ABP BONDS UK LIMITED

(Company Number 05885161)

ANNUAL REPORT AND ACCOUNTS 2016

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Strategic report

The directors present their strategic report for the year ended 31 December 2016.

Principal activity and strategy

The principal activity and strategy of the company (number 05885161) is to act as a special purpose vehicle established for the purpose of financing the acquisition of Associated British Ports Holdings Limited ("ABPH") by ABP Acquisitions UK Limited ("ABPA"), an intermediate subsidiary undertaking of the company. The group's principal operating subsidiary is Associated British Ports.

On 22 August 2006 the company issued and listed on the Channel Islands Securities Exchange £1,061,585k of unsecured subordinated notes due 16 February 2017, which were subscribed for by the shareholders of ABP (Jersey) Limited ("ABPJ"), the company's immediate parent. The proceeds of the notes were lent to the company's immediate subsidiary, ABP SubHoldings UK Limited ("ABPS") on similar terms. PIK notes (on the same terms as, but ranking in priority to, the original loan notes) have been issued as settlement of part of the interest accruing on these loan notes.

In 2010 and 2011 the company received interest payments from ABPS, which were on lent to the company's fellow group undertaking, ABP Mezzanine Holdco UK Limited ("ABPM"), to fund the acquisition of loans from third parties to ABPA. This resulted in the shareholder loans exceeding the amounts due from ABPS. The loan to ABPM was subsequently waived by the company in exchange for ABPM waiving its loan due from ABPA.

The company also has borrowings of £416.0m (2015: £416.0m) due to ABPM, bearing interest at 10.0% per annum and due for repayment in December 2018. These borrowings are matched by an equivalent receivable from ABPS.

The company has debt owed to ABPJ, which was drawn down in 2006 when ABPH was acquired, and also receives loans from ABPA in relation to the utilisation of group tax relief.

Performance

The loss for the year was £20.4m (2015: £31.8m). The current year loss reflects net finance costs associated with the company's borrowings, loans from ABPA and loans to its subsidiary ABPS. The company's immediate parent undertaking, ABPJ, has confirmed that it will continue to finance the company to enable it to meet its liabilities as they fall due.

The primary driver of performance is the ability of the wider group's main trading group, ABPA Holdings Limited ("ABPAH"), to generate cash flows, as indicated by the following:

ABPA Holdings Limited	2016 £m	2015 £m
Consolidated EBITDA[1]	**306.7**	317.6
Cash generated by operations	**299.0**	337.8

[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 and after excluding certain items (see reconciliation of operating profit to consolidated EBITDA in the strategic report of ABPAH, the company's intermediate subsidiary undertaking)

Important events of the year

During the year interest continued to be accrued on the shareholder loans and other smaller related party balances as set out in note 15. In 2016 no interest was paid and the company did not issue any further unsecured subordinated loan notes in lieu of interest during the year (2015: £1,475.7m).

Strategic report (continued)

In March 2016 the repayment date on the loan due from the company's immediate subsidiary undertaking, ABP SubHoldings UK Limited ("ABPS"), accruing interest at 12.0% per annum, was extended from 2016 to 2018. In December 2016 the repayment date on the loan due to the company's immediate parent undertaking, ABP (Jersey) Limited ("ABPJ") was extended from 2016 to 2027. Outstanding balances have been reclassified from current to non-current as a result of the loan extensions.

Important events after the reporting period
In January 2017, pursuant to a process to reduce the amount of shareholder loans due in 2017, the company repaid £1.0bn of shareholder loans accruing interest at 12.0% per annum through the issue of £1.0bn of new loan notes. The newly issued loan notes were subsequently novated to the company's immediate parent undertaking, ABPJ, in consideration for the issue by the company of ordinary shares to ABPJ. The company waived £1.0bn of intercompany loans due from its immediate subsidiary undertaking, ABPS. Subsequent to this, the company undertook a reduction of share capital in respect of the shares it issued to ABPJ.

In February 2017, the shareholders of ABPJ agreed with the company to extend the maturity date on the remaining shareholder loans accruing interest at 12.0% per annum and the associated accrued interest thereon from 2017 to 2027. In addition, the interest rate for the shareholder loans was reduced to 9.0% from 12.0% per annum. In all other regards the loan agreements remain the same. Consistent with these changes, in March 2017 the company extended the maturity date on the remaining loan and accrued interest due from its immediate subsidiary ABPS, accruing interest at 12.0% per annum, from 2018 to 2027 and reduced the interest rate from 12.0% to 9.0% per annum. In all other regards the loan agreements remained the same.

Position at the end of the year
At 31 December 2016, the company had net liabilities of £194.2m (2015: £173.8m).

Principal risks and uncertainties
The company has limited risk because it interacts only with fellow group companies and the shareholders of its immediate parent company, ABPJ, as part of the financing structure of the group owned by ABPJ. The nature of the interactions is set out in notes 4, 8, 10, 12 and 15 to the accounts. Within the interactions the principal risks are the timing of interest receipts and payments and repayment of principal at the end of the loan terms. Agreements are structured so that the company should not be exposed to these risks at any time other than ultimately by the ability of the underlying trading group to pay its debts. Further details on financial risk management are set out below and in note 11.

Financial risk management
The company's main financial risks are liquidity, credit and capital risk. Treasury matters for the company are controlled centrally by the group as set out in note 11.

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 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.

Credit risk
The company is exposed to credit related losses in the event of non-performance by counterparties to financial transactions. The company mitigates this risk by only transacting with related parties with security provided under intra-group borrowing arrangements. As such the exposure to credit risk is considered to be minimal.

Strategic report (continued)

Capital risk
The company keeps its funding structure under review in order to fulfil its principal activity of financing the acquisition and subsequent funding of Associated British Ports Holdings Limited, by ABP Acquisitions UK Limited, an intermediate subsidiary undertaking of the company.

The company currently finances its business with loan notes listed on the Channel Islands Securities Exchange held by its immediate parent undertaking's shareholders and by intercompany loans from fellow group undertakings. Details of these loan notes can be found in notes 10, 11 and 15.

Trading group risks and uncertainties
The company's future viability and risk management are ultimately dependent upon the performance of the wider trading group owned by the company's immediate parent undertaking ABP (Jersey) Limited and the ability of its UK-wide ports and transport operations to generate cash flows.

