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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

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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.

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Strategic report (continued)

Reconciliation of Operating Profit to Consolidated EBITDA

	2014	2013
	£m	£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 CO₂ at rates published by the Environment Agency

** Restated to exclude CO₂ in relation to dredging performed for third parties

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Strategic report (continued)

Employees

The table below sets out the group's performance in relation to the management of its employees during 2014.

During 2014 the monthly average number of persons employed in the business was 1,992 (2013: 1,980).

	2014	2013	Change from 2013
Sickness and absenteeism rate	3.0%	3.2%	-0.2%
	6.7 days per employee	7.2 days per employee	-0.5 days
Annual appointments 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 redundancies as a percentage of headcount	0.3%	0.2%	+0.1%
Female employees as a percentage of headcount as at 31 December			
- Executive directors	-	-	n/a
- Senior Managers	11.8%	8.9%	+2.9%
- All employees	12.7%	12.7%	-

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

While there remain no female Directors on the board of Associated British Ports Holdings Limited, Michelle Tilley joined the board of Associated British Ports, the group's principal operating subsidiary, as Quality and Compliance Director on 3 March 2014. In addition, on 12 January 2015, Yvonne Kay Penney joined the board of Associated British Ports as Human Resources Director.

5. Development and performance of the business

	2014 £m	2013 £m	Change from 2013
Revenue	519.1	503.8	+3.0%
Operating costs (underlying)	(260.6)	(253.8)	-2.7%
Underlying operating profit	258.5	250.0	+3.4%
(Decrease)/increase in fair value of investment properties	(8.0)	57.2	-114.0%
Profit on disposal of share in associated undertaking	-	0.1	-
Exceptional items	-	(31.2)	-
Group operating profit	250.5	276.1	-9.3%
Net finance income	47.6	35.2	+35.2%
Share of profit in associated undertaking	6.8	1.6	+325.0%
Profit before taxation	304.9	312.9	-2.6%
Taxation	(66.3)	(34.3)	-93.3%
Profit for the period	238.6	278.6	-14.4%
Cash generated by operations	197.3	111.3	+77.3%
Capital expenditure - cash	187.9	147.2	+27.6%

ASSOCIATED BRITISH PORTS HOLDINGS LIMITED AND SUBSIDIARIES ANNUAL REPORT AND ACCOUNTS 2014

Strategic report (continued)

- Revenue increased by 3.0% to £519.1m (2013: £503.8m) reflecting contractual price increases and throughput volume growth, in particular biomass, metals, new vehicles and containers partially offset by reduced volumes of coal and oil.
- Underlying operating costs increased by 2.7% (2013 increase: 4.9%) reflecting increased operating costs associated with additional volumes and increase in depreciation partially offset by savings in overhead costs.
- The 2014 review of the fair value of the group's investment property portfolio resulted in income statement decrease of £8.0m (2013: increase of £57.2m). Further details on investment property are set out in note 10 to the accounts.
- The group did not recognise any exceptional items in 2014. The exceptional cost of £31.2m in 2013 was in respect of liabilities relating to multi-employer pension schemes of which ABP is a participating body as set out in note 12 of the accounts.
- The group's share of profit from associated undertaking increased to £6.8m (2013: £1.6m) reflecting increased container volumes through DPWS.
- Net finance income amounted to £47.6m (2013: £35.2m) and included interest due from parent undertaking 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: credit of £30.0m).
- Total capital expenditure for the year increased to £187.9m (2013: £147.2m) and included expenditure associated with the container berth and dredging expansion project in Southampton of £39.7m (2013: £47.5m), the IRTT biomass project in Immingham 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) including cash of £34.6m (2013: £25.4m). The increase in net assets principally reflects an increase in the net book value of tangible assets (i.e. property, plant and equipment and investment property) which were driven by investment in major new facilities (noted in section 3).

7. Risks and uncertainties

The group's key risk management objectives are to:

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

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

The principal risks and uncertainties facing the group are as follows:

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 its employees about both the methods and substance of communication.

