected to anse as a consequence of these dısputes.

Notes to the financial statements

27 Contingent liabilities (continued)

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 2014 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)

28. Principal subsidiaries and associated undertaking

All principal subsidiary and associated undertaking are registered 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

	% 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
Subsidiary undertakings: Property	
Grosvenor Waterside (Holdings) Limited	100
ABP Property Development Company Limited	100
Grosvenor Waterside Investments Limited	100
ABP Marchwood Limited	100
Associated undertaking: Ports and transport	
Southampton Container Terminals Limited (trading as DPWS)	49

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

29 Ultimate controlling parties

The company is a limited liability company registered in England and Wales

Its intermediate parent undertaking is ABPA Holdings Limited, which produces IFRS consolidated financial statements that are available from its registered office at Aldwych House, 71-91 Aldwych, London, WC2B 4HN The consolidated financial statements of ABPA Holdings Limited 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 44 Esplanade, St Helier, Jersey, JE4 9WG The consolidated financial statements of ABP (Jersey) Limited are the largest group in which the company is included.

Notes to the financial statements

29 **Ultimate controlling parties** (continued)

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

	% of Ordinary shares	% of Preference shares
Infracapital ABP SLP LP[1] (owned by Infracapital Partners LP, itself managed by M&G Investment Management Limited)	10.00	10 00
Cheyne Walk Investment Pte Limited (owned by GIC Ventures Pte)	33.33	33.33
Borealis (Luxembourg) S C A (owned by OMERS Administration Corporation)	16.67	33.33
Borealis International Investments Corporation (owned by OMERS Administration Corporation)	16.67	-
Admiral Global & International S à r l. (owned by GS Global Infrastructure Partners I, LP and GS International Infrastructure Partners I, LP)	23 00	22.71
Admiral Institutional S à.r l (owned by GS Institutional Infrastructure Partners I, LP)	0 33	0 63
	100.00	**100.00**

[1] During the year Infracapital Nominees Limited transferred its shares in ABP (Jersey) Limited to Infracapital ABP SLP LP

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 2014 which comprise, the Company Balance Sheet, the Company Statement of Cash Flows, the Company Statement of Changes in Equity and the related notes 1 to 15. 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 14, 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 2014,
- 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

Ernst & Young LLP

Matthew Williams (Senior statutory auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
London
11 March 2015

Company balance sheet as at 31 December

	Note	2014 £m	2013 £m
Assets			
Non-current assets			
Investments	5	**152.2**	152 2
Group and other receivables	6	**636.0**	631.9
		788.2	784 1
Current assets			
Group and other receivables	6	**557.8**	481 5
		557.8	481.5
Total assets		**1,346.0**	1,265.6
Liabilities			
Current liabilities			
Group and other payables	8	**(25.9)**	(25 7)
Provisions	9	**(4.4)**	-
		(30.3)	(25 7)
Non-current liabilities			
Other non-current liabilities	10	**(0.6)**	(0 2)
		(0.6)	(0 2)
Total liabilities		**(30.9)**	(25 9)
Net assets		**1,315.1**	1,239 7
Shareholder's equity			
Share capital	11	**77.5**	77 5
Share premium account		**130.6**	130.6
Other reserves		**40.4**	40.4
Retained earnings		**1,066.6**	991.2
Total shareholder's equity		**1,315.1**	1,239 7

The financial statements were approved by the board of directors on 4 March 2015 and signed on its behalf by:

GSM Bull
Director

Company statement of cash flows for the year ended 31 December

	Note	2014 £m	2013 £m
Cash flows from operating activities			
Cash absorbed by operations	12	**(92.5)**	(2.1)
Interest received		**20.1**	-
Net cash outflow from operating activities		**(72.4)**	(2 1)
Cash flows from financing activities			
Proceeds from repayment of borrowings		**96.0**	-
Issue of borrowings		**(23.6)**	-
Dividends received from subsidiary		-	2 0
Proceeds from issue of share capital		-	0 1
Net cash inflow from financing activities		**72.4**	2 1
Change in cash and cash equivalents during the year		-	-
Cash and cash equivalents at 1 January		-	-
Cash and cash equivalents at 31 December		-	-

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 2013	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
Profit for the year	-	-	-	-	75.4	75 4
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	75.4	75 4
At 31 December 2014	77.5	130.6	25.5	14.9	1,066.6	1,315.1

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 historical 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 2014 as set out in note 1 3 to the consolidated financial statements have had any impact on the company's financial statements.

1 3 Critical estimates, judgements and assumptions

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.

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 shareholders amounts to a profit of £75 4m (2013 £124.7m) The company did not pay any dividends during the current or prior year

3 Auditor's remuneration

	2014 £'000	2013 £'000
Fees payable to the company's auditor for the audit of the company's annual accounts	5	5

The auditor's remuneration for 2014 and 2013 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

Details of director emoluments are provided in note 4 to the consolidated financial statements

The company had no employees during the year (2013: nil).

5. Investments

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

	Interest in subsidiary undertakings	
	2014 £m	2013 £m
At 1 January	**152.2**	152 2
At 31 December	**152.2**	152 2

6. Group and other receivables

	2014 £m	2013 £m
Non-current		
Amounts due from subsidiary undertakings	**636.0**	631 9
Total non-current group and other receivables	**636.0**	631 9
Current		
Amounts due from parent undertaking	**557.1**	481 5
Other debtors	**0.7**	-
Total current group and other receivables	**557.8**	481 5

Notes to the financial statements

6 **Group and other receivables** (continued)

Non-current amounts due from subsidiary undertakings primarily relates to a receivable from Associated British Ports, the company's immediate subsidiary. Current amounts due from parent undertaking relates to a balance with ABP Acquisitions UK Limited. For further details see note 13.