The principal risks and uncertainties of the wider group are summarised below:

- *Government energy policy* - The group generates significant income from the electricity supply industry. Government energy policy affects the demand from energy generators for the group's services. In particular, as a result of the requirement for coal-fired power stations to either fit emissions abatement technology or close down, some coal-fired power stations have opted to fit the required technology, convert to other fuel sources, have closed or plan to close.
- *Market and competition* - The ports market could become more competitive resulting in downwards price pressure from existing and new competitors or threat of customer loss, due to changes in the market the group serves and risks to the wider economy.
- *Asset maintenance and capital project management* - The efficient maintenance of the group's assets and the effective delivery of new assets (e.g. developing new port facilities) is required to prevent asset failure and safeguard the ongoing operation and development of the group's business.
- *Failure of third party infrastructure* - The failure of third party infrastructure such as the electrical supply or rail infrastructure to the group's ports could cause severe disruption to the group's operations.
- *Potential impacts from accidents, natural disasters and terrorist incidents* - Accidents (e.g. from the use of heavy machinery, related to workplace transport or handling of dangerous cargo), natural disasters, principally flooding, and acts of terrorism (both land and marine), all have the potential to negatively impact the group's ability to undertake its operations.
- *People* - Failure to attract, retain, motivate and manage capable employees across the business could limit the group's ability to deliver its strategy.
- *Brexit* - Like other port companies handling trade with countries both within and outside the European Union ("EU"), the group is sensitive to the broader economic consequences of the United Kingdom's ("UK") vote to leave the EU on 23 June 2016 (so-called 'Brexit'). Just under half of the volume of trade handled by the group is with countries that are members of the EU and the Single Market, of which the UK is presently also a member until it leaves the EU, which may be as soon as 2019.
- *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. The European Parliament's deliberations on the draft EU Port Services Regulation, concerning market access and charges levied for port services and infrastructure, have continued through 2016. The adoption of the EU Port Services Regulation is dependent on the timing and terms of the UK's post Brexit trading relationship with the EU.

Strategic report (continued)

- *Management of environmental matters* - The group and its customers operate a diverse range of operations across the group's 12,000 acres of land and seabed including heavy industrial operations. As such these could present a pollution risk or nuisance to neighbouring communities if not effectively managed.
- *Business Transformation Programme* - The group is currently undergoing a programme of system and process transformation aimed at delivering effective and efficient business systems and processes that support the group's strategy. There is a risk that the programme fails to deliver the anticipated benefits or that project costs exceed the budgeted amount.
- *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.
- *Financial risk management* - The group's main financial risks are liquidity, interest rate, foreign exchange, capital and credit risk. The group aims to manage these risks to an acceptable level. The group does not use financial instruments for speculative purposes.

Employee involvement and management of social and community issues
The company does not have any employees. Employee involvement, management of social and community issues, gender diversity and ethnical diversity relating to the wider group owned by the company's immediate parent, ABP (Jersey) Limited, are described within the strategic report of the company's intermediate subsidiary, ABPA Holdings Limited.

Future outlook
The directors do not foresee any material changes in the principal activity of the company.

By Order of the Board

JJ McManus
Director

9 **March 2017**

Directors' report

The directors present their report and the audited accounts of the company (number 05885161) for the year ended 31 December 2016.

Registered office
The company's registered office is 25 Bedford Street, London, WC2E 9ES.

Dividends
As there are insufficient reserves available the directors are unable to recommend the payment of a dividend (2015: £nil).

Ownership
The company's immediate parent company, ABP (Jersey) Limited, with registered address 44 Esplanade, St Helier, Jersey, JE4 9WG, is owned (directly or through intermediaries, as set out in note 17 to the accounts) by Canada Pension Plan Investment Board (incorporated in Canada), 9348654 Canada Inc. (incorporated in Canada), OMERS Administration Corporation (incorporated in Canada), GIC (Ventures) Pte Limited (incorporated in Singapore), Kuwait Investment Authority (incorporated in Kuwait) and Hermes GPE Infrastructure Fund LP (incorporated in the UK), Hermes Infrastructure (SAP I) LP (incorporated in Guernsey) and Hermes Infrastructure (Alaska) LP (incorporated in Guernsey), acting by their manager Hermes GPE LLP (incorporated in the UK).

Directors
The directors of the company during the year and up to the date of these accounts were as follows:

Drissi Kaitouni, H	
Hay, A	appointed on 28 June 2016
Kay, GPR	
McManus, JJ	
Wall, RBP	resigned on 28 June 2016

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

Bradbury, KE	(alternate to JJ McManus)
Busslinger, PA	(alternate to JJ McManus)
Butcher, P	(alternate to A Hay) (appointed 28 June 2016)
Stylianides, P	(alternate to H Drissi Kaitouni) (resigned 17 February 2017)

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.

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 they have an additional vote on behalf of their 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, they will count as one.

Directors' report (continued)

Directors' indemnities

The company's immediate 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.

Charitable and political donations

The company did not make any charitable or political donations during the year or prior year. The company's intermediate subsidiary, Associated British Ports, donated a total of £0.1m (2015: £0.2m) in cash to employee nominated charities during the year.

Total payments to political organisations during the year by subsidiaries of the company did not exceed £2,000.

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.

Matters disclosed in the Strategic Report

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

- Financial risk management objectives and policies and details of the company's exposure to liquidity, credit and capital risk and other risk disclosures
- Employee involvement

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.

Directors' report (continued)

Audit information

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

- so far as each director is aware, there is no relevant audit information (that is, information needed by the company's auditor in connection with preparing his report) of which the company's auditor is unaware;
- 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; and
- each director is aware that it is an offence to make a knowingly false statement.

By Order of the Board

JJ McManus
Director
25 Bedford Street
London, WC2E 9ES
9 **March 2017**

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 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, financial position and profit or loss of the company. In preparing those accounts, the directors are required to:

- present fairly the financial position, financial performance and cash flows of the 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 company's financial position and financial performance; and
- state that the 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 company's transactions, to disclose with reasonable accuracy, at any time, the financial position of the company at that time, and to enable them to ensure that the company accounts comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the 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 ABP BONDS UK LIMITED

We have audited the financial statements of ABP Bonds UK Limited for the year ended 31 December 2016, which comprise the Income Statement, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Cash Flows, the Statement of Changes in Equity and the related notes 1 to 17. 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 8, 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 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ABP BONDS UK LIMITED
(continued)

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or Directors' Report.

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, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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

Stephane Lagut (Senior statutory auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
London
10 March 2017

Income statement for the year ended 31 December

	Note	2016 £m	2015 £m
Administrative expenses	2	-	-
Finance costs	4	**(400.5)**	(368.0)
Finance income	4	**378.1**	340.0
Loss before taxation		**(22.4)**	(28.0)
Taxation credit/(charge)	5	**2.0**	(3.8)
Loss for the year		**(20.4)**	(31.8)

All results are derived from continuing operations in the United Kingdom. The company's activities comprise a single operating segment in accordance with the principles in IFRS 8.