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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
Chief Executive



GSM Bull
Chief Financial Officer

10 March 2015

ASSOCIATED BRITISH PORTS HOLDINGS LIMITED AND SUBSIDIARIES ANNUAL REPORT AND ACCOUNTS 2014

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 Administration 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
<i>Executive</i>	
Mr Sebastian Bull	
Mr James Cooper	
Mr Robert Walvis	
<i>Non-executive</i>	
Mr Philippe Busslinger ²	Borealis International Investments Corporation
Mr Philippe Camu ²	GS Infrastructure Partners
Mr Edward Clarke ^{1,2}	Infracapital Partners LP
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 Lynham 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
/0 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.

ASSOCIATED BRITISH PORTS HOLDINGS LIMITED AND SUBSIDIARIES ANNUAL REPORT AND ACCOUNTS 2014

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

ASSOCIATED BRITISH PORTS HOLDINGS LIMITED AND SUBSIDIARIES ANNUAL REPORT AND ACCOUNTS 2014

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):			
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods</i>			
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

ASSOCIATED BRITISH PORTS HOLDINGS LIMITED AND SUBSIDIARIES ANNUAL REPORT AND ACCOUNTS 2014

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 12, 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

ASSOCIATED BRITISH PORTS HOLDINGS LIMITED AND SUBSIDIARIES ANNUAL REPORT AND ACCOUNTS 2014

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

ASSOCIATED BRITISH PORTS HOLDINGS LIMITED AND SUBSIDIARIES ANNUAL REPORT AND ACCOUNTS 2014

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
Prior 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 12, 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:

ASSOCIATED BRITISH PORTS HOLDINGS LIMITED AND SUBSIDIARIES ANNUAL REPORT AND ACCOUNTS 2014

Notes to the financial statements

1 Accounting policies (continued)

1.2 Prior year adjustment (continued)

Restatement of Self-insurance provision (continued)

	1 Jan 2013	31 Dec 2013
	£m	£m
Increase in non-current provisions	10.5	10.5
Decrease in deferred tax liability	(2.1)	(2.1)
Decrease in retained earnings	8.4	8.4

1.3 Changes in accounting policy

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

IFRS 10 Consolidated Financial Statements and IAS 27 Separate Financial Statements

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. IFRS 10 replaces the parts of previously existing IAS 27 Consolidated and Separate Financial Statements that dealt with consolidated financial statements and SIC-12 Consolidation – Special Purpose Entities. IFRS 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 had no impact on the consolidation of investments held by the group.

IFRS 11 Joint Arrangements and IAS 28 Investment in Associates and Joint Ventures (revised)

IFRS 11 replaces IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly-controlled Entities – Non-monetary Contributions by Venturers*. IFRS 11 defines joint arrangements as an arrangement of which two or more parties have joint control and classifies a joint arrangement as either a joint operation or joint venture. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture under IFRS 11 must be accounted for using the equity method. The group has considered the impact of the application of this new standard on its arrangement with Southampton Container Terminals Limited (“DPWS”) and has concluded that it has not affected the classification and recognition of the investment as an associate.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 sets out the requirements for disclosures relating to an entity’s interests in subsidiaries, joint arrangements, associates and structured entities. These disclosures are reflected in notes 11 and 27 of these financial statements.

Several other new and amended standards and interpretations apply for the first time in 2014. The directors have concluded however, that they do not have a material impact on the group’s financial 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.

ASSOCIATED BRITISH PORTS HOLDINGS LIMITED AND SUBSIDIARIES ANNUAL REPORT AND ACCOUNTS 2014

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.

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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.

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Notes to the financial statements

2 Operating profit

Operating profit is stated after charging/(crediting)

	2014	2013
	£m	£m
<i>Depreciation</i>		
Property, plant and equipment – other	45.6	41.0
<i>Amortisation</i>		
Intangible assets – included in cost of sales	0.9	0.8
Intangible assets – included in administrative expenses	0.6	0.4
<i>Profit on sale of associated undertaking</i>	-	(0.1)
<i>Loss on disposal of non-current assets</i>	2.7	-
<i>Other operating lease rentals payable</i>		
Property, plant and equipment	3.9	3.9
<i>Repairs and maintenance expenditure on property, plant and equipment</i>	18.1	16.3
<i>Third party labour and sub-contractor haulage</i>	34.2	30.4
<i>Utilities and fuel</i>	18.0	18.9
<i>Trade receivables impairment</i>	1.0	1.5

3 Audit fees

Remuneration received by Ernst & Young LLP (2013: Ernst & Young LLP) for the audit of the company, group and subsidiary accounts of the ultimate parent undertaking, ABP (Jersey) Limited, and for tax services for the ABP (Jersey) Limited group is detailed below and has been borne by a subsidiary undertaking.

