ASSOCIATED BRITISH PORTS HOLDINGS LIMITED

(Company Number 1612178)

ANNUAL REPORT AND ACCOUNTS 2008

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Business review

The principal activities of the group comprise the provision of innovative and high-quality port facilities and related services to ship and cargo owners and other users of seaports in the UK. The group also provides value-added transport-related services and generates income from the ownership and development of properties at port locations within the UK.

The group owns and operates 21 general cargo ports within the UK. In addition, it owns 49 per cent of DPWS, the second largest container terminal in the UK, and 33 per cent of Tilbury Container Services, a deep-sea container terminal located at the Port of Tilbury. The company's ultimate parent company, ABP (Jersey) Limited, is owned by Borealis International Investments Corporation, GIC Special Investments Pte, Goldman Sachs Infrastructure Fund and Infracapital Partners LP.

This business review is presented under the following headings:
Group overview – overview of the group's performance for the year ended 31 December 2008.
Strategy update – summary of the group's current strategy and brief details of some of its more strategic projects, which are expected to underpin its future growth.
Operating and financial review – brief overview of the UK ports market, detailed review of performance by segment for the year ended 31 December 2008 and expected trends for 2009, details of the group's financial position at 31 December 2008 and discussion of critical accounting policies and judgements applied in the preparation of the group's 2008 financial statements.
Risks and uncertainties – discussion of principal risks and uncertainties including health and safety, environmental and operating factors, which could impact the group's future performance.
Resources and key relationships – details of the key resources and relationships which are integral to the group's successful future development.

1. Group overview

Supported by a diverse cargo base and long-term agreements with a variety of customers, notwithstanding an extremely challenging economic background the group's core ports and transport business continued to grow during 2008.

Revenue for the group's ports and transport activities increased by 4.2 per cent to £417.6m (2007: £400.7m). In line with our expectations, due to the impact of a number of significant property disposals completed during 2007, revenue contribution from the group's property investment and property development activities decreased by £56.2m to £6.0m (2007: £62.2m) and consequently overall group revenue decreased by 8.5 per cent to £423.6m (2007: £462.9m). Underlying (before exceptional items, increase in fair value of investment properties and amortisation of acquisition related adjustments) operating profit, as set out in table 1, decreased by 5.0 per cent to £186.7m (2007: £196.5m). The reduction in underlying operating profit was due to the expected decrease in contribution from property development activities, which declined by £19.6m to £1.1m (2007: £20.7m). Underlying operating profit from ports and transport activities increased by 5.0 per cent to £182.1m (2007: £173.5m) and the underlying operating profit contribution from the group's property investment activities increased by 52.2 per cent to £3.5m (2007: £2.3m). The growth achieved by the group's ports and transport business was driven by improved contributions from certain bulk trades and increased levels of property income associated with the group's ports business. During 2008, the group continued to progress a number of strategic projects designed to underpin future growth for its core ports and transport business, further details on these projects are provided in the strategy update.

Table 1

Operating profit by business segment	2008 £m	2007 £m	Change from 2007
Ports & transport	**182.1**	173.5	+5.0%
Property investment	**3.5**	2.3	+52.2%
Property development	**1.1**	20.7	-94.7%
Underlying operating profit	**186.7**	**196.5**	**-5.0%**
Increase in fair value of investment properties	**31.7**	2.9	+993.1%
Less:			
Exceptional items – administrative expenses	**-**	(6.8)	+100.0%
Group operating profit	**218.4**	**192.6**	**+13.4%**

The 2008 review of the group's investment property portfolio led to an increase in carrying values of £31.7m (2007: £2.9m). The increase in carrying value reflected the impact of new tenancies and rent reviews concluded during the year. In accordance with its policy of 5-yearly external reviews, the group's investment property portfolio was independently reviewed by AtisReal.

The group did not incur any exceptional charges during 2008. The exceptional charge of £6.8m incurred in 2007 related to the loss of a customer from the Ports of Ipswich and Immingham and to a number of cost reduction initiatives that were implemented across its operations.

Notwithstanding weaker volumes towards the end of the year, TCS benefited from a strong first half and continued to grow during 2008. However, DPWS's performance during 2008 was impacted by operational issues associated with the failure of a crane in January and by weaker volume trends experienced during the latter part of the year. In addition, the group's share of its associates' results for the year was adversely affected by its share of a one-off deferred tax charge of £2.7m in respect of future capital allowances following the commencement of the government's phased abolition of industrial buildings allowances in March 2008. The impact of the deferred tax charge, coupled with the operational issues at DPWS meant that the group's share of profit in associates decreased to £2.3m (2007: £10.3m).

Interest payable and similar charges amounted to £37.9m (2007: £40.9m) of which £36.2m (2007: £39.1m) related to interest on bank loans. Interest receivable and similar income amounted to £21.5m (2007: £9.1m).

The overall tax charge for 2008 amounted to £139.0m (2007: £36.1m) and comprised a current tax charge of £41.6m (2007: £43.3m), an underlying deferred tax charge of £17.2m (2007: credit of £7.2m) and the write-off of a deferred tax asset of £80.2m (2007: £nil) associated with future capital allowances following the government's abolition of industrial buildings allowances in March 2008.

A detailed segmental analysis of the group's business is provided in note 2 to the financial statements on page 38. The operating performance of each business segment is discussed in more detail in the operational and financial review.

2. Strategy update

The ports and transport operations continue to be the main focus of the group's activities.

Our strategy is to invest in long-term projects in partnership with quality customers that can generate internal rates of return of at least 15 per cent. In addition, we continue to monitor maintenance capital expenditure with a view to maintaining this below our annual depreciation charge.

The group continues to pursue a number of major developments, which will underpin its growth during the coming years. Strategic investment projects currently in progress include:

A major expansion of the existing container capacity at the Port of Southampton. The increased capacity is required to support expected long-term growth in the Port's container volumes and, subject to receipt of the necessary planning consents, is expected to become operational on a phased basis over the coming years.

An investment of £19m in the construction of a cruise terminal for Carnival Cruises UK Limited, which will enhance the Port of Southampton's reputation as the UK's number-one cruise port by enabling the Port to continue to handle the largest cruise liners sailing in European waters. This development remains on schedule to be operational in time for the 2009 cruising season.

The planned expansion of capacity at our existing deepwater jetty at Port Talbot to facilitate the import of coal and woodchip volumes. This investment, which remains subject to the finalisation of consents and commercial agreements, will support the development within the Port estate of a new 350MW renewable energy plant by Prenergy.

An £8m upgrade to craneage at Newport, which will be underpinned by a long-term contract with Nevis Power to handle biomass fuel imports for a 49MW renewable energy plant to be sited within the Port estate.

The development of a riverside container terminal to accommodate the expected long-term growth in shortsea container volumes at the Port of Hull.

An investment of around £40m in the enhancement through automation of the existing deepsea coal import facilities at Immingham along with provision of storage facilities to support imports of biomass by Drax.

The group also remains in discussions with several potential customers for the construction of further riverside dry bulk terminals for the import of coal and biomass on the Humber, where the availability of land alongside deep water fulfils two of the key requisites for the development of new electricity generation capacity.

As always, we continue to talk to all of our customers at every level to ensure that our facilities are developed to serve their growing requirements. Organic growth complemented by investment in a range of customer-related projects remains an important driver of the group's growth prospects.

3. Operating and financial review

Ports & transport

Market overview

As our ports and transport business accounted for 98.6 per cent of group revenue and 97.5 per cent of underlying operating profit it is very much the key driver of the group's overall performance. Market data for the UK ports market is normally available during the third quarter following the calendar year to which it relates, table 2 sets out the latest available market data for cargo volumes, international ferry passengers and cruise passengers for the five years to 31 December 2007*.

Table 2

(million tonnes)	2007 ABP market position	2007 ABP market share	2007 ABP	2007 market	2006 market	2005 market	2004 market	2003 market
Cargoes:								
Liquid bulks	1	22.6%	56.6	250.6	252.3	265.4	269.4	262.5
Dry bulks	1	33.2%	44.4	133.7	141.8	134.9	122.8	124.1
Containers, roll-on/ roll-off and vehicles	2	18.2%	30.2	166.2	159.3	154.7	149.9	139.7
Other general cargo	1	27.1%	8.4	31.0	30.3	30.7	31.0	29.4
Total		**24.0%**	**139.6**	**581.5**	**583.7**	**585.7**	**573.1**	**555.7**
Change				*-0.4%*	*-0.3%*	*2.2%*	*3.1%*	*-0.5%*
International ferry passengers (thousands)	**4**	**6.5%**	**1,534**	**23,668**	**23,465**	**23,693**	**25,799**	**26,523**
Change				*+0.9%*	*-1.0%*	*-8.2%*	*-2.7%*	*-7.7%*
International cruise passengers (thousands)	**1**	**69.8%**	**790**	**1,132**	**1,064**	**987**	**807**	**723**
Change				*6.4%*	*7.8%*	*22.3%*	*11.6%*	*26.4%*

**Source: DfT Transport Statistics Report Maritime Statistics 2007, being the latest available data on the UK ports market.*

The UK's ports handle over 95 per cent of the country's trade by volume. Overall cargo volumes for 2007 amounted to 581.5m tonnes with 357.8 or 61.5 per cent being represented by imports and 223.7m tonnes or 38.5 per cent being represented by exports. With 21 strategically located ports the group remains the largest and leading ports operator in the UK. During 2007, the group's ports accounted for 24.0 per cent of cargo volumes handled by UK ports and we maintained our market leading positions in liquid bulks, dry bulks and other general cargoes. The Port of Southampton, the UK's premier cruise port, handled 790,000 international cruise passengers during 2007 representing 69.8 per cent of the overall UK volumes. The group's international ferry passenger volumes for 2007 amounted to 1,534,000, being 6.5 per cent of the overall market with the Port of Dover continuing to account for a majority of the volume for this trade.

The market for ports services in the UK remains highly competitive with 51 major ports, defined by the DfT as ports with cargo volumes in excess of 1m tonnes, being operated under a variety of ownership structures during 2007. With the continued preference amongst shippers for the use of larger vessel sizes the larger UK ports account for a majority of the country's trade volumes.

During 2007 the top 20 ports accounted for 84.8 per cent of the overall market volumes. The Port of Grimsby and Immingham with cargo throughput of 66.3m tonnes remained the country's largest port by volume and the group's ports at Southampton, Hull and Port Talbot were also amongst the top 20 ports in the country. As part of their selection process shippers tend to favour ports that are capable of accommodating the deepest drafted vessels, which are located close to the major shipping channels, with suitable facilities for on-port storage and onward transportation. Location of a port in relation to the destination or origin of a cargo and the efficiency of ports services are also important considerations.

The overall growth in cargo volumes handled by UK ports can be expected to follow the growth in the country's GDP, however, growth rates for individual cargoes can be impacted by a number of other factors e.g. exchange rates, changes in preferences for method of transport and changes in trends associated with globalisation of production facilities etc. During the 5 years ended 31 December 2007, cargo volumes handled by the UK's ports grew at a compound annual growth rate of 0.8 per cent with declines in liquid bulk volumes being more than offset by growth in dry bulks, containers, roll-on/roll-off and other general cargoes. Notwithstanding the expected short-term weakness in volumes due to the impacts of the economic slowdown the group continues to believe that long-term volume growth prospects for containers, roll-on/roll-off and certain bulk cargoes remain attractive. The long-term future growth prospects for cargo volumes remain positive as seaborne transport continues to be the only viable method for the transport of certain bulk cargoes, the UK now relies heavily on overseas production. Economies of scale associated with larger vessel sizes add to the attractiveness of seaborne transport and the scope for the development of new ports within the UK remains extremely limited.

The five-year compound annual growth rate for UK's international cruise passenger volumes was 14.7 per cent. This growth in cruise volumes continues to be driven by recent investment in market development and tonnage by cruise operators, the popularity of cruising with younger passengers and increased demand for shorter cruises. Again notwithstanding the likely negative near-term impacts of the economic climate on growth in cruise volumes the group remains confident about the long-term growth prospects for this market. International ferry passengers handled by the UK's ports declined at compound annual rate of 2.6% during the five years to December 2007. This reduction reflects the impact of the abolition of duty free regime for travel within the EU and the expansion of low-cost air travel. These volumes have now stabilised with 2007 volumes being 0.9 per cent higher than the preceding year.

2008 throughput volumes

During 2008, the cargo volumes handled by the group's UK ports decreased by 3.8 per cent to 134.3m tonnes (2007: 139.6m tonnes). Table 3 provides an analysis of the changes in the group's 2008 UK ports volumes by cargo category compared with 2007.