Statement of comprehensive income for the year ended 31 December

There was no other comprehensive income during the year or prior year. Total comprehensive income is represented by the loss for the year.

Balance sheet as at 31 December

	Note	2016 £m	2015 £m
Assets			
Non-current assets			
Investments	7	-	-
Group receivables	8	**3,581.4**	416.0
Deferred tax asset	9	**50.3**	48.3
		3,631.7	464.3
Current assets			
Group receivables	8	-	2,787.3
Cash and cash equivalents		-	-
		-	2,787.3
Total assets		**3,631.7**	3,251.6
Liabilities			
Current liabilities			
Borrowings	10	**(3,271.9)**	(5.3)
Group payables	12	**(93.3)**	(87.1)
		(3,365.2)	(92.4)
Non-current liabilities			
Borrowings	10	**(460.7)**	(3,333.0)
		(460.7)	(3,333.0)
Total liabilities		**(3,825.9)**	(3,425.4)
Net liabilities		**(194.2)**	(173.8)
Shareholder's deficit			
Share capital	13	-	-
Accumulated losses		**(194.2)**	(173.8)
Total shareholder's deficit		**(194.2)**	(173.8)

The financial statements were approved by the Board on 8 March 2017 and signed on its behalf by:

JJ McManus
Director

Statement of cash flows for the year ended 31 December

	Note	2016 £m	2015 £m
Cash flows from operating activities			
Cash flows from operations	14	-	(10.9)
Interest received		-	0.1
Net cash flow/(outflow) from operating activities		-	(10.8)
Change in cash and cash equivalents during the year		-	(10.8)
Cash and cash equivalents at 1 January		-	10.8
Cash and cash equivalents at 31 December		-	-

Details of significant non-cash transactions affecting the company (which relate to loans) in the prior year are set out in note 15.

Statement of changes in equity for the year ended 31 December

	Share capital £m	Accumulated losses £m	Total £m
At 1 January 2015	-	(142.0)	(142.0)
Loss for the year	-	(31.8)	(31.8)
At 31 December 2015	**-**	**(173.8)**	**(173.8)**
Loss for the year	-	(20.4)	(20.4)
At 31 December 2016	**-**	**(194.2)**	**(194.2)**

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.

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

Going concern basis
The company's future viability is ultimately dependent upon the performance of the wider trading group owned by the company's intermediate subsidiary, ABPA Holdings Limited ("ABPAH"), and group management's decisions on the flow of capital as well as the funding of losses being incurred by the company.

The directors have carried out a review, including consideration of appropriate forecasts and sensitivities, which indicates that the company will have adequate resources to continue to trade for the foreseeable future. The primary driver of performance is the ability of the ABPAH group to generate cash flows. For the year ended 31 December 2016 the ABPAH group had consolidated EBITDA, calculated in accordance with the group's credit facilities, as disclosed in the strategic report, of £306.7m and cash generated by operations of £299.0m. The group's five year plan indicates that a strong performance is forecast to continue in the future.

The directors have considered the company's net current liabilities of £3,365.2m and net liabilities of £194.2m, which includes unsecured subordinated loan notes and accrued interest due to the shareholders of the company's immediate parent, ABP (Jersey) Limited ("ABPJ"), of £3,268.0m repayable in 2017. As disclosed in the strategic report and note 6 to the accounts, after the end of the reporting period the company repaid £1.0bn of shareholder loans through the issue of £1.0bn of new loan notes, which were subsequently novated to the company's immediate parent undertaking, ABPJ, in consideration for the issue by the company of ordinary shares to ABPJ. Subsequently, the maturity date of the remaining loans were extended from 2017 to 2027 and the interest rate was reduced from 12.0% to 9.0% per annum.

The company also has non-current subordinated loans and accrued interest of £462.6m due to its fellow group undertaking, ABP Mezzanine Holdco UK Limited ("ABPM"), due in 2018. The loans are expected to be extended within a reasonable time of the maturity date, however should the company have insufficient funds available repayment of the loans is not enforceable.

There is no indication that the company will not be able to recover the sum due from its subsidiary company before it has to pay its debts due to the shareholders of its parent, and its fellow group undertaking, ABPM.

Included within net current liabilities is also an amount due to its intermediate subsidiary undertaking of £93.3m, which is repayable on demand. The company's immediate parent, ABPJ, has confirmed that it will continue to finance the company to enable it to meet its liabilities.

Given the nature, maturity dates and counterparties of these liabilities (as set out in notes 10 and 11), as well as the wider group's track record of its ability to refinance debt and generate cash flows, the directors are confident that the company has the ability to continue to meet its liabilities as they fall due for the foreseeable future and therefore the financial statements have been prepared on a going concern basis.

Notes to the financial statements

1. **Accounting policies** (continued)

1.1 **Basis of preparation** (continued)

Consolidation exemption
These separate financial statements contain information about ABP Bonds UK Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company has taken advantage of the exemption available under s401 of the Companies Act 2006, from the requirement to prepare and deliver consolidated financial statements, as the results of the overall group are included in the consolidated financial statements of its immediate parent, ABP (Jersey) Limited, which are available from 44 Esplanade, St Helier, Jersey, JE4 9WG.

Statement of compliance
These 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.

1.2 **Changes in accounting policies**

New standards and amendments adopted
There were no new accounting standards, amendments and improvements effective for the first time for the annual reporting period commencing 1 January 2016 that had an impact on the company.

New standards, amendments and interpretations issued but not yet effective
The IASB and IFRIC have issued a number of standards, amendments and interpretations with an effective date of implementation for accounting periods beginning after the start of the company's current financial year. The following are expected to have an impact on the company:

IAS 7 (Amendment) Disclosure initiative
The amendment requires an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The company adopted the amendment on the required effective date of 1 January 2017. The application of this amendment may result in additional disclosure detailing the cash and non-cash changes in liabilities arising from financing activities.

IFRS 9 Financial instruments
IFRS 9 brings together the requirements for a) classification and measurement of financial assets and financial liabilities, b) impairment methodology and c) general hedge accounting and is effective for accounting periods beginning on or after 1 January 2018.

The company has performed a preliminary impact assessment of IFRS 9 based on currently available information (and may be subject to changes arising from further detailed analysis or additional information) and does not expect a significant impact on its balance sheet or equity on applying the classification and measurement and hedging requirements of IFRS 9. Due to the counterparties of the company's financial assets and the security provided under intra-group borrowing arrangements, the credit risk is considered minimal. As such the company does not expect a significant impact as a result of adopting the impairment methodology under IFRS 9, however it will need to perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements, to determine the extent of the impact.