	2014	2013
	£'000	£'000
Group and company audits	494.4	475.8
Tax advisory services	5.2	30.0
Other services	10.8	-

In addition to the above services, Ernst & Young LLP (2013: Ernst & Young LLP) acted as auditor to the group's main defined benefits pension scheme - The Associated British Ports Group Pension Scheme. The appointment of auditors to the group's pension schemes and the fees paid in respect of those audits are agreed by the trustees of each scheme, who act independently from the management of the group. The aggregate fees paid to the group's auditor for audit services to the pension schemes during the year were £37,408 (2013: £24,259).

4 Directors and employees

Staff costs are analysed as follows

	2014	2013
	£m	£m
Staff costs		
Wages and salaries	76.5	76.2
Social security costs	8.2	8.0
Pension costs (note 12)	8.4	8.9
	93.1	93.1
<i>Exceptional pension items (note 12)</i>	-	31.2
Total staff costs	93.1	124.3

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

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Notes to the financial statements

4 Directors and employees (continued)

Directors emoluments are analysed as follows

	2014 £m	2013 £m
Emoluments paid to directors of the company		
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:

	2014 £m	2013 £m
Key management compensation		
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.

	2014 £m	2013 £m
Highest paid director		
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 liability	2.0	2.6
Other finance cost	1.6	0.8
Less capitalised on non-current assets under construction	(9.4)	(3.4)
Finance costs	(5.8)	-
Interest on amounts due from parent undertaking	(41.6)	(34.8)
Other finance income	(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

	2014 £m	2013 £m
Analysis of charge/(credit) for the year		
Current tax – current year	60.6	64.3
Deferred tax (note 20)	5.7	(30.0)
Taxation	66.3	34.3

Current taxation for the current and prior year represents a charge for group relief surrendered by other group undertakings, with the amount being added to amounts owed to group undertakings

	2014 £m	2013 £m
Tax on items (charged)/credited to equity		
Deferred tax associated with actuarial loss/gain relating to net retirement benefit asset	1.5	(4.6)
Deferred tax arising on revaluation of investment property	(0.4)	2.0

The taxation for the year is higher (2013 lower) than the standard rate of taxation in the UK of 21.49% (2013 23.25%). The differences are explained below.

	2014 £m	2013 £m
Profit before taxation	304.9	312.9
Profit before taxation multiplied by standard rate of corporation tax in the UK of 21.49% (2013 23.25%)	65.5	72.7
Effects of		
Expenses not deductible for tax	2.1	1.8
Share of profit in associated undertaking	(1.5)	-
Decrease in deferred taxes due to reduction in tax rate	(0.5)	(23.6)
Impact of indexation allowance in respect of revaluation gains	-	(11.5)
Tax in respect of prior years	0.7	(5.1)
Total tax charge for the group	66.3	34.3

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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.

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Notes to the financial statements

8 Intangible assets

	2014 £m	2013 £m
Acquired intangible assets		
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

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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).

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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.

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Notes to the financial statements

10. Investment property (continued)

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

	2014	2013
	£m	£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	2013
	£m	£m
At 1 January	39.0	36.7
Share of profit for the year	6.8	1.6
Actuarial (loss)/gain relating to group's share of net retirement benefit liabilities of associated undertaking	(3.3)	1.0
Disposal of associated undertaking	-	(0.3)
At 31 December	42.6	39.0

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

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

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Notes to the financial statements

11 Investments (continued)

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

	2014	2013
	£m	£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	2013
	£m	£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 ("MNOFP"). 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.

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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	2013
	£m	£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	2013
	£m	£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.