Table 3

Changes in ABP's UK port volumes **Cargo**	**2008** **million tonnes**	**2007** **million tonnes**	**Change from** **2007**
Liquid bulks	**56.0**	56.6	-1.1%
Dry bulks	**44.1**	44.4	-0.7%
Containers, roll-on/roll-off and vehicles	**27.2**	30.2	-9.9%
Other general cargo	**7.0**	8.4	-16.7%
Total Tonnage	**134.3**	139.6	-3.8%

The overall volume reduction of 3.8 per cent for 2008 reflects a variety of developments across the group's many trades. Significant developments in individual cargo volumes included the following:

- Liquid bulks: reduction of 1.1 per cent with decreases in crude oil import volumes being partially offset by improvements in petroleum product volumes.
- Dry bulks: overall dry bulks volumes decreased by 0.7 per cent as growth in coal/biomass, grain and fertiliser volumes was more than offset by reductions in iron ore imports and throughputs associated with construction related materials.
- Containers: container volumes decreased by 10.8 per cent. Volumes at the Port of Southampton which is home to the UK's second largest container terminal were impacted by operational issues associated with a crane failure during the first half and by reductions in underlying volumes during the second half of the year. Elsewhere, growth in shortsea container volumes at Immingham was offset by reduced throughput levels at the Port of Hull.
- Roll-on/roll-off and vehicles: Roll-on/roll-off traffic (excluding vehicles) decreased by 14.2% per cent primarily due to the cessation of Ferryways services from Ipswich and Immingham during June 2007. Underlying volumes at Hull and Immingham were also below the levels achieved during 2007. Import/export vehicle volumes decreased by 15.6 per cent with volumes at both Southampton and Grimsby being impacted by the reductions in vehicle sales in the UK.
- Other general cargo volumes decreased by 16.7 per cent mainly due to reduced imports of steel and timber resulting from reductions in vehicle production and construction activity.

Table 4 provides an analysis of the changes in the group's UK passenger volumes for 2008 compared with 2007.

Table 4

Changes in ABP's UK ports passenger volumes	2008 (000s)	2007 (000s)	Change from 2007
International ferry passengers	**1,497**	1,534	-2.4%
International cruise passengers	**956**	790	+21.0%
Domestic cruise and ferry passengers	**293**	304	-3.6%
Total	**2,746**	**2,628**	**+4.5%**

The greater part of the group's international ferry volumes relate to the North Sea routes operating from the Port of Hull. During the year a marginal decrease in international ferry volumes at the Port of Hull was partially offset by an improvement in passenger volumes at the Port of Plymouth.

The Port of Southampton remains the UK's number-one cruise port and once again benefited from strong growth in its cruise passenger volumes. International cruise passenger volumes in 2008 increased by 21.0 per cent and the number of cruise calls at the Port increased by 13.5 percent to 278 (2007: 245). Growth in international cruise volumes reflects new business volumes contributed by Norwegian Cruise lines and increased volumes for Carnival Cruises resulting from the introduction of the Queen Victoria and the Ventura vessels to the Port of Southampton.

Domestic cruise and ferry passenger volumes relate mainly to the Troon to Larne (North Ireland) and Fleetwood to Larne services.

Ports & transport overview

We have achieved consistent growth in the UK ports and transport business by applying a strategy of targeted investment, generating new business by securing long-term contracts with quality customers. The table below provides a summary of the operating result for our ports and transport business.

Table 5

Ports & transport	2008 £m	2007 £m	Change from 2007
Revenue	**417.6**	400.7	+4.2%
Underlying operating profit	**182.1**	173.5	+5.0%

Supported by returns from recent investments, revenue increased by 4.2 per cent to £417.6m (2007: £400.7m). Underlying operating profit grew by 5.0 per cent to £182.1m (2007: £173.5m). The 2008 operating result for our ports and transport activities reflects the impact of reduced volumes for containers, roll-on/roll-off and other lower margin trades such as steel, timber, liquid bulks and aggregates being offset by improved volumes of coal/biomass, grain and fertiliser. The group also benefited from strong growth in cruise volumes at Southampton and increases in port-related property income.

The continued growth of the group's ports and transport business is underpinned by the long-term contracts that we have in place with a broad mix of customers, many of which are blue-chip multinational organisations. The group continues to focus on developing this business through investment in existing facilities on the back of customer-supported major projects. At the Port of Southampton, we have continued to progress consent applications associated with our plans to significantly increase container capacity. Also at Southampton, a £19m investment in the development of a new cruise terminal remains on schedule to become operational in time for the 2009 cruise season. At Port Talbot, we remain in discussions to finalise consents and commercials associated with an expansion of the existing deepwater jetty to support Prenergy's plans to develop a renewable energy plant on our port estate. At the Port of Hull, we are continuing to pursue our proposed development of a new shortsea container terminal and believe that the long-term prospects for this development remain positive. At the Port of Immingham the group remains in discussions to finalise an investment of around £40m in the enhancement through automation of the existing deepsea coal import facilities along with provision of storage facilities to support imports of biomass by Drax. We are also continuing to explore investments in two further bulk terminals on the Humber, these facilities are expected to support the development of new power generation facilities on or close to our port estates.

In addition to the progress made with these major strategic investments, during 2008 the group approved investment of £25.2m in a number of new revenue generating projects. Details of these new projects are discussed in the review of operations below. While these new projects have lead times of up to two years and will only contribute to our results once they become operational, they nevertheless underpin the group's future trading prospects.

Significant developments in operating performance of the five business units of the UK ports and transport business are discussed below.

Hull & Goole

Revenues increased by 1.7 per cent with the impact of growth in coal/biomass and agribulk volumes being partially offset by reductions in roll-on/roll-off, container, timber, steel and aggregates volumes. Ferry passenger volumes at Hull were also below the level achieved in 2007.

The group completed its £2.9m of contributions towards the £14.4m project being undertaken in partnership with Network Rail, Yorkshire Forward and Northern Way to upgrade the Hull Docks Branch Line. The increased capacity facilitated by this project became operational in August and is expected to support future growth in volumes at the Port of Hull. Also at Hull, we are investing £0.3m in the enhancement of an existing biomass storage facility for Northwest Trading Limited, these improvement works are expected to be operational in June 2009.

We are continuing to discuss the development of a shortsea container terminal at the Port of Hull with interested parties and remain confident about the long-term commercial prospects for this development. In addition, a number of power generation companies have expressed interest in developing new facilities at the Port of Hull and these projects have the potential to contribute significant additional volumes to the Port. Consequently we are seeking consent for the development of a riverside dry-bulks terminal in support of these initiatives and expect to submit an application for a harbour revision order in the second half of 2009.

Grimsby & Immingham

Revenue grew by 7.0 per cent with growth in coal/biomass, agribulk and container volumes being partially offset by reduced volumes for roll-on/roll-off, imports/export vehicles, timber, aggregates and iron ore imports.

At the Port of Immingham a £6.5m package of works designed to improve the reliability and durability of service provision at the Humber International Terminal was largely completed during 2008. This investment is supported by enhanced agreements with EDF and International Power. In addition, we intend to invest £0.8m on surfacing works required to increase the terminal's storage capacity in support of new business volumes. Also at Immingham we are investing £4.5m to reconfigure and upgrade the Exxtor terminal. This project is expected to deliver significant efficiencies and includes the addition of two new rubber-tyre gantry cranes and surfacing works to improve the terminal layout.

Immingham continued to experience strong demand for storage facilities, particularly in relation to dry bulk cargoes. In order to meet customer requirements for storage facilities we are investing £1.0m in the refurbishment and upgrade of existing facilities at the Port and in addition we are also investing £3.9m to develop a new facility comprising a footprint of 11,000m². Both of these investments are expected to become operational during 2009.

The recent growth achieved at Immingham coupled with the need to accommodate future developments means that land availability could constrain our ability to achieve further expansion at the Port. In order to address this potential future issue and provide additional options for the existing business we invested £2.7m in the acquisition of 50 acres of land at Stallingborough, immediately to the east of the Port, which is zoned for industrial use.

The Port of Immingham is also in the process of concluding an agreement with Drax Power Limited (Drax) for the provision of capacity and storage facilities associated with significant additional volumes of biomass which will be imported through the Port for co-firing at Drax Power Station. In order to support these new business volumes we intend to invest around £40m in the automation of the existing Humber International Terminal 1 facility and the development of additional customised facilities designed for the storage of biomass.

Southampton

Revenue decreased by 0.7 per cent with the benefit of the strong growth in cruise traffic and increased property rentals which included the benefit from the receipt of a lease surrender premium during the year being offset by reductions in dry bulks, import/export vehicles and container volumes.

Southampton's container throughput for the first-half of the year was severely impacted by the operational issues associated with the collapse of a crane at DPWS in January 2008. These operational issues were resolved during the first-half and in July 2008 the terminal, in line with long-established investment plans, commissioned two brand new post panamax cranes. Container volumes at Southampton during the second half of the year were further impacted by the economic climate, nonetheless we remain confident about the long-term growth prospects for container volumes at the port. In order to facilitate the expected future growth we continue to progress the planning consent applications associated with our plans to significantly increase capacity. This expansion project focuses on the sustainable development and re-use of existing dock infrastructure, coupled with significant improvements in efficiency through state-of-the-art container-handling technology. As part of this project the group invested £7.0m in the construction of a further multi-storey vehicle terminal to create additional space for the port's container activities. The new terminal became operational in September 2008.

Cruise volumes at the Port of Southampton grew by 21.0 per cent during the year with the Port benefiting from the introduction of new vessels and new lines to its cruise facilities. The long-term growth prospects for this trade remain positive. Southampton's status as the UK's premier cruise port will be further enhanced by the group's development of a £19.0m new terminal for Carnival Cruises UK Limited. This investment is expected to be operational in time for the 2009 cruise season and is supported by a 20-year agreement with Carnival.

In addition, we are investing £5.9m in a dedicated lift-on/lift-off logistics terminal and the associated equipment to accommodate the relocation of Huelin Renouf's Channel Islands service to the Port of Southampton. The new terminal is scheduled to become operational in early 2009 and is supported by a 25-year agreement.

South Wales Ports

Revenue grew by 3.9 per cent with the impact of improved coal/biomass and agribulk volumes being partially offset by reduced aggregates, iron ore, steel and timber volumes.

The Port of Cardiff is investing £0.9m in the expansion of general cargo storage facilities to provide increased covered storage capacity for steel and timber imports. This investment is being supported by a new 10-year agreement with Cardiff Stevedores Ltd. Also at Cardiff, we are investing £0.6m in the enhancement of timber-storage facilities on the back of a 15-year agreement with F W Morgan. Both of these investments are scheduled to be operational during the first quarter of 2009. In addition we invested £0.9m in the expansion of bulk storage facilities. This investment is supported by a ten-year agreement with Bob Martin (UK) Limited. Towards the end of 2008, the group invested £0.8m to establish the Cardiff Container Line. This operation now undertakes the Cardiff to Dublin services previously operated by Coastal Containers and initial volumes for the service are proving to be encouraging.

The Port of Barry completed its £0.8m investment in the development of a metals recycling and export facility during October 2008. This investment is supported by a 20-year agreement with Dunn Brothers.

At the Port of Newport, an investment of £8.0m in cranes and terminal infrastructure has been approved to service biomass imports for a 49MW power station proposed by Nevis Power. The power plant project is fully consented and construction is expected to commence in the second half of 2009. Also at Newport, we are investing £0.8m in a timber and board storage facility for Premier Forest Products, on the back of a 20-year agreement. In addition, we intend to invest £0.3m in the development of an outdoor storage and distribution terminal on the back of a long-term agreement with Hill and Smith Limited.

At the Port of Swansea, we are investing £0.5m in a metals recycling and export facility on the back of a fifteen-year agreement with Sims Group and £0.6m is being invested in a marine aggregate terminal which is supported by a 20-year agreement with Swansea Bulk Handling.

Shortsea Ports

Across the group's 11 short-sea ports, revenue increased by 11.2 per cent as growth in coal, agribulk and empty container traffic volumes coupled with increased dredging revenues at Barrow more than compensated for the reduced Ferryways roll-on / roll-off volumes at Ipswich and reductions in timber and aggregates volumes across the Shortsea Ports. The Port of Ipswich also benefited from the commencement of the new Dartline roll-on/roll-off services to Ostend and Rotterdam during 2008.

During the year, a £0.6m investment to create a further 46 berths at the Lowestoft Haven Marina was successfully completed as was the Port of Ipswich's £0.2m investment to enhance its marina facilities.

At Fleetwood we invested £0.5m in the extension of the ferry terminal facilities. This project increased the ferry terminal footprint by around 1.25 acres and is supported by a 7-year extension to the contract with Stena (Irish Sea) Lines. Also at Fleetwood we are undertaking a £1.4m expansion of the port's marina facilities, which is due to be completed during the first-half of 2009.

The Port of Teignmouth invested £0.4m in bulk storage facilities, supported by a 4-year contract with Agrenco UK Limited.

Property investment

The group's property investment activities consist of income generated from tenants on its port estates who do not make use of its port facilities. As a result of the property disposals concluded during the past few years, the revenue and operating profit contribution generated from the group's property investment activities can now be considered to be fairly modest in the context of the overall group's results. With our property disposal programme now largely complete, this level of contribution is expected to remain stable during the coming years. Table 6 provides a summary of the contribution from the group's property investment activities for 2008:

Table 6

Property investment	2008 £m	2007 £m	Change from 2007
Revenue	**4.3**	4.3	-
Operating profit	**3.5**	2.3	+52.2%

Revenue from continuing activities was in line with the prior year, however, operating profit increased by 52.2 per cent to £3.5m (2007: £2.3m) following a reduction in the level of central costs allocated to the group's property investment and property development segments.