Notes to the financial statements

1. **Accounting policies** (continued)

1.2 **Changes in accounting policies** (continued)

New standards, amendments and interpretations issued but not yet effective (continued)

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

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

1.3 **Critical estimates, judgements and assumptions**

The preparation of the company's financial statements 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.

Recoverability of financial assets
Group receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. The company holds a limited number of long term loan balances with fellow group companies and the shareholders of its immediate parent company, ABP (Jersey) Limited ("ABPJ"). These balances were created as part of the acquisition of Associated British Ports Holdings Limited and subsequent refinancing of the ABPJ group. The company's main transactions each year, which are controlled in conjunction with the rest of the group, relate to interest accrual, receipt and payment.

Ultimate realisation of principal balances depends on the performance of ABPA Holdings Limited's ("ABPAH") underlying trading group and the ability of the UK-wide ports and transport operations to generate cash flows. For the year ended 31 December 2016 the ABPAH group had consolidated EBITDA, calculated in accordance with the group's credit facilities, as disclosed in the strategic report, of £306.7m and cash generated by operations of £299.0m. The group's five year plan indicates that a strong performance is forecast to continue in the future. Further attention is drawn to the company's and group's approach to risk and capital management which is set out in the company's strategic report.

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

1.4 **Significant accounting policies**

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

Financial instruments
Group 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 company may not be able to collect all amounts recorded within the balance sheet. The costs of impairment of receivables are recorded within administrative expenses.

Notes to the financial statements

1. **Accounting policies** (continued)

1.4 **Significant accounting policies** (continued)

Financial instruments (continued)

Group 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 the 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.

1.5 **Other accounting policies**

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.

Interest income
Interest on financial assets is recognised when it is probable that the economic benefits will flow to the company and the amount of income can be measured reliably. Interest income is included in finance income in the income statement.

Borrowing costs
Borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest that the company incurs in connection with the borrowing of funds.

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.

Notes to the financial statements

2. Administrative expenses

Remuneration received by Ernst & Young LLP is detailed below and has been borne by a subsidiary undertaking.

	2016 £000	2015 £000
Fees payable to the company's auditor for the audit of the company's annual accounts	**8**	8
Other services	**150**	-

3. Directors and employees

The directors of ABP Bonds UK Limited were directors of a number of companies within the ABP (Jersey) Limited ("ABPJ") group. Their remuneration for the year ended 31 December 2016 is disclosed in the financial statements of ABPJ. The directors believe that their services to the company are incidental to their role for other group companies and therefore consider that they receive no remuneration in respect of qualifying services to this company (2015: £nil).

The company had no employees during the year (2015: nil).

4. Finance costs/(income)

	2016 £m	2015 £m
Interest on shareholder loans	**351.0**	317.2
Interest on amounts due to parent undertaking	**0.2**	0.2
Interest on amounts due to group undertakings	**43.1**	41.6
Interest on amounts due to subsidiary undertaking	**6.2**	9.0
Finance costs	**400.5**	368.0
Interest on amounts due from subsidiary undertaking	**(378.1)**	(339.9)
Interest receivable on money market deposits	**-**	(0.1)
Finance income	**(378.1)**	(340.0)
Net finance costs on financial assets and financial liabilities held at amortised cost	**22.4**	28.0

5. Taxation

Analysis of (credit)/charge for the year	2016 £m	2015 £m
Current tax	**-**	(20.0)
Deferred tax (note 9)	**(2.0)**	23.8
Taxation	**(2.0)**	3.8

Current taxation for the prior year represents a credit for group relief surrendered to another group undertaking, with the amount being deducted from amounts due to subsidiary undertaking.

Notes to the financial statements

5. Taxation (continued)

The taxation credit (2015: charge) for the year is lower (2015: higher) than the standard rate of taxation in the UK of 20.00% (2015: 20.25%). The differences are explained below:

	2016 £m	2015 £m
Loss before taxation	**(22.4)**	(28.0)
Loss before taxation multiplied by standard rate of corporation tax in the UK of 20.00% (2015: 20.25%)	**(4.5)**	(5.7)
Effects of:		
Items not deductible/(chargeable) to tax	**1.4**	(26.8)
Decrease in deferred tax asset due to reduction in tax rate	**3.5**	4.1
Tax in respect of prior years	**(2.4)**	32.2
Total tax (credit)/charge for the company	**(2.0)**	3.8

Tax in respect of prior years relates to a reassessment of disallowances and exemptions under the world wide debt cap rules in the filed corporation tax returns.

6. Events after the reporting period

In January 2017, pursuant to a process to reduce the amount of shareholder loans due in 2017, the company repaid £1.0bn of shareholder loans accruing interest at 12.0% per annum through the issue of £1.0bn of new loan notes. The newly issued loan notes were subsequently novated to the company's immediate parent undertaking, ABP (Jersey) Limited ("ABPJ"), in consideration for the issue by the company of ordinary shares to ABPJ. The company waived £1.0bn of intercompany loans due from its immediate subsidiary undertaking, ABP SubHoldings UK Limited ("ABPS"). Subsequent to this, the company undertook a reduction of share capital in respect of the shares it issued to ABPJ.

In February 2017, the shareholders of ABPJ agreed with the company to extend the maturity date on the remaining shareholder loans accruing interest at 12.0% per annum and the associated accrued interest thereon from 2017 to 2027. In addition, the interest rate for the shareholder loans was reduced to 9.0% from 12.0% per annum. In all other regards the loan agreements remain the same. Consistent with these changes, in March 2017 the company extended the maturity date on the remaining loan and accrued interest due from its immediate subsidiary ABPS, accruing interest at 12.0% per annum, from 2018 to 2027 and reduced the interest rate from 12.0% to 9.0% per annum. In all other regards the loan agreements remained the same.

7. Investments

The company holds the whole of the ordinary issued share capital of ABPS. ABPS is an unlisted, private limited liability, intermediate investment holding company, which is incorporated and domiciled in England and Wales. The cost of investment is £3 (2015: £3).

ABPS reported a loss for the year ended 31 December 2016 of £17.5m (2015: profit £8.2m) and had a shareholder's deficit at 31 December 2016 of £23.9m (2015: £6.4m).

Notes to the financial statements

8. Group receivables

	2016 £m	2015 £m
Non-current		
Amounts due from subsidiary undertaking	**1,478.2**	416.0
Accrued interest on amounts due from subsidiary undertaking	**2,103.2**	-
Total non-current group receivables	**3,581.4**	416.0

	2016 £m	2015 £m
Current		
Amounts due from subsidiary undertaking	-	1,062.2
Accrued interest on amounts due from subsidiary undertaking	-	1,725.1
Total current group receivables	-	2,787.3

Amounts due from subsidiary undertaking represents loans to the company's immediate, wholly owned subsidiary, ABP SubHoldings UK Limited ("ABPS"), and interest accrued thereon. ABPS has equivalent receivables due in 2018 from its immediate subsidiary, ABPA Holdings Limited, which has borrowing agreements that restrict the amounts it can pay in cash in respect of interest due on its intra-group indebtedness. Amounts have been included in current and non-current based on the expected realisation of the asset.