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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
	£m	£m	£m	£m
Increase in liabilities				
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

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12. Pension commitments (continued)

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

Income statement

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

	ABPGPS		PNPF	
	2014	2013	2014	2013
	£m	£m	£m	£m
Current and past service costs	5.4	5.5	(0.8)	0.1
Net interest (credit)/charge on net defined benefit asset/liability	(1.7)	(0.9)	3.4	3.3
Net interest charge on unfunded retirement benefit liabilities	0.2	0.2	-	-
Exceptional item	-	-	-	27.4
Net pension charge recognised within profit before tax	3.9	4.8	2.6	30.8

The current service cost represented 32.5% (2013: 31.4%) for the ABPGPS and unfunded retirement benefit arrangements and 28.5% (2013: 21.3%) for the PNPF, of the applicable pensionable payroll and is recognised within administrative expenses

Returns on assets and interest on liabilities are determined by reference to the actuarial assumptions adopted at the beginning of each financial period. The actual return on assets for 2014 was a gain of £71.5m (2013: gain of £27.4m) for the ABPGPS and unfunded retirement benefit arrangements and a gain of £21.7m (2013: £6.6m) for the PNPF.

Balance sheet

Changes in fair value of scheme assets were as follows

	ABPGPS		PNPF	
	2014	2013	2014	2013
	£m	£m	£m	£m
Fair value of scheme assets at 1 January/ increase in assets from reclassification	545.0	533.0	95.4	96.9
Interest income	23.3	22.7	3.9	4.0
Actuarial gain	48.2	4.7	17.8	2.6
Contributions by employees	0.3	0.3	0.1	0.1
Contributions by employer	9.8	11.4	4.1	2.7
Benefits paid	(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 investments in:

	2014	2013
ABPGPS	%	%
Liability driven investments	52.6	48.4
Property	9.6	10.0
Diversified growth funds	37.5	40.9
Other	0.3	0.7

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Notes to the financial statements

12 Pension commitments (continued)

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

	2014	2013
PNPF	%	%
Global equities	14.6	17.8
Corporate bonds	38.6	38.7
Fund of hedge funds	16.2	16.9
Diversified growth funds	15.1	17.2
Gilts	13.0	8.9
Cash	2.5	0.5

Changes in fair value of scheme liabilities were as follows

	ABPGPS		PNPF	
	2014	2013	2014	2013
	£m	£m	£m	£m
Fair value of scheme liabilities at 1 January/ increase in liabilities from reclassification	(511.7)	(520.3)	(174.3)	(175.8)
Current and past service costs	(5.4)	(5.5)	0.8	(0.1)
Interest cost	(21.8)	(22.0)	(7.3)	(7.3)
Actuarial (loss)/gain	(61.5)	9.1	(13.4)	(1.9)
Contributions by employees	(0.3)	(0.3)	(0.1)	(0.1)
Benefits paid directly 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 cumulative actuarial result recognised in the group's statement of comprehensive income amounted to a loss of £77.3m (2013 £64.0m) for the ABPGPS and unfunded retirement benefit arrangements and a gain of £5.1m (2013 gain £0.7m)

Historical record – ABPGPS and unfunded retirement benefit arrangements

Amounts for the current and previous years are as follows	2014	2013	2012	2011	2010
	£m	£m	£m	£m	£m
Fair value of scheme assets	598.2	545.0	533.0	509.7	489.2
Present value of funded scheme obligations	(569.6)	(509.1)	(517.7)	(482.6)	(469.2)
Present value of unfunded obligations	(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
Actuarial loss due to changes in assumptions	(59.7)	(16.5)	(23.9)	(26.4)	(5.2)
Experience (loss)/gain on scheme liabilities	(1.8)	25.6	(8.2)	(1.9)	(15.4)
Experience gain 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 (continued)

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

Historical record – PNPF

	2014	2013
	£m	£m
Amounts for the current and previous years are as follows:		
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 (“MNOFF”)

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 (continued)

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

The Merchant Navy Officers Pension Fund ("MNOFF") (continued)

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

Defined contribution arrangements

The defined contribution pension cost represents the actual contributions payable by the group to the arrangements provided by ABPGPS. At 31 December 2014, there were no amounts outstanding as being due to these arrangements from the group (2013: £nil)