Property development

With its original property disposal programme largely complete, the timing and scope of future property disposals is now more difficult to predict, particularly given the long-term nature of the group's remaining property projects and the increasingly protracted and complex planning requirements that need to be satisfied prior to a disposal. Table 7 provides a summary of the contribution from the group's property development activities:

Table 7

Property development	2008 £m	2007 £m	Change from 2007
Revenue	**1.7**	57.9	-97.1%
Underlying operating profit	**1.1**	20.7	-94.7%

Revenue from property development activities decreased by 97.1 per cent to £1.7m (2007: £57.9m) and operating profit decreased by 94.7 per cent to £1.1m (2007: £20.7m). The group did not make any significant property disposals during 2008 in comparison with the three large property transactions completed during 2007.

Associates

The group's associates comprise a 49 per cent interest in Southampton Container Terminals, which, rebranded its operations to DP World Southampton ("DPWS") during 2008 and a 33 per cent interest in Tilbury Container Services (TCS).

Both DPWS, which is located at ABP's Port of Southampton, and TCS, at the Port of Tilbury, engage in container-handling activities. DPWS is the second-largest container terminal operator in the UK and handles a significant percentage of the UK's trade with the Far East.

Table 8

Associates	2008 £m	2007 £m	Change from 2007
Throughput (000s of twenty-foot equivalent units)	**2,162**	2,343	-7.7%
Group's share of revenue in associates	**67.2**	72.5	-7.3%
Group's share of underlying operating profit in associates	**7.5**	14.0	-46.4%
Group's share of net interest income / (costs) in associates	**(0.2)**	-	n/a
Group's share of taxation in associates	**(5.0)**	(3.7)	-35.1%
Group's share of profit in associates	**2.3**	**10.3**	**-77.7%**
Group's share of net cash in associates	**9.6**	11.3	-15.0%

DPWS's volumes for 2008 decreased by 13.5 per cent to 1,617,000 Twenty Foot Equivalent Units (TEUs) (2007: 1,870,000 TEUs) due to the impacts of a crane failure in January 2008 and the general reduction in volumes associated with the economic slowdown. In July 2008, the terminal commissioned two new post panamax cranes, this investment is designed to improve service provision and capacity at the terminal. We remain confident about the long-term prospects for DPWS and continue to progress projects designed to achieve a significant increase in the terminal's capacity over the coming years. TCS increased throughput by 15.2 per cent to 545,000 TEUs (2007: 473,000 TEUs) with the benefits of new business and increased volumes during the earlier part of the year being partially mitigated by reductions in throughputs associated with the deteriorating economic climate through the latter part of the year.

The impact of the reduced throughput levels at DPWS was only partially offset by the growth at TCS and consequently the group's share of revenue in associates decreased by 7.3 per cent to £67.2m (2007:£72.5m) and its share of underlying operating profit in associates decreased by 46.4 per cent to £7.5m (2007: £14.0m). The group's share of underlying operating profit included the benefit of a profit on disposal of fixed assets of £1.2m (2007:£nil) which was primarily associated with the settlement of the insurance claim relating to the damaged crane at DPWS. The group's share of interest expense amounted to £0.2m (2007:£nil) and the group's share of taxation in associates was £5.0m (2007: £3.7m). The group's share of taxation in associates was impacted by a £2.7m one-off deferred tax charge representing the group's share of the deferred tax assets written off following the government's abolition of industrial buildings allowances. At 31 December 2008 the group's share of net cash in associates amounted to £9.6m (2007: £11.3m).

Cash flow

The group's business model generates strong cashflow and we continue to closely monitor and manage our working capital balances and capital expenditure commitments. Cash generated from continuing operations totalled £87.1m compared to £76.0m in 2007.

Given the group's commitment to growing the business through investment in its operations, capital expenditure represents the most significant use of its cash flow. Total capital expenditure for the year increased to £72.2m (2007: £53.0m). There are two elements to the group's capital expenditure: maintenance or infrastructure expenditure and revenue-earning capital projects. Maintenance expenditure during 2008 amounted to £29.6m (2007: £22.8m) and was once again below the level of depreciation, the group aims to maintain this performance in 2009. By contrast, the only restriction the group places on revenue-earning capital projects is that they earn an internal rate of return on investment of at least 15 per cent. The group does not intend to enter into any major speculative investments. Growth capex for 2008 amounted to £42.6m (2007: £30.3m) and included expenditure associated with the development of the new cruise terminal £6.4m, the new multi-storey car park £5.6m and the load-on/load-off facility for Huelin Renouf £4.1m at Southampton, further capex of £3.3m on the upgrade of the Exxtor terminal and the acquisition of land near Immingham for £2.8m.

Balance sheet

Net assets increased by £60.4m to £1,248.2m. The decrease in shareholders' funds comprises:

- Increase of £65.3m in respect of the profit for the year.
- Decrease of £19.4m due to net actuarial losses recognised in relation to the group's pension scheme (net of deferred tax).
- Increase of £11.4m in relation to property revaluation gains recognised in equity (net of deferred tax).
- Increase of £0.8m in relation to fair value gain on forward foreign exchange contract (net of deferred tax).
- Increase of £0.1m in relation to fair value gain in an associate's forward foreign exchange contract.
- Decrease of £0.2m due to net actuarial loss recognised in an associate's pension scheme.
- Increase of £0.7m in relation to share based payments.
- Increase of £1.7m due to the issue of ordinary shares.

Critical accounting policies, estimates and judgements

The group prepares its financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. As the group is an infrastructure-based provider of services, property, plant and equipment assets such as operational land, buildings, dock structures, quays and dredgers, floating craft and plant and equipment represent a significant proportion of its balance sheet. The depreciation charge applied to these assets affects both their carrying value and the group's income statement. The group determines depreciation rates by reference to engineering assessments of the useful economic lifespan of each asset. It considers the current rates to be consistent with normal practice and appropriate within the context of its past experience.

The carrying values for the group's goodwill and other intangible assets are reviewed for impairment on an annual basis. It should be noted that these reviews require an element of judgement in terms of the assumptions applied in relation to future forecasts and discount rates. Based on the assumptions adopted the current reviews indicate that the group's forecast future trading provides significant levels of headroom to support the carrying value of its intangible assets. Although the directors believe the assumptions applied to be appropriate, there can be no certainty that these will be borne out in the future.

The group's investment property portfolio is its third largest asset by value. The group's policy is to undertake internal valuations annually and independent external valuations at least once every five years. The portfolio was valued at £657.7m (2007: £634.1m) by independent valuers, Atisreal. Further details are in note 11 to the financial statements.

A full actuarial valuation of the group's main defined benefit pension scheme was last carried out as at 31 December 2006. As at 31 December 2008, the group's actuary reviewed the valuation of this scheme in accordance with the requirements of IAS 19 – Employee Benefits. Under IAS 19, this scheme had a surplus of assets over liabilities of £52.9m at the end of 2008. Valuations of retirement benefit schemes require an element of judgement in terms of the assumptions applied; although the directors have taken advice from the scheme actuary on the determination of these assumptions, there can be no certainty that these will be borne out in the future.

The group provides for deferred tax liabilities in respect of all temporary differences in accordance with the requirements of IAS 12 – Income Taxes. Further details are shown in note 20 to the financial statements.

Revenue comprises the amounts receivable in respect of ports and transport services provided to third parties, income from investment properties and sales of property developments, excluding related sales taxes. Revenue and profit, in relation to the provision of ports and transport services and income from investment property, are recognised in line with the provision of the service. Revenue and profits or losses arising on the sale of sites or completed developments are recognised when contracts for sale have been exchanged and when all material conditions have been satisfied.

Treasury policies and liquidity

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

Liquidity, interest rate and capital risk
The group's liquidity, interest rate and capital risks are managed by its parent company, ABP Acquisitions UK Limited.

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

Capital risk
The group finances its business with a mixture of retained earnings - £256.5m (2007: £232.0m), finance leases - £1.6m (2007: £1.8m) and bank loans - £565.0m (2007: £560.0m). It also has a committed but unutilised working capital facility of £95.0m (2007: £100.0m). The group keeps its capital 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.

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 the agreement of any transaction. Exposure to counterparties is also reviewed on a regular basis to avoid any excessive reliance on a single counterparty.

4. Risks and uncertainties

The successful execution of the group's strategy and the attainment of its objectives are contingent upon the effective management of risks and uncertainties that could affect its business activities. The group's risk management activities are undertaken by a risk management working group that is responsible for formalising its risk objectives and policies, the identification of the major risks it faces and the implementation of risk management processes. The risk management working group reports its findings to the audit committee. The group has in place embedded risk management processes, which aim to address the significance of any potential social, environmental and ethical issues that could have an impact on the group's short- and long-term objectives. These processes also enable the board to receive information on all significant risks and facilitate the formulation of effective responses on a timely basis. Some of the group's more significant risks, together with details on its monitoring procedures and performance indicators, are discussed below.

Economic outlook

The UK's ports represent the primary gateway for the country's international trade flows and given this our business cannot be expected to be immune from the impacts of the reduction in global economic activity levels. While a significant proportion of our ports business over the next year is secured by customer contracts, further significant deterioration in volumes handled by the UK ports could lead our operating performance to be below our current expectations. It should also be noted that although the group continues to trade comfortably within its financial covenant limits, significant future reductions in the group's trading performance could adversely impact the group's financing arrangements. In view of these potential risks the group has further increased its focus on the management of its cost base, working capital and capital expenditure.

Operating costs

Increases in overall costs that the group is unable to pass on to its customers can be expected to impact its future financial performance. The group's business rates costs have increased significantly during the recent years. The issues surrounding the recent changes to the rating regime applicable to port operators and their customers have been well documented in the press and could potentially lead to further changes to the existing regime. The group's financial statements and future plans continue to be based on the latest available information provided by the Valuation Office Agency, however, further changes to the current position could impact the group's cost base and that of its customers. Increases in the group's other significant costs such as employment costs and utilities, unless effectively managed, could also impact on its future operating performance.

The valuation of the group's pension scheme and ongoing service costs attached to the provision of retirement benefits can vary depending on market conditions. Although, under the accounting basis, the group's pension scheme remains relatively well funded, it has the potential to impact the group's future cash flow and cost base depending on changes in market conditions.

The group also makes contributions to three industry-wide defined benefit 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 flow and cost base from these schemes is uncertain.

Impact from competitor activities

All of the group's ports and terminals are subject to competition from facilities operated under a variety of ownership structures. The group maintains regular dialogue with its current and potential customers and aims to further mitigate this risk by building long-term contractual relationships with its key customers and developing facilities and services to meet their requirements. The group remains focussed on developing its facilities to meet the needs of its customers and during 2008 invested £42.6m in customer related growth projects.

Availability of planning approvals for future developments

The success of the group's future strategy of developing its core ports and transport business through organic investment is partly dependent upon the availability of appropriate planning approvals. Although the group has been successful in obtaining a number of planning approvals for major developments, as a result of the complexity of the process and the legislation governing planning approvals there is no certainty as to the costs and timeframes attached to the availability of future approvals. Multi-disciplinary project teams and the senior management team closely manage all planning applications.

Capital expenditure projects

The efficient management of the group's projected capital expenditure will impact on the value the group is able to deliver to its stakeholders in the medium and long term. The group has successfully completed a number of major projects during recent years and has in place the appropriate resources to undertake its major developments planned for the future.

Potential impacts from terrorist incident or other accidents

Acts of terrorism, natural disasters and accidents all have the potential to limit the group's ability to operate. In addition to detailed contingency planning that has been implemented across all of its operating locations, the group mitigates these risks by investing in security policies, procedures and resources.

Management of health and safety performance

The nature of the group's business means that the health and safety of its employees and other persons involved in its operations is a continuous risk. Ineffective management of health and safety matters can lead to serious injury, damage to infrastructure and can have social and financial ramifications. Further, the group is legally obliged to implement safe systems of work in the conduct of its operations.

The group manages this risk through the enforcement of rigorous policies and procedures that are backed by a strong commitment from the board and designed to achieve continuous improvement. Components of the group's health and safety risk management systems include the clear allocation of management responsibility at group and business unit level, strict enforcement and independent review and monitoring of policies and procedures, well-developed policies and targets on training and education, clear procedures for dealing with contractors and monitoring and reporting of health and safety performance. Further details on the group's development of its health and safety performance and initiatives during 2008 will be included in the group's annual Corporate Social Responsibility (CSR) report, which is due to be published in April 2009.

Progress against the group's primary performance indicators is detailed in table 9 below:

Table 9

	2008	**2007**	**Change from 2007**
Fatal accidents to employees / contractors*	-	1	-100.0%
Reportable injuries per thousand employees	**6.2**	8.3	-25.3%
Percentage of employees provided with accredited training	**95.0**	93.0	+2.2%

**To avoid duplication, the group is not required to report fatalities at ports that do not involve its employees.*

Fatalities are the worst thing that can happen in our business and we naturally do everything we can to prevent them. During 2007, the group suffered one fatality involving an employee at the Port of Ipswich and this incident remains the subject of an investigation by the Health and Safety Executive. On a more positive note the group's incidence rate for reportable injuries of 6.2 per thousand employees was better than our target set at the beginning of the year of 7.0 or less per thousand employees and 25.3 per cent lower than the level achieved in 2007. A review of the 2008 incidents indicated that the majority of these continued to involve slips, trips or falls. The group continues to place great emphasis on improving its heath and safety record.