Details of the loan waiver, extension of the maturity date and reduction in interest rate, which took place after the end of the reporting period, are set out in note 6. Further details of the amounts due from subsidiary undertaking is also disclosed in note 15.

Amounts due from subsidiary undertaking are not overdue for repayment and are not considered to be impaired. Disclosure of the financial risks related to these financial instruments is set out in note 11.

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

9. Deferred tax

The UK corporation tax rate change from 20% to 19% (effective 1 April 2017) was enacted on 18 November 2015 and to 17% (effective 1 April 2020) was enacted 15 September 2016. Accordingly, the deferred tax balances are remeasured at 20%, 19% or 17% as appropriate for the period in which they are expected to crystalise.

The movement on the company's deferred tax is shown below:

	2015 £m	Adjustments in respect of previous periods credited to income statement £m	Charged to income statement £m	2016 £m
Carried forward non-trading losses	48.3	2.4	(0.4)	50.3
Deferred tax asset	**48.3**	**2.4**	**(0.4)**	**50.3**

Notes to the financial statements

9. **Deferred tax** (continued)

	2014 £m	Adjustments in respect of previous periods charged to income statement £m	Credited/ (charged) to income statement £m	2015 £m
Carried forward non-trading losses	54.0	(29.5)	23.8	48.3
Accrued interest	18.1	(2.7)	(15.4)	-
Deferred tax asset	**72.1**	**(32.2)**	**8.4**	**48.3**

The company has a deferred income tax asset of £50.3m (2015: £48.3m) that can be carried forward against future taxable income generated through the sale of investment property by other group entities or as a result of the company taking certain steps such that it has net taxable interest income.

The company had no other losses (2015: £nil) that can be carried forward against future taxable income.

10. **Borrowings**

	2016 £m	2015 £m
Current		
Shareholder loans	**2,859.6**	-
Interest due on shareholder loans	**408.4**	-
Interest on amounts due to group undertaking	**3.9**	3.5
Amounts due to parent undertaking	-	0.6
Interest on amounts due to parent undertaking	-	1.2
Total current borrowings	**3,271.9**	5.3
Non-current		
Shareholder loans	-	2,859.6
Interest due on shareholder loans	-	57.4
Amounts due to group undertaking	**416.0**	416.0
Interest on amounts due to group undertaking	**42.7**	-
Amounts due to parent undertaking	**0.6**	-
Interest on amounts due to parent undertaking	**1.4**	-
Total non-current borrowings	**460.7**	3,333.0

Interest on the shareholder loan notes is payable annually in arrears and can be settled in cash, through the issuance of further loan notes or deferred until maturity of the facility. Amounts of interest settled in cash are dependent on the amounts of interest income the company receives in cash from its immediate subsidiary, ABP SubHoldings UK Limited, which in turn is dependent on the lending agreements of that company's immediate subsidiary, ABPA Holdings Limited and its immediate subsidiaries, ABP Finance PLC and ABP Acquisitions UK Limited. Detail of the shareholder loans novation, extension of the maturity dates and reduction in the interest rates, which took place after the end of the reporting period, are set out in note 6.

Notes to the financial statements

10. **Borrowings** (continued)

Amounts due to group undertaking represents a loan with the company's fellow group undertaking, ABP Mezzanine Holdco UK Limited ("ABPM"). Interest on the loan is accrued and payable semi-annually. Amounts of interest settled is dependent on amounts of interest income the company receives from its immediate subsidiary, ABP SubHoldings UK Limited ("ABPS"), which in turn is dependent on the lending agreements of that company's immediate subsidiary, ABPA Holdings Limited and its immediate subsidiaries, ABP Finance PLC and ABP Acquisitions UK Limited. Should insufficient funds be available, under the agreement the company is permitted to defer payment until a subsequent interest payment date or the final redemption date. Any repayment of interest or capital from ABPS will trigger a mandatory repayment to the lender. The accrued interest payable in 2016 of £42.7m was deferred in line with the agreement and has been included as non-current. The total outstanding interest accrued as at 31 December 2016 was £46.6m (2015: £3.5m).

Amounts due to parent undertaking relates to a loan with the company's immediate and ultimate parent, ABP (Jersey) Limited. Interest on the loan can be paid in cash or accrued until maturity of the facility. In December 2016 the repayment date was extended from 2016 to 2027.

Disclosure of the financial risks related to these financial instruments is set out in note 11. More detail on the company's related party borrowings is set out in note 15.

There is no collateral held as security. The company's borrowings are denominated in sterling.

11. **Financial instruments**

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

Below is a comparison, by class, of the carrying amounts and fair value of the company's financial instruments, other than those with carrying amounts that are reasonable approximations of fair value:

	2016		**2015**	
	Book value £m	**Fair value £m**	**Book value £m**	**Fair value £m**
Financial assets				
At amortised cost				
Amounts due from subsidiary undertaking	**3,581.4**	**3,760.6**	3,203.3	3,203.3
Financial liabilities				
At amortised cost				
Amounts due to group undertaking	**(462.6)**	**(471.0)**	(419.5)	(419.5)

Notes to the financial statements

11. **Financial instruments** (continued)

Fair value of financial instruments (continued)

- The fair value of amounts due from subsidiary undertaking has been based on a cash flow projection with reference to observed market returns and accords to Level 2 in the fair value hierarchy. In the prior year the fair value approximated carrying value as the loans largely match borrowings from the shareholders of the company's ultimate parent undertaking held by the company's intermediate parent undertaking, ABP Bonds UK Limited, and fellow group undertaking, ABP Mezzanine Holdco UK Limited ("ABPM"), which had been recently transacted at par between willing market participants in an arm's length transaction, corresponding to Level 2 in the fair value hierarchy;
- The fair value of shareholder loans approximates to their carrying amounts due to the short-term maturities of these loans and the settlement amounts will approximate the existing carrying amounts, corresponding to Level 2 in the fair value hierarchy;
- The fair value of amounts due to group undertaking has been based on a cash flow projection with reference to observed market returns and accords to Level 2 in the fair value hierarchy. In the prior year the fair value approximated carrying value as the loans largely match borrowings from the shareholders of the group's ultimate parent undertaking held by the group's fellow group undertaking, ABPM, which had been recently transacted at par between willing market participants in an arm's length transaction, corresponding to Level 2 in the fair value hierarchy;
- The fair value of amounts due to parent undertaking approximates to their carrying amounts as the loans are subordinated to external borrowings of the underlying group, which is reflected in the interest rate agreed between the parties and expectations of returns have not altered. The fair value is therefore derived from expected cash flows taking account of credit risk and market observed returns for such instruments and equates to Level 2 within the fair value hierarchy; and
- The fair value of current borrowings and group payables approximates to their carrying amounts due to the short-term maturities of these instruments.