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 to the consolidated financial statements 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 and the board of ABP (Jersey) Limited, the company's ultimate parent undertaking 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, maintaining borrowing facilities at a level that is forecast to provide reasonable headroom in excess of the future needs of the group Management 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 flows

Notes to the financial statements

7 **Financial instruments** (continued)

Financial risk management (continued)

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

	2014 £m	2013 £m
Not later than one year	**25.9**	25 7
More than one year but not more than two years	**0.3**	0 2
More than two years but not more than five years	**0.3**	-
More than five years	**-**	-
Total undiscounted contractual payments	**26.5**	25.9

Credit risk
Given the counterparties of group and other receivables, as set out in note 6, 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 and other receivables is the carrying value of each class of receivable.

8 **Group and other payables - current**

	2014 £m	2013 £m
Amounts due to subsidiary undertaking	**25.1**	25 1
Accruals	**0.8**	0 6
Total group and other payables - current	**25.9**	25 7

Amounts due to subsidiary undertaking relates to Amports Holdings Limited, an immediate dormant subsidiary. For further details see note 13.

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. **Provisions**

	Self insurance £m
At 1 January 2014	-
Commutation transfer in year	**6.1**
Utilised in the year	**(1.7)**
At 31 December 2014	**4.4**
Expected utilisation with one year	**4.4**

Notes to the financial statements

9. **Provisions** (contmued)

Provisions are analysed between non-current and current as follows

	2014 £m	2013 £m
Current	**4.4**	-
Non-current	-	-
Total provisions	**4.4**	-

Self insurance
The company self-insures vanous matters relatmg pnmanly to property, employer's habilities and general third party habilities associated with its business. The provision is reviewed and updated in conjunction with an external insurance adviser

10 **Other non-current liabilities**

	2014 £m	2013 £m
Other liabilities	**0.6**	0 2

11 **Share capital**

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

12. **Cash absorbed by operations**

Reconciliation of profit before taxation to cash absorbed by operations	2014 £m	2013 £m
Profit before taxation	**93.1**	141.9
Dividend income	**(10.0)**	(68.0)
Finance income	**(84.8)**	(75.6)
Decrease in provisions	**(0.5)**	-
Operating cash flows before movements in working capital	**(2.2)**	(1 7)
(Increase)/decrease in group and other receivables	**(90.5)**	1 0
Increase/(decrease) in group and other payables	**0.2**	(1 4)
Cash absorbed by operations	**(92.5)**	(2 1)

13 **Related party transactions**

During the year, twelve of the directors, (2013: twelve) 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

Notes to the financial statements

13 **Related party transactions** (contınued)

The company has entered ınto related party transactıons and/or holds balances wıth the followıng related partıes

Related party	Relationship
ABP Acquısitıons UK Lımıted	Immedıate parent undertakıng
Assocıated Brıtısh Ports	Immedıate subsıdıary undcrtakıng
Amports Holdıngs Lımıted	Immediate subsıdıary undertakıng
ABP (Aldwych) Lımıted	Immediate subsıdıary undertakıng
ABP Nomınees Lımıted	Immedıate subsıdıary undertaking

The company has a loan due from the followıng related party

Entity	Due date	Rate per annum	2014 £m	2013 £m
Assocıated Brıtısh Ports	2021	7.7%	**594.7**	590 6

The followıng table shows the transactıons that have been entered into by the company wıth related partıes, together wıth perıod end balances, for the relevant financıal year

Associated British Ports	2014 £m	2013 £m
Intercompany receıvable at start of the year	**590.6**	600 0
Increase/(decrease) ın receıvable	**43.3**	(40 1)
Interest charged - 7 7% per annum (2013 7 6%)	**43.3**	40 7
Dıvıdend receıvable	**10.0**	-
Interest receıved	**(20.1)**	-
Net cash receıved	**(72.4)**	(10.0)
Intercompany receıvable at end of the year	**594.7**	590 6

Thıs balance was transferred from a related party receıvable to a loan as at 31 December 2013.

The company also has the followıng current account balances due from/(to) related partıes

	2014 £m	2013 £m
ABP Acquısıtıons UK Lımıted	**557.1**	481.5
Amports Holdıngs Lımıted	**(25.1)**	(25.1)
Total current balances	**532.0**	456.4
ABP (Aldwych) Lımıted	**0.2**	0 2
ABP Nomınees Lımıted	**41.1**	41 1
Total non-current balances	**41.3**	41 3

Notes to the financial statements

13. Related party transactions (contınued)

The followıng table shows the current account transactıons that have been entered ınto by the company wıth related partıes, together with penod end balances, for the relevant financıal year

ABP Acquisitions UK Limited	2014 £m	2013 £m
Intercompany receıvable at start of the year	**481.5**	348 6
Increase ın receıvable	**34.0**	98 1
Interest charged - 7 7% per annum (2013 7 6%)	**41.6**	34 8
Intercompany receıvable at end of the year	**557.1**	481 5

14. Contingent liabilities

Detaıls of the contıngent lıabılıtıes of the group of whıch the company ıs a member are provıded ın note 27 of the consolıdated financıal statements.

15. Ultimate controlling parties

Detaıls of the ultımate controllıng partıes are set out in note 29 to the consolıdated financıal statements