13. Trade and other receivables

	2014 £m	2013 £m
Non-current		
Prepayments and accrued income	1.0	1.0
Other receivables	0.1	0.2
Total non-current trade and other receivables	1.1	1.2
Current		
Gross trade receivables	61.4	56.9
Provision for doubtful receivables	(3.6)	(3.5)
Net trade receivables	57.8	53.4
Amounts due from parent undertaking	557.1	481.5
Amounts due from associated undertaking	8.4	7.8
Prepayments and accrued income	29.5	17.0
Other receivables	14.0	9.6
Total current trade and other receivables	666.8	569.3

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

With the exception of the amounts due from parent undertaking, all trade and other receivables are non-interest bearing. Disclosure of the financial risks related to these financial instruments are disclosed in note 17.

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

As at 31 December 2014, the group held trade receivables that were past due but not impaired as set out in the table below. These relate to a number of independent customers for whom there is no recent history of default and where terms and amounts have not been renegotiated in the last year. The ageing of these trade receivables is 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 (continued)

Financial risk management (continued)

Liquidity risk

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

The table below analyses the group's financial liabilities, excluding finance leases and forward foreign exchange contracts which are disclosed below, based on undiscounted contractual payments

	2014 £m	2013 £m
Trade and other payables and other non-current liabilities		
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 foreign exchange contracts which will be settled on a gross basis into relevant maturity groupings, based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows

	2014		2013	
	Total outflows £m	Total inflows £m	Total outflows £m	Total Inflows £m
Forward foreign exchange contract				
Not later than one year	(0.1)	-	(1.1)	-
Total forward foreign exchange contracts	(0.1)	-	(1.1)	-

The group leases a marina and pilot vessels under finance lease arrangements. The marina has a 999 year lease which expires in March 2987, while the lease over the pilot vessels runs for 10 years and expires in December 2022. The lease over the pilot vessels has an option to renew, subject to review in 2021. The lease over the pilot vessels also contains an obligation to pay a contingent rental should the usage in any year exceed 12,500 hours.

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

	2014 £m	2013 £m
Future minimum lease payments paid on finance leases		
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 periods	(17.8)	(18.2)
Present value of minimum lease payments	3.0	3.2

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17 Financial instruments (continued)

Financial risk management (continued)

	2014	2013
	£m	£m
Amounts payable under finance leases		
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.

	2014	2013
	£m	£m
Future minimum rental receipts from finance leases		
Not later than one year	-	-
More than one year but not more than five years	0.2	0.2
More than five years	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

	2014	2013
	£m	£m
Amounts receivable under finance leases		
Not later than one year	-	-
More than one year but not more than five years	-	-
More than five years	0.2	0.2
Total 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 through its immediate parent undertaking, ABP Acquisitions UK Limited ("ABPA") as set out in the table below.

	2014	2013
	£m	£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 £m	2013 £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.

ASSOCIATED BRITISH PORTS HOLDINGS LIMITED AND SUBSIDIARIES ANNUAL REPORT AND ACCOUNTS 2014

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 (continued)

Self insurance

The group self-insures various matters relating primarily to property, employer's liabilities and general third party liabilities associated with its business.

Part of the provision has been reviewed and updated in conjunction with an independent actuary. Cash flows, where appropriate, have been discounted on a pre-tax basis using a discount rate of 4.0% (2013 restated 4.0%). The group reassesses these liabilities on an annual basis. The potential liabilities have been projected forward until 2075. The remaining parts of the provision are reviewed and updated in conjunction with an external insurance adviser.