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 boards of Associated British Ports Holdings Limited ("ABPH"), the company's intermediate subsidiary and ABP (Jersey) Limited ("ABPJ"), the company's immediate parent undertaking. The Board of ABPH monitors treasury matters and approves significant decisions. The treasury function's purpose is to identify, mitigate and hedge financial risks inherent in the group's business operations and capital structure. The company's main financial risks are liquidity, credit and capital risk. The wider group, owned by ABPJ, aims to manage these risks to an acceptable level.

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 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 company's financial liabilities carried at amortised cost, based on undiscounted contractual payments:

Notes to the financial statements

11. **Financial instruments** (continued)

Financial risk management (continued)

2016	Borrowings £m	Group payables £m	Total £m
Not later than one year	**3,364.4**	**93.3**	**3,457.7**
More than one year but not more than two years	**506.4**	**-**	**506.4**
More than two years but not more than five years	**-**	**-**	**-**
More than five years	**6.5**	**-**	**6.5**
Total payments	**3,877.3**	**93.3**	**3,970.6**

Borrowings disclosure in the table above is based on contractual payments as they existed as at 31 December 2016. Detail of the shareholder loans novation, extension of the maturity dates and reduction in the interest rates, which took place after the end of the reporting period, are set out in note 6.

2015	Borrowings £m	Group payables £m	Total £m
Not later than one year	43.7	87.1	130.8
More than one year but not more than two years	3,360.1	-	3,360.1
More than two years but not more than five years	459.2	-	459.2
Total payments	3,863.0	87.1	3,950.1

As interest payments on the shareholder loans can be deferred, they have been included in the maturity analysis in the same category as the principal repayment in 2017.

Interest on the loan due to group undertaking due in 2018, accruing interest at 10.0% per annum, which was deferred in 2016 may be deferred until the final redemption date and has therefore been included in the same category as the principal repayment in 2018. Subsequent interest is calculated on the principal as well as any deferred interest. Interest can only be deferred if the company has insufficient funds available, therefore in the maturity analysis interest has been included in the year in which the interest becomes payable prior to repayment of the principal amount in 2018, with no compounding of interest.

As interest payments on the loan due to parent undertaking can be deferred, they have been included in the maturity analysis in the same category as the principal repayment in 2027.

The expected timing for repayment of the borrowings is detailed in the going concern basis as set out in note 1 to the accounts.

Credit risk
Given the counterparties of group receivables, as set out in note 8, and the security provided under intra-group borrowing arrangements, the directors consider the company's exposure to credit risk to be minimal.

The maximum exposure to credit risk at the reporting date for group receivables is the carrying value of each class of receivable.

Notes to the financial statements

11. Financial instruments (continued)

Financial risk management (continued)

Capital risk
The company keeps its funding structure under review in order to fulfil its principal activity of financing the acquisition and subsequent funding of Associated British Ports Holdings Limited ("ABPH").

The company currently finances its business with loan notes listed on the Channel Islands Securities Exchange held by its immediate parent undertaking's shareholders and by intercompany loans from fellow group undertakings.

These balances were created as part of the acquisition of ABPH and subsequent refinancing of the ABP (Jersey) Limited group. The company's main transactions each year, which are controlled in conjunction with the rest of the group, relate to interest accrual, receipt and payment.

Ultimate realisation of principal loan notes, which were extended to 2027 after the end of the reporting period, and intercompany loans from fellow group undertaking due in 2018, depends on the performance of the ABPA Holdings Limited ("ABPAH") underlying trading group and the ability of the UK-wide ports and transport operations to generate cash flows. Further attention is drawn to the company's and wider group's approach to risk and capital management, which is set out in the company's strategic report.

12. Group payables – current

	2016 £m	2015 £m
Amounts due to subsidiary undertaking	**93.3**	87.1
Amounts due to group undertaking	**-**	-
Total group payables – current	**93.3**	87.1

Amounts due to subsidiary undertaking are in respect of ABP Acquisitions UK Limited. The balance owed primarily relates to amounts charged for group tax relief in prior periods, together with rolled up accrued interest and is repayable on demand. Amounts due to group undertaking are in respect of ABP Mezzanine Holdco UK Limited. Further details on amounts due to group undertaking are disclosed in note 15.

Disclosure of the financial risks related to these financial instruments is set out in note 11. The company's payables are denominated in sterling.

13. Share capital

	2016 £m	2015 £m
Authorised		
100,000 (2015: 100,000) ordinary shares of £0.01 each	**-**	-
Issued, called-up and fully paid		
302 (2015: 302) ordinary shares of £0.01 each	**-**	-

Notes to the financial statements

14. Cash flows from operations

Reconciliation of loss before taxation to cash flows from operations:	2016 £m	2015 £m
Loss before taxation	**(22.4)**	(28.0)
Finance costs	**400.5**	368.0
Finance income	**(378.1)**	(340.0)
Operating cash flows before movements in working capital	**-**	-
Decrease in trade and other payables	**-**	(10.9)
Cash flows from operations	**-**	(10.9)

15. Related party transactions

On 22 August 2006 the company issued and listed on the Channel Islands Securities Exchange £1,061,585k of unsecured subordinated notes due 16 February 2017, which were subscribed for by the shareholders of ABP (Jersey) Limited, the company's immediate parent. PIK notes (on the same terms as, but ranking in priority to, the original loan notes) have been issued as settlement of part of the interest accruing on these loan notes.

Detail of the shareholder loans novation, extension of the maturity dates and reduction in the interest rates, which took place after the end of the reporting period, are set out in note 6.