The group continues to provide appropriate accredited health and safety training to all of its employees. At the end of 2008, the percentage of our employees provided with accredited training increased to 95.0 per cent (2007: 93.0 per cent), which was in line with our long-term target of 95.0 per cent. Every employee within the group's businesses continues to be set the objective of improving health and safety performance.

Management of environmental matters

The group's UK port estates comprise over 12,000 acres of sea-bed and land. The group's obligations in relation to environmental stewardship have the potential to be a significant risk. In operating its business to meet the demands of the country's trade, the group has in place policies and procedures that are designed to ensure that its activities are conducted with due regard for their potential impact on the environment. The group's environment management team has developed and implemented a management framework to ensure that environmental aspects relevant to our business are identified, assessed and managed appropriately. Further details on the group's management of environmental matters will be detailed in its 2008 CSR report. Table 10 below provides details of the group's progress during 2008 against its more significant environmental indicators.

Table 10

	2008	2007	Change from 2007
CO2 emissions (tonnes)*	**76,645.0**	79,730.0	3.9%
Electricity consumption (million kWh)*	**81.7**	81.4	+0.4%
Water consumption (million litres)*	**1,340.8**	1,487.9	-9.9%

**The group's target for CO2 emissions, electricity consumption and water consumption was to maintain these at 2007 levels on a like-for-like basis compared with revenue.*

The group sets targets on resource consumption in order to increase the efficiency of its operations and to minimise their impact on the environment. The group continued to implement a range of initiatives to improve resource efficiency and its 2008 performance on resource consumption in respect of CO2 emissions and water consumption was ahead of its target on a like-for-like basis, whilst electricity consumption increased marginally. In addition, the environment team made good progress on a range of initiatives against which we had set targets at the beginning of 2008, further details of which will be provided in the CSR report.

Management of social and community issues

The group remains committed to ensuring that its business units are a positive influence on their local communities. Social and community matters are managed proactively on a business unit and corporate basis. All major developments are subject to a detailed social impact analysis and community integration remains a key priority for all business units. The group's social and community initiatives are focused on education, charities, arts sponsorship, civic organisations and local partnerships and the provision of free access to its facilities where practical and appropriate. The group assesses its performance by reference to participation in external indices and, in addition, the group targets to increase its contribution to social and community-related initiatives by at least the change in RPI each year. Table 11 below provides details of the group's 2008 performance in relation to social and community matters.

Table 11

	2008	2007	Change from 2007
Total cash and in-kind contributions (percentage of pre-tax profit)	**£412,000**	£361,000	+14.1%
Ranking in BiTC Corporate Responsibility Index	**Gold award**	Silver award	n/a

Further details on social and community related initiatives and investment will be included in the group's 2008 CSR report.

5. Resources and key relationships

The group's core ports and transport business generated 98.6 per cent of group revenue and 97.9 per cent of underlying group operating profit during 2008. The group's future prospects are therefore closely linked to the performance of its ports and transport business. The group believes that its core business benefits from many characteristics that position it to deliver sustainable future returns. Key resources and relationships that could influence the group's future performance are discussed below.

Market leading, diversified business, supported by strong asset base

The group's 21 ports located around the UK mean that its core business is the number one operator within its market by a considerable margin. The size and spread of its UK ports portfolio also means that the group's core business is highly diversified in terms of the variety of cargoes handled and the origination and destination markets for its cargoes. This diversification further contributes towards the stability of the group's revenues. Furthermore the group's market position is supported by a very strong asset base, at the end 2008 the group's tangible fixed assets amounted to £1,599.9m (2007: £1,530.1m)

Customers and suppliers

Like all businesses the group's future success is dependent upon the maintenance and development of its relations with current and potential customers. In order to ensure that it is able to earn an appropriate return on capital invested in customer-driven schemes, the group enters into long-term agreements that normally include minimum annual revenue commitments from customers. These agreements not only enable the group to invest in the development of infrastructure to provide its customers with security over the availability of facilities, but also provide the group with secure and predictable future revenues. During 2008 we invested £42.6m in customer demand driven growth projects. Over 50 per cent of the 2009 budgeted revenue for the group's UK ports business is expected to be earned from existing customer agreements. The group works closely with its customers to develop new facilities and services to meet their requirements and senior management at both corporate and business unit level maintains regular contact with the group's key customers.

The effective and efficient sourcing of both operating and capital expenditure is an important driver of our business performance. The group aims to agree terms and conditions before business takes place and to settle amounts due to its suppliers in line with the terms agreed.

Our people

During 2008, we employed 2,266 people within our businesses. As an infrastructure-based provider of services, the success of our business is dependent on our employees, who have a direct impact on the delivery of our services to our customers as well as on the efficient running of our operations. The quality and effectiveness of the management of our people is therefore critical to the attainment of our business objectives. Further, industrial action by the group's employees can affect its ability to provide facilities and services to its customers. The group is committed to the development of its employees and manages industrial relations by maintaining an ongoing dialogue and constructive relationships with employees, and where appropriate, their representatives.

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. Table 12 below sets out the group's performance in relation to the management of its employees during 2008.

Table 12

	2008	2007	**Change from 2007**
Sickness and absenteeism rate	**3.5%**	3.4%	+2.9%
	7.9 days per employee	7.7 days per employee	
Annual appointments as a percentage of headcount	**9.5 %**	11.0%	-13.6%
Annual leavers as a percentage of headcount	**13.9%**	15.9%	-12.6%
Annual compulsory redundancies as a percentage of headcount	**0.5 %**	3.0%	+83.3%
Female employees as a percentage of headcount	**11.1 %**	10.7%	+3.7%

The group's objective is to monitor and benchmark the above data to ensure that it is in line with industry norms for each business unit; exceptions are identified and addressed through the implementation of specific initiatives to promote best practice and improve performance. The group also monitors the ethnic diversity of its employees and is committed to ensuring that all segments of its communities have the opportunity to participate in and contribute towards the success of its business. The group is also committed to giving full and fair consideration to applicants for employment who are disabled. If an employee becomes disabled during their employment, the group makes every effort to ensure that, wherever possible, the person can either continue in their present role or retrain for a different role. Further details on the group's employee development initiatives will be reported in its annual CSR Report, due to be published in April 2009. We intend to continue the development of our people during 2009 and beyond.

Committed long-term shareholders

The group's investors include some of the world's leading and most reputable infrastructure funds. These investors provide the group with ready access to capital markets as well as external expertise in management and development of infrastructure projects and services. The group's investors are also committed to the long-term development of the business for the benefit of all stakeholders.

6. Outlook

The group's future prospects continue to be underpinned by a well-diversified cargo and a varied customer base. The current economic climate will undoubtedly continue to negatively impact the group's throughput volumes during 2009, however, after taking into account the existing contracted revenues and our increased focus on cost management we remain optimistic that our 2009 operating results will not be materially below the levels achieved in 2008.

By Order of the Board

Peter Jones
Chief Executive
16 March 2009

Zafar Khan
Chief Financial Officer

Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 2008.

Principal activities

The principal activities of the group comprise the provision of innovative and high-quality port facilities and related services to ship and cargo owners and other users of seaports in the UK. The group also provides value-added transport-related services and generates income from the ownership and development of properties at port locations within the UK. The principal activity of the company is as an intermediate holding company.

A review of the company's performance during 2008, financial position at the end of 2008, key performance indicators, principal risk and uncertainties, key resources and relationships and likely future developments is set out within the business review.

Results and dividends

Results for the year are set out in the group's income statement on page 25. The company paid dividends during the year of £nil (2007: £nil).

Board of directors

Directors:

F Biro	
P-PJM Bloemen	
PLH Camu	
CRN Clark	Chairman
JNS Cooper	
TD Ferguson II	
PA Jones	
GPR Kay	
ZI Khan	(appointed 16 July 2008)
DD Morrison	
JM Rolland	(appointed 23 January 2008)
AE Seng	
RJW Walvis	
RM Watters	(resigned 23 January 2008)

Secretary:

H Rees, FCIS

Directors and their interests

No director had any beneficial, including family interests in the shares of the company during the year or at the year end.

During the years ended 31 December 2008 and 31 December 2007, no options over shares in the company were awarded to any director.

During the years ended 31 December 2008 and 31 December 2007, no shares were awarded to any directors.

During the years ended 31 December 2008 and 31 December 2007, no options were exercised.

No director has, or had at any time during the year, held a material interest in any contract or arrangement of significance to which any group undertaking was or is a party.

Directors' indemnities

The company maintains directors' and officers' liability insurance which gives appropriate cover for any legal action brought against its directors. No other indemnities have been granted by the company to its directors.

Supplier payment policy

The effective and efficient sourcing of both operating and capital expenditure is an important driver of our business performance. The group aims to agree terms and conditions before business takes place and to settle amounts due to its suppliers in line with the terms agreed.

At year-end, the group owed the equivalent of 30 days of purchases (2007: 26 days) to trade creditors, based on average daily amount invoiced by suppliers during the year

Charitable and political donations

The group donated £140,466 (2007: £91,000) to charities during the year. It did not make any contributions for political purposes (2007: nil).

Audit information

Each director has taken the steps that he ought to have taken in his duty as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information. So far as each director is aware, there is no information of which the company's auditors are unaware.

Auditors

PricewaterhouseCoopers LLP resigned as the company's auditors on 19 June 2008 and confirmed to the company that there were no circumstances connected with their resignation which they considered should be brought to the attention of shareholders or creditors of the company in accordance with the Companies Act. The directors appointed Ernst & Young LLP on 19 June 2008 to fill the casual vacancy arising by reason of the resignation of PricewaterhouseCoopers LLP. A resolution to reappoint Ernst & Young LLP as auditors to the company will be proposed at the annual general meeting.

By Order of the Board

Hywel Rees

Hywel Rees FCIS
Company Secretary
150 Holborn
London EC1N 2LR
16 March 2009

Statement of directors' responsibilities for the preparation of the annual report and financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group and parent company financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the group and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- 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 is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the group's financial position and financial performance; and
- state that the group has complied with IFRSs, subject to any material departures disclosed and explained in the financial statements.

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

By Order of the Board

Hywel Rees

Hywel Rees FCIS
Company Secretary
150 Holborn
London EC1N 2LR
16 March 2009

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

We have audited the group and company financial statements (the "financial statements") of Associated British Ports Holdings Limited for the year ended 31 December 2008 which comprise the primary financial statements such as the Group Income Statement, the Group and Company Balance Sheets, the Group and Company Cash Flow Statements, the Group and Company Statements of Recognised Income and Expenses and the related notes 1 to 30. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors' 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 auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable United Kingdom law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

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

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

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

Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 31 December 2008 and of the group's profit for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the parent company's affairs as at 31 December 2008;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

Ernst & Young LLP
Registered auditor
London
17 March 2009

Group income statement for the year ended 31 December

	Note	2008 £m	2007 £m
Group revenue	2	**423.6**	462.9
Cost of sales		**(182.4)**	(214.8)
Gross profit		**241.2**	248.1
Administrative expenses		**(54.5)**	(58.4)
Increase in fair value of investment properties	11	**31.7**	2.9
Group operating profit	2	**218.4**	192.6
Analysed between:			
Group operating profit before increase in fair value of investment properties and exceptional items		**186.7**	196.5
Increase in fair value of investment properties	11	**31.7**	2.9
Exceptional items – administrative expenses / restructuring costs	3	**-**	(6.8)
Interest payable and similar charges	4	**(37.9)**	(40.9)
Interest receivable and similar income	4	**21.5**	9.1
Share of profit in associated undertakings	12	**2.3**	10.3
Profit before taxation	2,5	**204.3**	171.1
Taxation	7	**(139.0)**	(36.1)
Profit attributable to equity shareholder	23	**65.3**	135.0

The company has not presented its own income statement as permitted by Section 230 of the Companies Act 1985. The parent company's profit attributable to equity shareholder amounted to £92.9m (2007:£160.2m).

Balance sheets as at 31 December

		Group		Company	
	Note	2008 £m	2007 £m	2008 £m	2007 £m
Assets					
Non-current assets					
Goodwill	8	**14.5**	14.5	-	-
Intangible assets	9	**0.4**	0.7	-	-
Property, plant and equipment	10	**942.2**	895.2	-	-
Investment property	11	**657.7**	634.9	-	-
Investments	12	**57.9**	56.7	**151.9**	151.5
Retirement benefit assets	13	**52.9**	74.8	-	-
Derivative financial instruments	17	**0.4**	0.3	-	-
Trade and other receivables	14	**35.3**	32.7	-	-
Deferred tax asset	20	-	-	-	0.9
		1,761.3	1,709.8	**151.9**	152.4
Current assets					
Property developments and land held for sale	15	**3.1**	3.9	-	-
Derivative financial instruments	17	**1.7**	0.4	-	-
Trade and other receivables	14	**307.3**	187.9	**933.1**	814.4
Cash and cash equivalents	16	**24.6**	34.8	-	-
		336.7	227.0	**933.1**	814.4
Total assets		**2,098.0**	1,936.8	**1,085.0**	966.8
Liabilities					
Current liabilities					
Financial liabilities – borrowings	16	**(1.0)**	(2.4)	**(0.3)**	(1.0)
Trade and other payables	18	**(58.2)**	(50.4)	**(26.4)**	(2.5)
Current tax liabilities		**(3.1)**	(3.1)	-	-
Provisions	19	**(11.6)**	(9.4)	-	-
		(73.9)	(65.3)	**(26.7)**	(3.5)
Non-current liabilities					
Financial liabilities – borrowings	16	**(566.3)**	(561.6)	**(560.0)**	(560.0)
Retirement benefit obligations	13	**(2.4)**	(2.8)	-	-
Deferred tax liabilities	20	**(170.3)**	(90.9)	-	-
Provisions	19	**(13.8)**	(9.6)	-	-
Other non-current liabilities	21	**(23.1)**	(18.8)	-	-
		(775.9)	(683.7)	**(560.0)**	(560.0)
Total liabilities		**(849.8)**	(749.0)	**(586.7)**	(563.5)
Net assets		**1,248.2**	1,187.8	**498.3**	403.3
Shareholder's equity					
Share capital	22	**77.2**	77.1	**77.2**	77.1
Share premium account	23	**127.1**	125.5	**127.1**	125.5
Revaluation reserve	23	**737.3**	704.7	-	-
Other reserves	23	**50.1**	48.5	**40.1**	39.7
Retained earnings	23	**256.5**	232.0	**253.9**	161.0
Total shareholder's equity		**1,248.2**	1,187.8	**498.3**	403.3

The financial statements on pages 25 to 74 were approved by the board of directors on 25 February 2009.