Other

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

20 Deferred tax

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

The movement on the deferred tax is 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 depreciation	78.3	0.7	4.9	-	83.9
Revaluation of operational land and investment properties	113.9	-	(1.6)	0.4	112.7
Capital losses	(10.9)	-	-	-	(10.9)
Retirement benefit obligations	(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

*Certain amounts shown for 2013 do not correspond to the 2013 accounts and reflect adjustments made as detailed in notes 12 and 20

ASSOCIATED BRITISH PORTS HOLDINGS LIMITED AND SUBSIDIARIES ANNUAL REPORT AND ACCOUNTS 2014

Notes to the financial statements

20. Deferred tax (continued)

	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 depreciation	90.8	(2.7)	(9.8)	-	78.3
Revaluation of operational land and investment properties	127.7	(0.3)	(10.8)	(2.7)	113.9
Capital losses	(11.6)	-	-	0.7	(10.9)
Retirement benefit obligations	(8.3)	(2.2)	(4.3)	4.6	(10.2)
Other	(2.5)	0.1	-	-	(2.4)
Net deferred tax liability	196.1	(5.1)	(24.9)	2.6	168.7

*Certain amounts shown for 2012 and 2013 do not correspond to the 2012 and 2013 accounts and reflect adjustments made as detailed in notes 12 and 19

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

The group has unrecognised capital losses of £314.1m (2013: £314.1m) that are only available for offset against future sales of land and buildings from the port estates. These have not been recognised as future property sales cannot be projected with sufficient certainty.

The group had no unrecognised deferred income tax assets (2013: £nil) that can be carried forward against future taxable income.

21. Other non-current liabilities

	2014 £m	2013 £m
Other liabilities	25.2	4.0

The movement in other non-current liabilities relates principally to rent and other income received in 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 (continued)

Issued and fully paid

Ordinary 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 option schemes	-	-	31,557	-
At 31 December	310,010,453	77.5	310,010,453	77.5

The company did not repurchase any of its own shares during 2014 or 2013.

Potential issue of shares

(i) Outstanding share options

In 2013 options exercised resulted in the issue of 31,557 ordinary shares of 25p each. The company received a total of £0.1m in respect of these shares. A summary of options granted to employees and outstanding at 31 December 2013 under share option schemes is given below. All options expired in 2013.

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

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

(ii) Changes in share options

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

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

There were no options outstanding at the end of 2014 and 2013.

ASSOCIATED BRITISH PORTS HOLDINGS LIMITED AND SUBSIDIARIES ANNUAL REPORT AND ACCOUNTS 2014

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

	2014	2013
	£m	£m
Reconciliation of profit before taxation to cash generated by operations		
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

ASSOCIATED BRITISH PORTS HOLDINGS LIMITED AND SUBSIDIARIES ANNUAL REPORT AND ACCOUNTS 2014

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	2013	2014	2013
	£m	£m	£m	£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

ASSOCIATED BRITISH PORTS HOLDINGS LIMITED AND SUBSIDIARIES ANNUAL REPORT AND ACCOUNTS 2014

Notes to the financial statements

25 Related party transactions (continued)

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

ABP Acquisitions UK Limited	2014 £m	2013 £m
Intercompany receivable at start of the year	481.5	348.6
Increase in receivable	34.0	98.1
Interest charged – 7.7% per annum (2013: 7.6%)	41.6	34.8
Intercompany receivable at end of the year	557.1	481.5

26. Financial commitments

Capital expenditure

	2014 £m	2013 £m
Group capital expenditure contracted but not provided for	155.0	134.5

The group's share of the capital commitments of its associated undertaking amounted to £2.4m (2013: £0.2m)

On 19 December 2014 ABP Marchwood Ltd, a wholly owned subsidiary of Associated British Ports, undertook a conditional exchange of contracts to purchase the assets of Marchwood Industrial Park and Cracknore Industrial Park from Oceanic Estates Ltd and Marchwood Slipways Ltd for £89.0m. On exchange a deposit of £0.9m was paid and this has been recognised in trade and other receivables at 31 December 2014

Subject to the completion of the exchange conditions, the expected completion date for the purchase of Marchwood Industrial Park and Cracknore Industrial Park is 24 June 2015

Operating leases (excluding investment property)

The group leases various vehicles and property under non-cancellable operating lease agreements, which have terms between 37 to 125 years with various renewal rights.