Total shareholder loans are as follows:

Facility type	**Due date**	**Fixed rate per annum**	**2016 £m**	**2015 £m**
Shareholder loans				
Unsecured subordinated fixed rate notes	2017	12.0%	**2,859.6**	2,859.6
Accrued interest			**408.4**	57.4
			3,268.0	2,917.0

Total	**2016 £m**	**2015 £m**
Loan notes at start of year	**2,859.6**	1,383.9
PIK notes issued during the year	**-**	1,475.7
Loan notes at end of year	**2,859.6**	2,859.6
Interest accrued at start of year	**57.4**	1,215.9
Interest charged during year	**351.0**	317.2
Interest settled by issue of PIK notes during the year	**-**	(1,475.7)
Interest transferred during the year	**-**	-
Accrued interest at end of year	**408.4**	57.4

Notes to the financial statements

15. Related party transactions (continued)

Details of the notes held by each related party and related transactions are shown below:

Borealis ABP Holdings B.V.	**2016 £m**	**2015 £m**
Loan notes at start of year	**631.6**	-
Amount transferred from Borealis (Luxembourg) S.C.A during the year	-	631.6
Loan notes at end of year	**631.6**	631.6
Interest accrued at start of year	**12.7**	-
Interest charged during year	**77.6**	3.0
Interest transferred during the year	-	9.7
Accrued interest at end of year	**90.3**	12.7

Borealis Ark Holdings B.V.	**2016 £m**	**2015 £m**
Loan notes at start of year	**226.3**	-
Amount transferred from Cheyne Walk Investment Pte Limited during the year	-	109.5
PIK notes issued during the year	-	116.8
Loan notes at end of year	**226.3**	226.3
Interest accrued at start of year	**4.5**	-
Interest charged during year	**27.7**	12.4
Interest transferred during the year	-	108.9
Interest settled by issue of PIK notes during the year	-	(116.8)
Accrued interest at end of year	**32.2**	4.5

Canada Pension Plan Investment Board	**2016 £m**	**2015 £m**
Loan notes at start of year	**968.8**	-
Amount transferred from Borealis (Luxembourg) S.C.A during the year	-	39.1
Amount transferred from Cheyne Walk Investment Pte Limited during the year	-	39.1
Amount transferred from Anchorage Ports LLP during the year	-	390.7
PIK notes issued during the year	-	499.9
Loan notes at end of year	**968.8**	968.8
Interest accrued at start of year	**19.5**	-
Interest charged during year	**118.9**	28.4
Interest transferred during the year	-	491.0
Interest settled by issue of PIK notes during the year	-	(499.9)
Accrued interest at end of year	**138.4**	19.5

15. **Related party transactions** (continued)

Cheyne Walk Investment Pte Limited	**2016 £m**	**2015 £m**
Loan notes at start of year	**571.9**	461.3
Amount transferred to Borealis (Luxembourg) S.C.A during the year	-	(28.9)
Amount transferred to Borealis Ark Holdings B.V. during the year	-	(109.5)
Amount transferred to Canada Pension Plan Investment Board during the year	-	(39.1)
Amount transferred to Anchorage Ports LLP during the year	-	(7.1)
PIK notes issued during the year	-	295.2
Loan notes at end of year	**571.9**	571.9
Interest accrued at start of year	**11.5**	405.3
Interest charged during year	**70.2**	87.3
Interest transferred during the year	-	(185.9)
Interest settled by issue of PIK notes during the year	-	(295.2)
Accrued interest at end of year	**81.7**	11.5

Kuwait Investment Authority	**2016 £m**	**2015 £m**
Loan notes at start of year	**286.0**	-
Amount transferred from Borealis (Luxembourg) S.C.A during the year	-	138.4
PIK notes issued during the year	-	147.6
Loan notes at end of year	**286.0**	286.0
Interest accrued at start of year	**5.7**	-
Interest charged during year	**35.1**	15.6
Interest transferred during the year	-	137.7
Interest settled by issue of PIK notes during the year	-	(147.6)
Accrued interest at end of year	**40.8**	5.7

Anchorage Ports LLP	**2016 £m**	**2015 £m**
Loan notes at start of year	**175.0**	-
Amount transferred from Admiral Global and International S.à.r.l. during the year	-	314.2
Amount transferred from Admiral Institutional S.à.r.l. during the year	-	8.7
Amount transferred from Infracapital ABP SLP LP during the year	-	138.4
Amount transferred from Borealis (Luxembourg) S.C.A during the year	-	7.1
Amount transferred from Cheyne Walk Investment Pte Limited during the year	-	7.1
Amount transferred to Canada Pension Plan Investment Board during the year	-	(390.7)
PIK notes issued during the year	-	90.2
Loan notes at end of year	**175.0**	175.0
Interest accrued at start of year	**3.5**	-
Interest charged during year	**21.5**	29.2
Interest transferred during the year	-	64.5
Interest settled by issue of PIK notes during the year	-	(90.2)
Accrued interest at end of year	**25.0**	3.5

Notes to the financial statements

15. **Related party transactions** (continued)

Admiral Institutional S.à.r.l and Admiral Global and International S.à.r.l.	**2016 £m**	**2015 £m**
Loan notes at start of year	-	322.9
Amount transferred to Anchorage Ports LLP during the year	-	(322.9)
Loan notes at end of year	-	-
Interest accrued at start of year	-	283.7
Interest charged during year	-	37.5
Interest transferred during the year	-	(321.2)
Accrued interest at end of year	-	-

Infracapital ABP SLP LP for and on behalf of Infracapital Partners LP	**2016 £m**	**2015 £m**
Loan notes at start of year	-	138.4
Amount transferred to Anchorage Ports LLP during the year	-	(138.4)
Loan notes at end of year	-	-
Interest accrued at start of year	-	121.6
Interest charged during year	-	16.1
Interest transferred during the year	-	(137.7)
Accrued interest at end of year	-	-

Borealis (Luxembourg) S.C.A	**2016 £m**	**2015 £m**
Loan notes at start of year	-	461.3
Amount transferred from Cheyne Walk Investment Pte Limited during the year	-	28.9
Amount transferred to Canada Pension Plan Investment Board during the year	-	(39.1)
Amount transferred to Kuwait Investment Authority during the year	-	(138.4)
Amount transferred to Anchorage Ports LLP during the year	-	(7.1)
Amount transferred to Borealis ABP Holdings B.V. during the year	-	(631.6)
PIK notes issued during the year	-	326.0
Loan notes at end of year	-	-
Interest accrued at start of year	-	405.3
Interest charged during year	-	87.7
Interest transferred during the year	-	(167.0)
Interest settled by issue of PIK notes during the year	-	(326.0)
Accrued interest at end of year	-	-

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

Name	**Relationship**
ABP (Jersey) Limited	Immediate parent
ABP SubHoldings UK Limited	Immediate subsidiary
ABP Acquisitions UK Limited	Intermediate subsidiary
ABP Mezzanine Holdco UK Limited	Fellow group undertaking

Notes to the financial statements

15. **Related party transactions** (continued)

The company has loans receivable/(payable) with the following related parties:

Name	Due date	Fixed rate per annum	2016 £m	2015 £m
ABP SubHoldings UK Limited	2018[1]	12.0%	**1,062.2**	1,062.2
ABP SubHoldings UK Limited	2018	10.0%	**416.0**	416.0
Interest accrued			**2,103.2**	1,725.1
			3,581.4	3,203.3

[1] In March 2016 the repayment date was extended from 2016 to 2018. Refer to note 6 for details on events after the end of the reporting period.