ZI Khan
Director

Cash flow statements for the year ended 31 December

		Group		Company	
		2008	2007	2008	2007
	Note	£m	£m	£m	£m
Cash flows from operating activities					
Cash generated from / (absorbed by) operations	24	**87.1**	76.0	**(36.8)**	(162.5)
Interest paid		**(37.2)**	(35.9)	**(36.9)**	-
Interest received		**3.4**	4.0	**-**	13.9
Taxation refunded / (paid)		**0.9**	(2.4)	**-**	-
Net cash inflow from operating activities		**54.2**	41.7	**(73.7)**	(148.6)
Cash flows from investing activities					
Dividends received from associated undertakings		**1.0**	0.7	**-**	-
Proceeds from sale of property, plant and equipment		**1.2**	0.1	**-**	-
Purchase of intangible assets		**(0.1)**	(0.4)	**-**	-
Purchase of property, plant and equipment		**(62.9)**	(47.5)	**-**	-
Purchase of investment property		**(9.2)**	(5.1)	**-**	-
Net cash outflow from investing activities		**(70.0)**	(52.2)	**-**	-
Cash flows from financing activities					
Dividends received		**-**	-	**72.0**	147.0
Increase in borrowings		**5.0**	-	**-**	-
Repayment of obligations under finance leases		**(0.2)**	(0.3)	**-**	-
Proceeds from issue of share capital		**1.7**	1.6	**1.7**	1.6
Net cash inflow from financing activities		**6.5**	1.3	**73.7**	148.6
Decrease in cash and cash equivalents during the year		**(9.3)**	(9.2)	**-**	-
Cash and cash equivalents at 1 January		**33.9**	43.1	**-**	-
Cash and cash equivalents at 31 December	24	**24.6**	33.9	**-**	-

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

	Note	Group 2008 £m	Group 2007 £m	Company 2008 £m	Company 2007 £m
Decrease in cash and cash equivalents during the year		**(9.3)**	(9.2)	**-**	-
Increase in borrowings		**(5.0)**	-	**-**	-
Repayment of obligations under finance leases		**0.2**	0.3	**-**	-
Decrease in net borrowings resulting from cash flows		**(14.1)**	(8.9)	**-**	-
Change in interest payable		**0.6**	0.3	**0.7**	-
Change in net borrowings during the year		**(13.5)**	(8.6)	**0.7**	-
Net borrowings at 1 January		**(529.2)**	(520.6)	**(561.0)**	(561.0)
Net borrowings at 31 December	16	**(542.7)**	(529.2)	**(560.3)**	(561.0)

Statement of recognised income and expense for the year ended 31 December

	Note	Group 2008 £m	Group 2007 £m	Company 2008 £m	Company 2007 £m
Current tax credit on share-based payments	7	**-**	0.9	**-**	-
Deferred tax credit / (charge) on share-based payments	7	**0.3**	(0.4)	**-**	-
Surplus arising on revaluation of investment property	11, 23	**0.9**	14.1	**-**	-
Share of associated undertakings' actuarial (loss) / gain relating to net retirement benefit liabilities	12, 23	**(0.2)**	0.8	**-**	-
Share of associated undertakings' gain on derivative financial instruments	12, 23	**0.1**	-	**-**	-
Actuarial (loss) / gain relating to net retirement benefit assets	13, 23	**(27.3)**	41.3	**-**	-
Fair value gain on forward foreign exchange contract	17, 23	**1.4**	0.7	**-**	-
Deferred tax asset / (liability) associated with actuarial loss / (gain) relating to net retirement benefit assets	20, 23	**7.9**	(10.9)	**-**	-
Deferred tax liability arising on gain on forward foreign exchange contract	20, 23	**(0.6)**	-	**-**	-
Deferred tax asset arising on revaluation of investment property	20, 23	**10.5**	(1.1)	**-**	-
Net (expense) / income recognised directly in equity		**(7.0)**	45.4	**-**	-
Profit attributable to equity shareholder		**65.3**	135.0	**92.9**	160.2
Total recognised income and expense for the year attributable to equity shareholder		**58.3**	180.4	**92.9**	160.2

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

The consolidated financial statements include the accounts of the company, all of its subsidiary undertakings and its share of the results of all of its associated undertakings, which are accounted for under the equity method. The group's subsidiary and associated undertakings prepare their financial statements under IFRS or in isolated cases UK GAAP converted to IFRS for consolidation purposes. 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.

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.

Management believes that the most critical accounting policies and the most significant areas of judgement and estimation are revenue and profit recognition, property, plant and equipment, intangible assets, impairment of assets, investment property, taxation, and retirement benefits.

1.2 Changes in accounting policy

The company has reviewed IFRS standards, amendments and interpretations that became or become mandatory for accounting periods beginning on or after 1 January 2008 and consider that none of these have an immediate impact on its accounts. .

The new and amended IFRSs that have come into force or will come into force for accounting periods beginning on or after 1 January 2008, together with an assessment of the impact on the group's financial performance and position, are set out in section 1.3 below.

1.3 New and amended IFRSs from 1 January 2008

Improvements to IFRSs
In May 2008 the IASB issued its first omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The standards impacted are listed below and none of the changes impact the group.

- IAS 1 *Presentation of Financial Statements* – in relation to IAS 39 definition
- IAS 16 *Property, Plant and Equipment*
- IAS 23 *Borrowing Costs*
- IAS 28 *Investment in Associates*
- IAS 31 *Interest in Joint ventures*

Notes to the financial statements

1. **Accounting policies** (continued)

1.3 New and amended IFRSs from 1 January 2008 (continued)

- IAS 36 *Impairment of Assets*
- IAS 38 *Intangible Assets*
- IFRIC 11 IFRS 2 – *Group and Treasury Share Transactions*
- IFRIC 12 – *Service Concession Arrangements*
- IFRIC 13 – *Customer Loyalty Programmes*
- IFRIC 14 IAS 19 – *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction*
- IFRIC 15 – *Agreements for the Construction of Real Estate*
- IFRIC 16 – *Hedges of a Net Investment in a Foreign Operation*

Standards issued and approved by the EU but not yet effective

Amendments to **IFRS 1** ***First-time Adoption of international Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements***

The amendments to IFRS 1 allows an entity to determine the 'cost' of investments in subsidiaries, jointly controlled entities or associates in its opening IFRS financial statements in accordance with IAS 27 or using a deemed cost. The amendment to IAS 27 requires all dividends from a subsidiary, jointly controlled entity or associate to be recognised in the income statement in the separate financial statements. Both revisions will be effective for financial years beginning on or after 1 January 2009. The revision to IAS 27 will have to be applied prospectively. The new requirements will not have an impact on the consolidated financial statements.

IFRS 3R ***Business Combinations and IAS 27R Consolidated and Separate Financial Statements***

The revised standards were issued in January 2008 and become effective for financial years beginning on or after 1 July 2009. IFRS 3R introduces a number of changes in accounting for business combinations occurring after this date that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. IAS 27R requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments were made to IAS 7 Statement of Cash Flows, IAS 12 Income Taxes, IAS 21 The Effects of Changes in Foreign Exchange Rates, IAS 28 Investment in Associates and IAS 31 interest in Joint Ventures. The changes to IFRS 3R and IAS 27R will affect future acquisitions or loss of control and transactions with minority interests. The standards may be applied early. However, the group does not intend to take advantage of this possibility.

IFRS 8 Operating Segments applies to the consolidated financial statements of a group with a parent whose debt or equity instruments are traded in a public market. It is effective from 1 January 2009 and replaces IAS 14. It requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes.

Notes to the financial statements

1. **Accounting policies** (continued)

1.3 New and amended IFRSs from 1 January 2008 (continued)

IAS 1 ***Revised Presentation of Financial Statements***
The revised Standard was issued in September 2007 and becomes effective for financial years beginning on or after 1 January 2009. The Standard separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transaction with owners, with non-owner changes in equity presented as a single line. In addition, the Standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The group is evaluating whether it will adopt one or two statements to present this information.

IAS 32 ***Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation***
These amendments to IAS 32 and IAS 1 were issued in February 2008 and become effective for financial years beginning on or after 1 January 2009. The revisions provide a limited scope exception for puttable instruments to be classified as equity if they fulfil a number of specified features. The amendments to the standards will have no impact on the financial position or performance of the group, as the group has not issued such instruments.

IAS 39 ***Financial Instruments: Recognition and Measurement – Eligible Hedged Items***
These amendments to IAS 39 were issued in August 2008 and become effective for financial years beginning on or after 1 July 2009. The amendment addresses the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. It clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as hedged item. The group has concluded that the amendment will have no impact on the financial position or performance of the group, as the group has not entered into any such hedges.

Other recent standards not implemented
Amendments to **IFRS 2** ***Share-Based Payment***
The IASB issued an amendment to IFRS 2 in January 2008 that clarifies the definition of a vesting condition and prescribes the treatment for an award that is cancelled. This amendment will be effective for financial years beginning on or after 1 January 2009. The amendment will not have an impact on the group financial statements.

1.4 Critical accounting policies, estimates and judgements

The company's management considers the following to be the most important accounting policies in the context of the group's operations. The critical estimates and judgements in applying these policies are described below and in the business review.

Revenue and profit 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 developments, excluding related sales taxes. Revenue and profit, in relation to the provision of ports and transport services and income from investment property, are recognised in line with the provision of the service. Revenue and profits or losses arising on the sale of sites or completed developments are recognised when contracts for sale have been exchanged and when all material conditions have been satisfied.

Notes to the financial statements

1. **Accounting policies** (continued)

1.4 Critical accounting policies, estimates and judgements (continued)

Property, plant and equipment

Property, plant and equipment is carried at cost adjusted for subsequent additions and disposals. Transfers from investment property are made at the carrying value at the last balance sheet date.

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 developments and land held for sale – are made at the higher of market value on the date of transfer or the carrying value at the last balance sheet date.

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

Intangible assets

Purchased intangible assets, primarily customer relationships and computer software, are capitalised at fair value on the date of acquisition and capitalised at cost, respectively. These assets are amortised on a straight-line basis over their useful economic lives, which range from 3 to 30 years. Development costs incurred on internal projects are only capitalised where the future economic benefit can reasonably be assessed as assured.

Impairment of assets

The group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current markets assessments of the time value of money and the risks specific to the assets.

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

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

Notes to the financial statements

1. **Accounting policies** (continued)

1.4 **Critical accounting policies, estimates and judgements** (continued)

decreased. If such indication exists, the group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumption used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement unless the asset is carried at the revalued amount, in which case the reversal is treated as a revaluation increase.

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

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

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

Intangible assets
Intangible assets are tested for impairment annually as at 31 December either individually or at the cash generating unit level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

Investment property
Investment properties and land held for development are stated at fair value. In accordance with IAS 40 Investment Property, revaluations are conducted annually by the directors and 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.

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 substantially enacted by the balance sheet date.

Deferred tax is recognised in respect of all temporary differences, except to the extent that the deferred tax liability arises from: (a) the initial recognition of goodwill; (b) goodwill for which amortisation is not deductible for tax purposes; or (c) 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 under IFRS.

Notes to the financial statements

1. **Accounting policies** (continued)

1.4 Critical accounting policies, estimates and judgements (continued)

Deferred tax liabilities are measured at the average 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 substantially enacted by the balance sheet date. The group's deferred tax provision is measured on an undiscounted basis. No provision is made for temporary differences relating to investments in subsidiaries or associates since the realisation of such differences can be controlled and is not probable in the foreseeable future. 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.

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, service costs are spread systematically over the expected service lives of employees and financing costs are recognised in the periods in which they arise. Actuarial gains and losses are recognised immediately in the statement of recognised income and expense.

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

1.5 Other accounting policies

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

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

Leases
The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005 in accordance with the transitional requirements of IFRIC 4.

Notes to the financial statements

1. **Accounting policies** (continued)

1.5 Other accounting policies (continued)

Group as a lessee
Finance leases, which transfer to the group substantially all the risks and benefits incidental to ownership of the lease 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.

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.