Total future minimum lease instalments expected to be paid under non-cancellable operating 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 various properties under non-cancellable operating lease agreements, which have various terms and renewable rights

Total future minimum lease instalments expected to be received under non-cancellable operating 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

Contingent liabilities under claims, indemnities and guarantees	2014 £m	2013 £m
Guarantees in respect of group borrowings	1,968.7	1,912.5
Guarantees in respect of undrawn group borrowings	440.0	285.0
Other guarantees and contingencies	0.6	0.4
Total cross guarantees by group	2,408.7	2,197.5
Group's guaranteed borrowings as set out in 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 security package for borrowing facilities of the wider group owned by the company's ultimate parent company, certain wider group companies have granted a guarantee and fixed and floating charges over their respective assets including over real property owned by them and shares in subsidiaries (excluding Associated British Ports and its subsidiaries) and various other assets including the company's rights in relation to its principal subsidiary, Associated British Ports. No guarantees or security have been granted by Associated British Ports or its subsidiaries in respect of such borrowing facilities

Other guarantees and contingencies relate primarily to performance bonds

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

Following the group's decision to close the intermediate undertaking ABP Insurance Limited ("ABPIL") in 2014, letters of credit held by the company were cancelled (2013: £1.4m). Cash reserves are still held in ABPIL £2.1m (2013: £1.4m) and will be transferred once the company is liquidated. The associated liabilities are now held in the company, with issued letters of credit totalling £1.0m (2013: £nil). The company is not required to secure any cash reserves against these letters of credit.

Subsidiary undertaking, Associated British Ports, has deposited £1.6m (2013: £1.6m) cash into an escrow account regarding a UK customs duty and Value Added Tax dispute with HMRC. No material liability is expected to arise as a consequence of these disputes.

ASSOCIATED BRITISH PORTS HOLDINGS LIMITED AND SUBSIDIARIES ANNUAL REPORT AND ACCOUNTS 2014

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

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

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.

ASSOCIATED BRITISH PORTS HOLDINGS LIMITED AND SUBSIDIARIES ANNUAL REPORT AND ACCOUNTS 2014

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

ASSOCIATED BRITISH PORTS HOLDINGS LIMITED AND SUBSIDIARIES ANNUAL REPORT AND ACCOUNTS 2014

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

ASSOCIATED BRITISH PORTS HOLDINGS LIMITED AND SUBSIDIARIES ANNUAL REPORT AND ACCOUNTS 2014

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

ASSOCIATED BRITISH PORTS HOLDINGS LIMITED AND SUBSIDIARIES ANNUAL REPORT AND ACCOUNTS 2014

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

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Notes to the financial statements

9 Provisions (continued)

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 various matters relating primarily to property, employer's liabilities and general third party liabilities 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

	2014 £m	2013 £m
Reconciliation of profit before taxation to cash absorbed by operations:		
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.

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Notes to the financial statements

13 Related party transactions (continued)

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

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

The company has a loan due from the following related party

Entity	Due date	Rate per annum	2014 £m	2013 £m
Associated British Ports	2021	7.7%	594.7	590.6

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

	2014 £m	2013 £m
Associated British Ports		
Intercompany receivable at start of the year	590.6	600.0
Increase/(decrease) in receivable	43.3	(40.1)
Interest charged - 7.7% per annum (2013 7.6%)	43.3	40.7
Dividend receivable	10.0	-
Interest received	(20.1)	-
Net cash received	(72.4)	(10.0)
Intercompany receivable at end of the year	594.7	590.6

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

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

	2014 £m	2013 £m
ABP Acquisitions UK Limited	557.1	481.5
Amports Holdings Limited	(25.1)	(25.1)
Total current balances	532.0	456.4
ABP (Aldwych) Limited	0.2	0.2
ABP Nominees Limited	41.1	41.1
Total non-current balances	41.3	41.3

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Notes to the financial statements

13 Related party transactions (continued)

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

	2014	2013
	£m	£m
ABP Acquisitions UK Limited		
Intercompany receivable at start of the year	481.5	348.6
Increase in receivable	34.0	98.1
Interest charged - 7.7% per annum (2013 7.6%)	41.6	34.8
Intercompany receivable at end of the year	557.1	481.5

14 Contingent liabilities

Details of the contingent liabilities of the group of which the company is a member are provided in note 27 of the consolidated financial statements.

15 Ultimate controlling parties

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