Name	Due date	Fixed rate per annum	2016 £m	2015 £m
ABP (Jersey) Limited	2027[2]	12.0%	**(0.6)**	(0.6)
Interest accrued			**(1.4)**	(1.2)
			(2.0)	(1.8)
ABP Mezzanine Holdco UK Limited	2018	10.0%	**(416.0)**	(416.0)
Interest accrued			**(46.6)**	(3.5)
			(462.6)	(419.5)

[2] In December 2016 the repayment date was extended from 2016 to 2027.

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

ABP SubHoldings UK Limited	2016 £m	2015 £m
Intercompany receivable at start of the year	**3,203.3**	2,904.9
Interest charged	**378.1**	339.9
Non-cash movement in interest receivable	**-**	(41.5)
Intercompany receivable at end of the year	**3,581.4**	3,203.3

ABP (Jersey) Limited	2016 £m	2015 £m
Intercompany borrowing at start of the year	**(1.8)**	(1.6)
Interest charged	**(0.2)**	(0.2)
Intercompany borrowing at end of the year	**(2.0)**	(1.8)

ABP Mezzanine Holdco UK Limited	2016 £m	2015 £m
Intercompany borrowing at start of the year	**(419.5)**	(419.4)
Interest charged	**(43.1)**	(41.6)
Non-cash movement in interest payable	**-**	41.5
Intercompany borrowing at end of the year	**(462.6)**	(419.5)

The company also has current accounts with related parties. 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:

Notes to the financial statements

15. Related party transactions (continued)

ABP Acquisitions UK Limited	2016 £m	2015 £m
Intercompany payable at start of the year	**(87.1)**	(109.0)
Decrease in payable	**-**	30.9
Interest charged – 7.0% per annum (2015: 8.1%)	**(6.2)**	(9.0)
Intercompany payable at end of the year	**(93.3)**	(87.1)

The company has also entered into transactions during the year of less than £0.1m with ABP Mezzanine Holdco UK Limited. The outstanding current account balance as at 31 December 2016 was less than £0.1m.

16. Subsidiary undertakings

All subsidiaries have a registered address of 25 Bedford Street, London, WC2E 9ES and operate in England and Wales, unless otherwise stated. The company'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 Company
Subsidiary undertakings: Holding/financing	
ABP SubHoldings UK Limited	100
ABPA Holdings Limited	100
ABP Finance PLC	100
ABP Acquisitions UK Limited	100
Subsidiary undertakings: Ports and transport	
Associated British Ports Holdings Limited	100
Associated British Ports	(see below)[1]
ABP Security Limited	100
The Teignmouth Quay Company Limited	100
Subsidiary undertakings: Property	
RPM Industrial Site Services Limited (acquired 5 August 2016)	100
ABP (Aldwych) Limited	100
Millbay Development Company Limited	100
ABP Property Development Company Limited	100
Grosvenor Waterside Investments Limited	100
Subsidiary undertakings: Group services	
ABP Insurance Limited (domiciled in Isle of Man) (dissolved 29 January 2016)	100
ABP Marine Environmental Research Limited	100
ABPH Marine (Guernsey) Limited[2] (domiciled in Guernsey)	100
UK Dredging Management Limited	100

[1] *Under the Transport Act 1981, Associated British Ports Holdings Limited has powers over Associated British Ports ("ABP") corresponding to the powers of a holding company over a wholly owned subsidiary undertaking. ABP's registered office is 25 Bedford Street, London, WC2E 9ES.*

[2] *Registered address is Frances House, Sir William Place, St. Peter Port, Guernsey, GY1 4HQ.*

Notes to the financial statements

16. **Subsidiary undertakings** (continued)

	% held by Company
Subsidiary undertakings: Dormant	
Aldwych Logistics Investments Limited	100
ABP Marchwood Limited	100
ABP Quest Trustees Limited	100
Amports Holdings Limited	100
ABP Infrastructure Grimsby Limited (dissolved 24 June 2016)	100
ABP Nominees Limited	100
American Port Services Holdings Limited	100
ABP Safeguard Limited	100
Associated British Ports Investments Limited	100
Colchester Dock Transit Company Limited	100
Grosvenor Waterside (Cardiff Bay) Limited	100
Grosvenor Waterside Group Limited	100
Grosvenor Waterside (Holdings) Limited	100
Ipswich Port Limited	100
Slater's Transport Limited	100
Whitby Port Services Limited	100
ABP Secretariat Services Limited	100
ABP (Pension Trustees) Limited	100
Exxtor Shipping Services Limited	100
Humber Pilotage (C.H.A.) Limited	100
Northern Cargo Services Limited	100
Southampton Free Trade Zone Limited	100
Grosvenor Waterside Developments Limited	100
Grosvenor Buchanan Properties Limited[1] (domiciled in Scotland)	100
Grosvenor Waterside Asset Management Limited	100
ABP Southampton Properties Limited	100
ABP (No. 1) Limited	100
ABP Connect Limited	100
Marine Environmental Research Limited	100
Amports Cargo Services Limited	100
Amports Vehicle Terminals Limited	100
Amports Contract Personnel Limited	100
Auto Shipping Limited	100

[1] *Registered address is Associated British Ports, Port Office, Ayr, Ayrshire, KA8 8AH.*

17. **Ultimate parent undertaking and controlling parties**

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

The immediate and ultimate parent undertaking and controlling party is ABP (Jersey) Limited ("ABPJ"), which produces consolidated financial statements that comply with IFRS and are available from its registered office at 44 Esplanade, St Helier, Jersey, JE4 9WG. The consolidated financial statements of ABPJ are the smallest and largest group in which the company is included.

Notes to the financial statements

17. Ultimate parent undertaking and 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 A Ordinary shares	% of B Ordinary shares	% of Preference shares
Borealis ABP Holdings B.V. (owned by OMERS Administration Corporation)	22.10	22.10	22.09
Borealis Ark Holdings B.V. (owned by OMERS Administration Corporation)	7.90	7.90	7.91
Canada Pension Plan Investment Board	30.00	33.88	33.88
9348654 Canada Inc.	3.88	-	-
Cheyne Walk Investment Pte Limited (owned by GIC (Ventures) Pte Limited)	20.00	20.00	20.00
Kuwait Investment Authority	10.00	10.00	10.00
Anchorage Ports LLP (owned by Hermes GPE Infrastructure Fund LP, Hermes Infrastructure (SAP I) LP and Hermes Infrastructure (Alaska) LP)	6.12	6.12	6.12
	100.00	**100.00**	**100.00**