Operating leases, which don't transfer to the group substantially all the risks and benefits of ownership of the leased item are not capitalised.

Operating lease payments are recognised as an expense in the income statement on a straight line basis over the lease term.

Group as a lessor
Leases where the group does not transfer substantially all the risk and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Investment in subsidiaries
Investments in subsidiaries are stated at cost and reviewed for impairment at least annually.

Property developments and land held for sale
Property developments and land held for sale are stated at the lower of cost (or transfer value, if transferred from non-current assets) and fair value less costs to sell.

Transfers of property from property developments and land held for sale to non-current assets are made at the lower of its 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 a maturity of less than three months at the date of acquisition less borrowings that are repayable on demand.

Business combinations and goodwill
Purchased goodwill arising on consolidation, 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.

Notes to the financial statements

1. **Accounting policies** (continued)

1.5 Other accounting policies (continued)

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

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

The share of profit of associates is shown on the face of the income statement. This is the profit attributable to equity holders of the associate and therefore is profit after tax and minority interests in the subsidiaries of the associates.

The financial statements of the associate are prepared for the same reporting period as the parent company. Where necessary, adjustments are made to bring the accounting policies in line with those of the group.

After application of the equity method, the group determines whether it is necessary to recognise an additional impairment loss on the group's investment in its associates. The group determines at each balance sheet date whether there is any objective evidence that the investment in the associate is impaired. If this is the case the group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the income statement.

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

Fixed deposits, comprising principally of funds held with banks and other financial institutions, short-term borrowings and overdrafts are classified as loans and receivables and held at amortised cost.

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

Notes to the financial statements

1. **Accounting policies** (continued)

1.5 Other accounting policies (continued)

Borrowings are initially recognised at fair value, net of transaction costs incurred and are subsequently held at amortised cost. Any difference between the amount initially recognised and the redemption amount is recognised in the income statement over the period of the loan, using the effective interest method.

Derivative financial instruments utilised by the group comprise forward foreign exchange contracts. All such instruments are used for hedging purposes to manage the risk profile of an existing underlying exposure of the group in line with the group's risk management policies. All derivative instruments are initially recorded in the balance sheet at fair value. Recognition of gains or losses on derivative instruments depends on whether the instrument is designated as a hedge and the type of exposure it is designed to hedge.

Gains or losses, for qualifying derivative instruments designated as fair value hedges, are recorded in the income statement together with the changes in the fair value of the item being hedged.

The effective part of gains or losses on qualifying cash flow hedges is deferred in equity until the impact from the hedged item is recognised in the financial statements. The ineffective portion of such gains or losses is recognised in the financial statements immediately.

Gains or losses on the qualifying part of net investment hedges are recognised in equity; the ineffective portion of such gains or losses is recognised in the income statement.

Gains and losses on derivative instruments not qualifying for hedge accounting are taken to the income statement.

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

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

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

Notes to the financial statements

2. Segmental analysis

The group is a leading provider to ship and cargo owners of innovative and high-quality port facilities and services. The group is organised into three principal business segments, which provide the basis on which the group reports its primary segmental information:

a. Ports & transport - port-related activities
b. Property investment - rental income from tenants on port estates not using port facilities
c. Property development - sales of surplus non-operational land and property.

All of the group's operating activities are undertaken within the UK.

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other segments.

There are immaterial sales between business segments. Segment assets include intangible assets, property, plant and equipment, investment property, investments, trade and other receivables and property developments and land held for sale. Segment liabilities include trade and other payables and provisions.

	2008 £m	2007 £m
Group revenue		
Ports & transport	**417.6**	400.7
Property investment	**4.3**	4.3
Property development	**1.7**	57.9
Group revenue	**423.6**	462.9
Group operating profit		
Ports & transport	**182.1**	173.5
Property investment	**3.5**	2.3
Property development	**1.1**	20.7
Group underlying operating profit	**186.7**	196.5
Increase in fair value of investment properties [1]	**31.7**	2.9
Exceptional items – administrative expenses / restructuring [2]	**-**	(6.8)
Group operating profit	**218.4**	192.6
Net interest payable	**(16.4)**	(31.8)
Share of profit in associated undertakings [3]	**2.3**	10.3
Profit before taxation	**204.3**	171.1
Taxation	**(139.0)**	(36.1)
Profit attributable to equity shareholder	**65.3**	135.0

[1] *Increase in fair value of investment properties comprised £29.4m (2007: £1.2m) in relation to the group's ports and transport segment, £2.4m (2007: £1.7m) in relation to the group's property investment segment and £nil (2007: £nil) in relation to the group's property development segment.*
[2] *Exceptional items all relate to the group's ports and transport segment.*
[3] *Share of profit in associated undertakings relates to the group's ports and transport segment.*

Notes to the financial statements

2. **Segmental analysis** (continued)

	2008 £m	2007 £m
Segment assets		
Total operating assets		
Ports & transport	**1,848.4**	1,663.8
Property investment	**59.8**	54.7
Property development	**37.8**	36.8
Share of associated undertakings [1]	**57.9**	56.7
	2,003.9	1,812.0
Segment liabilities		
Total operating liabilities		
Ports & transport	**(84.3)**	(66.1)
Property investment	**-**	-
Property development	**(22.4)**	(22.1)
	(106.7)	(88.2)
Net operating assets before group items	**1,897.2**	1,723.8
Group items		
Goodwill	**14.5**	14.5
Net borrowings	**(542.7)**	(529.2)
Derivative financial instruments	**2.1**	0.7
Retirement benefit assets	**52.9**	74.8
Retirement benefit obligations	**(2.4)**	(2.8)
Other liabilities	**(184.1)**	(94.0)
Net assets	**1,237.5**	1,187.8
Total capital expenditure [2]		
Ports & transport	**73.2**	50.3
Property investment	**3.3**	0.1
Total capital expenditure	**76.5**	50.4
Total depreciation and amortisation		
Ports & transport	**38.4**	36.6

[1] *Share of associated undertakings relates to the group's ports and transport segment.*
[2] *Capital expenditure comprises the balance sheet additions for intangible assets, property, plant & equipment, and investment property.*

3. **Exceptional items**

During 2008 the group did not incur any exceptional costs. During 2007 the group incurred exceptional administrative costs of £6.8m following the loss of a customer and in relation to a number of cost reduction initiatives, which were implemented across its operations. The exceptional tax credit associated with these costs amounted to £2.0m.

Notes to the financial statements

4. Net interest payable

	2008 £m	2007 £m
Bank loans and overdrafts	**36.2**	39.1
Finance leases	**0.3**	0.2
Other	**1.6**	1.6
Less: finance costs capitalised on payments for non-current assets (note 10)	**(0.2)**	-
Interest payable and similar charges	**37.9**	40.9
Loan to parent undertaking	**(16.2)**	(4.5)
Other	**(5.3)**	(4.6)
Interest receivable and similar income	**(21.5)**	(9.1)
Net interest payable	**16.4**	31.8

5. Profit before taxation

Profit before taxation is stated after charging/(crediting):

	2008 £m	2007 £m
Depreciation		
Owned property, plant and equipment – other	**37.7**	35.9
Leased property, plant and equipment	**0.3**	0.3
Amortisation		
Amortisation of intangible assets	**0.4**	0.4
Profit on disposal of non-current assets	-	(0.1)
Other operating lease rentals payable		
Plant and equipment	**2.9**	2.8
Property	**1.8**	1.9
Repairs and maintenance expenditure on property, plant and equipment	**16.7**	12.7
Trade receivables impairment IFRS 7	**1.0**	2.6
Auditors' remuneration		
Audit services – statutory audit	**0.3**	0.3
Services relating to corporate finance transactions	-	0.1

Included in auditors' remuneration above is £20,000 (2007: £20,000) in respect of the audit of the company and the consolidated accounts. In addition to the above services, Ernst & Young LLP (2007: PricewaterhouseCoopers LLP) acted as auditor to the group's main defined benefits 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 auditors for audit services to the pension schemes during the period were £26,800 (2007: £30,000).

Notes to the financial statements

6. **Directors and employees**

Staff costs are analysed as follows:

	2008 £m	2007 £m
Staff costs		
Wages and salaries	**72.5**	75.7
Social security costs	**6.8**	6.7
Pension costs (see note 13)	**1.3**	1.6
	80.6	84.0

The monthly average number of people employed during the period was 2,266 (2007: 2,423), of which 2,243 (2007: 2,401) people were employed in the ports and transport segment, 13 (2007: 13) in the property investment segment and 10 (2007: 9) in the property development segment.

Key management compensation is analysed as follows:

	2008 £m	2007 £m
Key management compensation		
Short-term employee benefits	**3.4**	2.8
Post-employment benefits	**0.2**	0.4
Other long-term benefits	-	0.2
Termination benefits	-	0.7
	3.6	4.1

Key management includes the boards of directors of the company, and the group's principal subsidiaries.

Three directors are eligible to join the Associated British Ports Group Pension Scheme, under which they are entitled to earn pension benefits dependent on their length of service. At 31 December 2008 one (2007: one) director was a member of this scheme. Two directors (2007: three) received contributions towards a defined contribution scheme. During the year none of the directors (2007: nil) exercised options over shares of 25p each in Associated British Ports Holdings Limited.

Highest paid director	2008 £m	2007 £m
Short-term employee benefits	**1.0**	0.6
Post-employment benefits	**0.1**	0.1

Notes to the financial statements

7. Taxation

Analysis of charge / (credit) for the year	2008 £m	2007 £m
Current tax – current year	**42.5**	43.3
Current tax – prior year	**(0.9)**	-
Deferred tax	**97.4**	(7.2)
Taxation	**139.0**	36.1

The 2007 current tax charge included an exceptional tax credit of £2.0m.

Tax on items charged to equity	2008 £m	2007 £m
Current tax credit on share-based payments	**-**	0.9
Deferred tax credit / (charge) on share-based payments	**0.3**	(0.4)
Deferred tax credit / (charge) on actuarial loss / (gain) relating to net retirement benefit asset	**7.9**	(10.9)
Deferred tax charge on foreign exchange hedge	**(0.6)**	-
Deferred tax charge arising on revaluation of investment property	**10.5**	(1.1)

Taxation charge for the year is higher (2007: lower) than the standard rate of taxation in the UK of 28.5% (2007: 30.0%). The differences are explained below:

	2008 £m	2007 £m
Profit before taxation	**204.3**	171.1
Profit before taxation multiplied by standard rate of corporation tax in the UK of 28.5% (2007: 30%)	**58.2**	51.3
Effects of:		
Losses brought forward	**-**	(0.2)
Impact from the abolition of Industrial Building Allowance	**80.2**	-
Tax credit associated with the exercise of share options not previously recognised in deferred tax	**(0.8)**	(0.7)
Expenses not deductible for tax	**0.8**	0.9
Share of profit in associated undertakings	**(0.6)**	(3.1)
Property disposals	**(0.1)**	(2.3)
Reduction in deferred taxes due to reduction in tax rate	**(0.3)**	-
Tax under provided in previous years	**1.6**	-
Impact of future change in rate of corporation tax to 28%	**-**	(5.0)
Other	**-**	(4.8)
Total tax charge for the group	**139.0**	36.1

Notes to the financial statements

8. Goodwill

Group	2008 £m	2007 £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 reviewed for impairment annually on a value in use basis.

The group assesses impairment by reference to a comparison between the present value of forecast future cash flows and the carrying value (including goodwill) of the relevant business unit, in this case the UK-wide ports and transport segment. Forecast cash flows represent pre-tax projections covering a five-year period, based on financial budgets approved by senior management, excluding significant capital expenditure that would enhance performance. Cash flows beyond the five-year period are projected forward using a growth rate of 3 per cent. This growth rate does not exceed the long-term historical and projected growth rate for the ports and transport segment. The group expects its business units to remain operational for the foreseeable future.

The calculation of the value in use for goodwill is most sensitive to the following assumptions:

- Discount rates;
- Growth rate used to extrapolate cash flows beyond the budget period.

Discount rates – The discount rate was estimated based on the weighted average cost of capital for the company as at 31 December 2008. The pre-tax discount rate applied to future cash flows was 7 per cent (2007: 7 per cent) reflecting the specific risks relevant to the ports and transport segment.

Growth rate estimates – Rates are based on published industry research and adjusted in order to reflect the unique circumstances of the ABP business. The growth rate used was 3 per cent (2007: 3 per cent)

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

Notes to the financial statements

9. Intangible assets

Group	2008 £m	2007 £m
2008		
At 1 January	4.0	3.6
Additions	0.1	0.4
At 31 December	**4.1**	**4.0**
Amortisation		
At 1 January	3.3	2.9
Charge for the year	0.4	0.4
At 31 December	**3.7**	**3.3**
Net book value		
At 1 January	0.7	0.7
At 31 December	**0.4**	**0.7**

All intangible assets above relate to purchased computer software. They have finite lives and are being amortised over periods of between 3 years and 5 years on a straight-line basis. The amortisation costs included within cost of sales amounted to £0.3m (2007: £0.3m) and the amortisation costs included within administrative expenses amounted to £0.1m (2007: £0.1m).

Notes to the financial statements

10. Property, plant & equipment

Group	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
2008							
Cost							
At 1 January 2008	355.1	125.0	451.1	51.4	237.9	25.4	1,245.9
Additions	0.1	4.7	5.6	1.3	5.2	50.5	67.4
Transfers within property, plant and equipment	2.4	1.8	19.3	0.4	6.0	(29.9)	-
Transfers to property developments and land held for sale	(0.1)	(0.1)	-	-	-	-	(0.2)
Transfers from investment property (note 11)	16.3	3.5	0.1	-	-	(0.6)	19.3
Disposals	-	-	-	(2.7)	(4.9)	-	(7.6)
At 31 December 2008	**373.8**	**134.9**	**476.1**	**50.4**	**244.2**	**45.4**	**1,324.8**
Depreciation							
At 1 January 2008	-	(38.9)	(151.7)	(33.4)	(126.7)	-	(350.7)
Charge for year	-	(5.2)	(15.2)	(2.9)	(14.7)	-	(38.0)
Transfers from investment property (note 11)	-	(0.4)	-	-	-	-	(0.4)
Disposals	-	-	-	1.6	4.9	-	6.5
At 31 December 2008	**-**	**(44.5)**	**(166.9)**	**(34.7)**	**(136.5)**	**-**	**(382.6)**
Net book value							
At 1 January 2008	355.1	86.1	299.4	18.0	111.2	25.4	895.2
At 31 December 2008	**373.8**	**90.4**	**309.2**	**15.7**	**107.7**	**45.4**	**942.2**

Notes to the financial statements

10. **Property, plant & equipment** (continued)

Group	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
2007							
Cost							
At 1 January 2007	370.3	126.6	437.7	50.4	224.8	20.1	1,229.9
Additions	-	1.5	4.6	0.9	7.1	30.6	44.7
Transfers within property, plant and equipment	-	8.9	8.8	0.1	7.2	(25.0)	-
Transfers to property developments and land held for sale	(0.3)	(0.9)	-	-	-	-	(1.2)
Transfers to investment property (note 11)	(14.9)	(11.1)	-	-	-	(0.3)	(26.3)
Disposals	-	-	-	-	(1.2)	-	(1.2)
At 31 December 2007	**355.1**	**125.0**	**451.1**	**51.4**	**237.9**	**25.4**	**1,245.9**
Depreciation							
At 1 January 2007	-	(38.4)	(137.5)	(30.2)	(114.3)	-	(320.4)
Charge for year	-	(5.2)	(14.2)	(3.2)	(13.6)	-	(36.2)
Transfers to property developments and land held for sale	-	0.4	-	-	-	-	0.4
Transfers to investment property (note 11)	-	4.3	-	-	-	-	4.3
Disposals	-	-	-	-	1.2	-	1.2
At 31 December 2007	**-**	**(38.9)**	**(151.7)**	**(33.4)**	**(126.7)**	**-**	**(350.7)**
Net book value							
At 1 January 2007	370.3	88.2	300.2	20.2	110.5	20.1	909.5
At 31 December 2007	**355.1**	**86.1**	**299.4**	**18.0**	**111.2**	**25.4**	**895.2**

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

Plant and equipment includes assets held under finance leases with a book cost and accumulated depreciation at 31 December 2008 totalling £3.1m (2007: £3.1m) and £2.1m (2007: £1.8m) respectively. The depreciation charge for the year includes £0.3m (2007: £0.3m) in respect of these assets. Such assets include marine vessels operated by the group's ports and transport business. The remaining terms for these leases range from 1 to 5 years.

The amount of borrowing costs capitalised during the year ended 31 December 2008 was £0.2m (2007: £nil). The weighted average rate used to determine the amount of borrowing costs eligible for capitalisation was 5.91% (2007: n/a).

Notes to the financial statements

10. **Property, plant & equipment** (continued)
The net book values for property, plant and equipment are reported net of government grants received during the year of £6.2m (2007: £10.9m).

11. Investment property

Group	Port-related investment properties £m	Other investment properties £m	Land at ports held for development £m	Total £m
2008				
At valuation				
At 1 January 2008	580.2	34.2	20.5	634.9
Additions	5.7	0.5	2.8	9.0
Transfers within investment property	-	0.3	(0.3)	-
Transfers to property, plant and equipment (note10)	(18.4)	(0.3)	(0.1)	(18.8)
	567.5	**34.7**	**22.9**	**625.1**
Surplus on revaluation (note 23)	1.0	-	(0.1)	0.9
Income on re-measurement	29.4	1.2	1.1	31.7
At 31 December 2008	**597.9**	**35.9**	**23.9**	**657.7**

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Group	Port-related investment properties £m	Other investment properties £m	Land at ports held for development £m	Total £m
2007				
At valuation				
At 1 January 2007	534.4	38.2	17.0	589.6
Additions	5.2	0.1	-	5.3
Transfers within investment property	3.4	(3.7)	0.3	-
Transfers from property development and land held for sale	-	0.1	0.9	1.0
Transfers from property, plant and equipment (note 10)	21.9	0.1	-	22.0
	564.9	**34.8**	**18.2**	**617.9**
Surplus on revaluation (note 23)	14.1	0.1	(0.1)	14.1
Income on re-measurement	1.2	(0.7)	2.4	2.9
At 31 December 2007	**580.2**	**34.2**	**20.5**	**634.9**

Investment properties, other than those in the course of construction, have been valued on the basis of market value in accordance with the Appraisal and Valuation Standards issued by The Royal Institution of Chartered Surveyors. The valuations were carried out as at 31 December 2008 by independent valuers, Atisreal. The open market valuation adopted represents the fair value of the group's investment property portfolio and takes into account the condition of each property, the strength of covenant and the term of any lease agreement. Investment properties in the course of construction are stated at cost, including interest and other net outgoings, with the exception of underlying land, which is included at carrying value before construction commenced. Costs of £1.3m (2007: £1.0m) in respect of these properties are included in the carrying value of port-related investment properties.

Notes to the financial statements

11. Investment property (continued)

Of the surplus on revaluation during the year of £32.6m (2007: £17.0m), £31.7m (2007: £2.9m) was included within the income statement as an increase in the fair value of investment property with the balance of £0.9m (2007: £14.1m) being credited directly to the revaluation reserve, as it related to the initial revaluation of properties transferred from property, plant and equipment to investment property during the year.

Rental income generated from the group's investment property portfolio amounted to £59.7m (2007: £52.3m), and related operating expenses amounted to £2.4m (2007: £4.4m). 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. These leases have various terms and renewal rights.

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

	Group		Company	
	2008	**2007**	**2008**	**2007**
	£m	**£m**	**£m**	**£m**
Not later than one year	**54.9**	47.8	-	-
More than one year but not more than five years	**153.8**	138.3	-	-
More than five years	**617.3**	740.4	-	-
	826.0	926.5	-	-

12. Investments

	Group Interest in associated undertakings		Company Interest in Subsidiary undertakings	
	2008	**2007**	**2008**	**2007**
	£m	**£m**	**£m**	**£m**
At 1 January	**56.7**	46.5	**151.5**	150.9
Share of profit for the year	**2.3**	10.3	-	-
Dividend received	**(1.0)**	(0.7)	-	-
Actuarial (loss) / gain relating to group's share of net pension liabilities of associated undertakings	**(0.2)**	0.8	-	-
Investment in subsidiary undertaking	-	-	**0.4**	0.6
Disposal of associated undertaking	-	(0.2)	-	-
Gain on derivative financial instruments	**0.1**	-	-	-
At 31 December	**57.9**	56.7	**151.9**	151.5

Notes to the financial statements

12. **Investments** (continued)

Investments in group undertakings are stated at cost. Associated undertakings are accounted for under the equity method of accounting.

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

	2008 £m	2007 £m
Share of revenue in associated undertakings	**67.2**	72.5
Share of expenses in associated undertakings	**(59.7)**	(58.5)
Share of operating profit in associated undertakings	**7.5**	14.0
Share of net interest costs in associated undertakings	**(0.2)**	-
Share of taxation in associated undertakings	**(5.0)**	(3.7)
Share of profit in associated undertakings	**2.3**	10.3
Non-current assets	**146.1**	143.3
Current assets	**53.5**	52.5
Current liabilities	**(38.8)**	(32.1)
Non-current liabilities	**(32.6)**	(38.4)
Net assets	**128.2**	125.3
Share of net assets in associated undertakings	**57.9**	56.7

13. **Pension commitments**

A. Description of plans

The group participates in a number of pension schemes, principally in the UK. The main scheme is a funded defined benefits scheme - The Associated British Ports Group Pension Scheme (ABPGPS). The defined benefits section of this scheme is closed to new members. New members joining this scheme are offered membership of a defined contributions section, which at 31 December 2008 constituted less than 2 per cent of the total asset value. The group also provides defined contribution arrangements, makes contributions to three industry-wide defined benefit schemes 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.

B. Summary

(i) Income statement

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

	2008 £m	2007 £m
Defined benefits scheme and unfunded retirement benefit arrangements (note 13C)	**6.9**	8.4
Defined contribution arrangements (note 13D)	**1.6**	1.2
Industry-wide schemes (note 13E)	**0.3**	0.6
Gross pension costs	**8.8**	10.2
Finance income	**(7.5)**	(8.6)
Net pension charge recognised within operating profit (note 6)	**1.3**	1.6

Notes to the financial statements

13. **Pension commitments** (continued)

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

	2008 £m	2007 £m
Retirement benefit assets	**52.9**	74.8
Retirement benefit liabilities	**(2.4)**	(2.8)
Net retirement benefit asset	**50.5**	72.0

C. Defined benefits scheme and unfunded retirement benefit arrangements

The most recent formal valuation of the Associated British Ports Group Pension Scheme was carried out as at 31 December 2006. The valuation of the liabilities as at 31 December 2008 detailed below has been derived by projecting forward the position from 31 December 2006. It was performed by an independent actuary, Hewitt. 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, Hewitt, using the same assumptions as those used to calculate the Associated British Ports Group Pension Scheme liabilities.

(i) Assumptions
The major financial assumptions used by the actuary as at 31 December were as follows:

	2008	2007
Inflation	**2.80%**	3.20%
Rate of increase in pensionable salaries	**3.55%**	4.20%
Rate of increase for pensions in payment (earned before 1 April 2006)	**2.75%**	3.20%
Rate of increase for pensions in payment (earned on or after 1 April 2006)	**2.25%**	2.60%
Rate of increase for deferred pensions	**2.75%**	3.20%
Discount rate	**6.30%**	5.80%
Expected return on plan assets	**6.10%**	6.50%

The mortality assumption used in determining the group's expected pension liabilities is based on the standard actuarial tables PA 92, projected forward to 2016 for current pensioners and 2026 for future pensioners with the "Medium Cohort" adjustment applied. Based on these tables, life expectancies from age 60 for people retiring today are estimated as being 24 years for males and 26.7 years for females and for people retiring in 10 years' time are estimated at 24.8 years for males and 27.5 years for females. Mortality rates applied have been increased by 35 per cent to reflect the nature of the scheme's membership and its past experience. The effect of an increase of 1 year in the life expectancy of a 60-year old would be to increase the liabilities of the ABPGPS by an estimated £15m.

Notes to the financial statements

13. **Pension commitments** (continued)

Expected return on assets is a blended average of projected long-term returns for various asset classes.

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.

(ii) Operating profit

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

	2008 £m	2007 £m
Current service cost	**6.9**	8.4
Expected return on scheme assets	**(31.1)**	(31.4)
Interest cost on scheme liabilities	**23.4**	22.6
Interest cost on unfunded retirement benefit liabilities	**0.2**	0.2
Net pension credit recognised within operating profit	**(0.6)**	(0.2)

The current service cost of £6.9m (2007: £8.4m) represented 24.7 per cent (2007: 27.9 per cent) of the applicable pensionable payroll. The group recognised £nil (2007: £0.2m) of its net pension credit for the year within cost of sales and £0.6m (2007: £nil) within administrative expenses.

The group made total contributions of £5.2m (2007: £2.6m) towards funded and unfunded schemes. The group expects its level of contribution into these schemes to increase by around £1.1m in 2009 following an increase in the level of contributions towards the ABPGPS. 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 loss on assets for 2008 was £49.4m (2007: return of £25.4m).

(iii) Balance sheet

The amounts recognised in the balance sheet as at 31 December were as follows:

	2008 £m	2007 £m
Fair value of scheme assets	**418.9**	487.8
Present value of funded obligations	**(366.0)**	(413.0)
Present value of unfunded obligations	**(2.4)**	(2.8)
Net assets recognised in the balance sheet	**50.5**	72.0

As at 31 December 2008, approximately 42.7 per cent (2007: 50 per cent) of the scheme's assets were represented by investments in equities, 52.5 per cent (2007: 39 per cent) by bonds, 4.5 per cent (2007: 5 per cent) by property and 0.3 per cent (2007: 6 per cent) by cash.

Notes to the financial statements

13. **Pension commitments**

(iv) Changes in fair value of scheme assets are as follows:

	2008 £m	**2007 £m**
Fair value of scheme assets at 1 January	**487.8**	482.4
Expected return	**31.1**	31.4
Actuarial loss	**(80.5)**	(6.0)
Contributions to defined contribution section	**-**	(1.1)
Contributions by employees	**0.5**	0.6
Contributions by employer	**5.2**	2.6
Benefits paid	**(25.2)**	(22.1)
Fair value of scheme assets at 31 December	**418.9**	487.8

(v) Changes in fair value of scheme liabilities are as follows:

	2008 £m	**2007 £m**
Fair value of scheme liabilities at 1 January	**(415.8)**	(453.4)
Current service cost	**(6.9)**	(8.4)
Interest cost	**(23.6)**	(22.8)
Actuarial gain	**53.2**	47.3
Contributions by employees	**(0.5)**	(0.6)
Benefits paid	**25.2**	22.1
Fair value of scheme liabilities at 31 December	**(368.4)**	(415.8)

(vi) Analysis of the movement in net assets recognised in the balance sheet

	2008 £m	**2007 £m**
At 1 January	**72.0**	29.0
Net pension credit	**0.6**	0.2
Employer contribution	**5.2**	2.6
Contributions to defined contribution section	**-**	(1.1)
Actuarial (loss) / gain relating to net retirement benefit assets recognised in the statement of recognised income and expense	**(27.3)**	41.3
At 31 December	**50.5**	72.0

As at 31 December 2008, cumulative actuarial gains recognised in the group's statement of recognised income and expense amounted to £14.8 m (2007: £42.1m).

The 2008 actuarial loss of £27.3m arose as a result of experience losses on scheme assets of £80.5m, an experience loss of £3.5m in respect of changes to membership being partially offset by an actuarial gain due to the changes in assumptions associated with the scheme liabilities of £56.7m.

Notes to the financial statements

13. **Pension commitments** (continued)

(vii) Historical record

Amounts for the current year and previous period are as follows:	**2008 £m**	2007 £m	2006 £m	2005 £m
Fair value of scheme assets	**418.9**	487.8	482.4	476.5
Present value of funded scheme obligations	**(366.0)**	(413.0)	(450.5)	(469.4)
Present value of unfunded obligations	**(2.4)**	(2.8)	(2.9)	(3.2)
Net assets recognised in the balance sheet	**50.5**	72.0	29.0	3.9
Actuarial gain / (loss) due to changes in assumptions	**56.7**	35.5	22.3	(66.2)
Experience (loss) / gain on scheme liabilities	**(3.5)**	11.8	8.6	-
Experience (loss) / gain on scheme assets	**(80.5)**	(6.0)	(3.6)	41.1
Actuarial (loss) / gain relating to net retirement benefit assets recognised in the statement of recognised income and expense	**(27.3)**	41.3	27.3	(25.1)

D. Defined contribution arrangements

The group incurred costs of £1.6m (2007: £1.2m) in relation to defined contribution arrangements provided by Associated British Ports. At 31 December 2008, there were no amounts outstanding as being due to these arrangements from the group (2007: £nil).

E. Industry-wide schemes
(i) The Pilots National Pension Fund (PNPF)

The PNPF is an industry-wide defined benefits scheme. As at 31 December 2004, the date of the most recent full triennial valuation carried out by an independent actuary, the scheme had assets with a market value of £339m, representing 76 per cent of the benefits accruing to members after allowing for future increases. As at that date, the funding level continued to exceed the minimum funding requirements. The scheme actuary has estimated the IAS 19 deficit as at 31 December 2008 as being £124m (2007: £79m). Approximately 15 per cent of the scheme's assets were invested in equities (2007: 17 per cent), 52 per cent in bonds (2007: 42 per cent), 30 per cent in hedge funds (2007: 40 per cent) and 3 per cent in cash (2007: 1 per cent). The IAS 19 valuation assumptions adopted by the actuary were as follows:

	2008	**2007**
Inflation	2.80%	3.20%
Rate of increase in pensionable salaries	3.55%	4.20%
Rate of increase for pensions in payment	2.75%	3.20%
Rate of increase for deferred pensions	2.75%	3.20%
Discount rate	6.30%	5.80%

The participating bodies for this scheme agreed a voluntary arrangement under which they could make increased contributions in order to reduce the deficit over the five-year period commencing on

Notes to the financial statements

13. **Pension commitments** (continued)
1 January 2006. Under this arrangement the group would have made additional contributions of around £1.2m to this scheme during the period from 14 August 2006 to 31 December 2010. During 2008 the trustees of the scheme ceased to collect these additional voluntary contributions from the participating bodies and are now in the process of seeking a court ruling to determine a mechanism for the allocation of the past deficit associated with this scheme. During 2008, the group made contributions of £250,000 (2007: £354,000) to this scheme in relation to its current active members and has recorded these as defined contribution costs within the income statement.

The current scheme rules do not provide a mechanism for the allocation of past-service deficits. A number of different legal opinions have been issued concerning this scheme and the group is unable to determine its share of the past-service deficit on a reasonable basis. The potential IAS 19 pre-tax liability that could arise in relation to the past-service deficit for this scheme could range from £1.2m to £36.9m as at 31 December 2008.

In the absence of an agreement on the allocation of the past-service deficit, the group is unable to determine its share of assets and liabilities for this scheme on a consistent and reasonable basis and therefore continues to account for this scheme as a defined contribution scheme.

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

The FRDWPF is an industry-wide defined benefits scheme. As at 5 April 2007 the date of the most recent full triennial valuation carried out by an independent actuary, the scheme had assets with a market value of £868.3m, representing 105.9 per cent of the benefits accruing to members after allowing for future increases. As at that date, the funding level on a buy-out basis was 102% and management believes that this scheme remained in surplus on an IAS 19 basis as at 31 December 2008.

As at 5 April 2007, approximately 20 per cent of the scheme's assets were invested in equities, 78 per cent in bonds and 2 per cent in property and cash. The valuation assumptions adopted by the actuary at the time of the last valuation were as follows:

Inflation	3.20%
Rate of increase in pensionable salaries	4.20%
Rate of increase for pensions in payment	3.50%
Rate of increase for deferred pensions	3.20%
Discount rate	4.70%

During 2008, the group made contributions of £nil (2007: £50,000) to this scheme in relation to its current active members and has recorded these as defined contribution costs within the income statement.

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 scheme.

Notes to the financial statements

13. **Pension commitments** (continued)

(iii) Merchant Navy Officers Pension Fund (MNOPF)

The MNOPF is an industry-wide defined benefits scheme. The scheme is divided into two sections, the Old Section and the New Section, both of which are closed to new members. The latest valuation for each section was carried out on 31 March 2006. As at 31 March 2006, the Old Section had assets of £1,473m, representing 107 per cent of the benefits accrued to members, whilst the New Section had assets of £1,931m, representing 93 per cent of the benefits accrued to members as at that date. Following the 31 March 2006 valuation a past-service deficit was identified. The group's share of this deficit amounts to £0.1m and will be settled in installments up to 2014. In 2008 the group paid and expensed £17,000 (2007: £8,000) of regular contributions to this scheme as defined contribution pension costs.

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.

14. **Trade and other receivables**

	Group		Company	
	2008 £m	**2007 £m**	**2008 £m**	**2007 £m**
Non-current				
Trade receivables	**3.0**	0.4	-	-
Property completions due	**32.3**	32.3	-	-
	35.3	32.7	-	-
Current				
Gross trade receivables	**57.4**	58.7	-	-
Provision for doubtful receivables	**(5.2)**	(6.5)	-	-
Net trade receivables	**52.2**	52.2	-	-
Amounts owed by subsidiary undertakings	-	-	**676.9**	707.4
Amounts owed by parent undertaking	**222.5**	107.0	**256.2**	107.0
Amounts owed by associated undertakings	**6.9**	6.8	-	-
Other debtors	**8.3**	7.1	-	-
Prepayments and accrued income	**17.0**	14.2	-	-
Property completions due	**0.4**	0.6	-	-
	307.3	187.9	**933.1**	814.4

All current trade and other receivables are non-interest bearing and their carrying amount approximates to their fair value. Other debtors comprise costs incurred that are recoverable from third parties. Non–current property completions due are in respect of the sale of 81 acres of land at the Port of Barry, in partnership with the Welsh Assembly Government. These proceeds are receivable by no later than September 2010, and have been discounted at a rate of 6.2 per cent. The gross proceeds receivable are £38.0m.

As at 31 December 2008 the group held trade receivables of £13.1 m (2007: £16.7m) that were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default .The ageing of these trade receivables is as follows:

Notes to the financial statements

14. **Trade and other receivables** (continued)

	Group	
	2008	**2007**
	£m	**£m**
Up to 3 months	**12.4**	15.1
3 to 6 months	**0.8**	1.5
Over 6 months	**(0.1)**	0.1
	13.1	16.7

As at 31 December 2008, the group held trade receivables of £6.2m (2007: £7.1m) that were fully or partially impaired. The ageing of these trade receivables is as follows. The other classes of assets within trade and other receivables do not contain impaired assets.

	Group	
	2008	**2007**
	£m	**£m**
Up to 3 months	**1.0**	0.7
3 to 6 months	**1.0**	0.4
Over 6 months	**4.2**	6.0
	6.2	7.1

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 will 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.

The company had no trade receivables (2007: £nil) and therefore provision for impairment (2007: £nil). The amounts owed by group undertakings to the company have no fixed terms of repayment and none of the group undertakings has a recent history of default.

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

	Group	
	2008	**2007**
	£m	**£m**
At 1 January	**6.5**	4.6
Provision for the impairment of trade receivables	**1.0**	2.6
Receivables written off as uncollectible	**(2.1)**	(0.7)
Impairment provisions released	**(0.2)**	-
At 31 December	**5.2**	6.5

All of the provision for impairment of trade receivables relates to the group's ports and transport segment. There are no significant receivables of the group or company that are denominated in foreign currencies.

Notes to the financial statements

14. **Trade and other receivables** (continued)

Based on the quality and diversity of its customer base, management considers the group's exposure to concentration of credit risk to be minimal. The maximum exposure to credit risk at 31 December 2008 is the fair value of each class of receivable shown above. The group does not hold any collateral as security. The group uses external credit rating agencies to assess and monitor its trade receivables.

15. **Property developments and land held for sale**

	Group	
	2008	**2007**
	£m	**£m**
At 1 January	**3.9**	10.2
Additions	-	0.6
Disposals	**(1.0)**	(6.7)
Transfers from property, plant and equipment	**0.2**	0.8
Transfers to investment property	-	(1.0)
At 31 December	**3.1**	**3.9**

Property developments and land held for sale are stated at the lower of their cost or transfer value and fair value less costs to sell as determined by the directors at 31 December 2008. The historical cost of property developments and land held for sale totalled £3.1m (2007: £2.7m). These assets relate to surplus property and land, which are held for sale and reported as part of the group's property development activities.

16. **Financial liabilities - borrowings**

	Group		Company	
	2008	**2007**	**2008**	**2007**
	£m	**£m**	**£m**	**£m**
Current				
Bank overdraft – unsecured (note 24)	-	0.9	-	-
Interest payable – accrual	**0.7**	1.3	**0.3**	1.0
Obligations under finance leases - secured	**0.3**	0.2	-	-
	1.0	2.4	**0.3**	1.0
Non-current				
Bank loans – secured	**565.0**	560.0	**560.0**	560.0
Obligations under finance leases - secured	**1.3**	1.6	-	-
	566.3	561.6	**560.0**	560.0

Notes to the financial statements

16. **Financial liabilities – borrowings** (continued)

The group's borrowings are all denominated in sterling.

	Group		Company	
	2008	**2007**	**2008**	**2007**
	£m	**£m**	**£m**	**£m**
Current borrowings	**1.0**	2.4	**0.3**	1.0
Non-current borrowings	**566.3**	561.6	**560.0**	560.0
	567.3	564.0	**560.3**	561.0
Less: cash and cash equivalents	**(24.6)**	(34.8)	**-**	-
Net borrowings / (cash)	**542.7**	529.2	**560.3**	561.0

The group's share of net cash in associated undertakings not included above totalled £9.6m (2007: £11.3m).

An analysis of the maturity of financial liabilities is given in note 17A.

Bank loans are repayable between 2009 and 2013 and bear interest linked to London inter-bank borrowing rates. Obligations under finance leases are secured on related leased assets. As at 31 December 2008, the group's bank loans are exposed to repricing within 12 months of the balance sheet date.

17. **Financial instruments**

A. Maturity of financial liabilities

The table below analyses both the group's and company's financial liabilities based on undiscounted contractual payments.

				Group
	Trade and other payables £m	**Debt £m**	**Finance leases £m**	**Total £m**
2008				
Not later than one year	58.2	0.7	0.5	59.4
More than one year but not more than two years	25.0	-	0.6	25.6
More than two years but not more than five years	-	565.0	1.0	566.0
At 31 December	**83.2**	**565.7**	**2.1**	**651.0**

				Group
	Trade and other payables £m	**Debt £m**	**Finance leases £m**	**Total £m**
2007				
Not later than one year	50.4	2.2	0.4	53.0
More than one year but not more than two years	-	-	0.5	0.5
More than two years but not more than five years	21.9	-	1.6	23.5
More than five years	-	560.0	-	560.0
At 31 December	**72.3**	**562.2**	**2.5**	**637.0**

Notes to the financial statements

17. **Financial instruments** (continued)

	Company		
	Trade and other payables £m	**Debt £m**	**Total £m**
2008			
Not later than one year	26.4	0.3	26.7
More than one year but not more than two years	-	-	-
More than two years but not more than five years	-	560.0	560.0
At 31 December	**26.4**	**560.3**	**586.7**

	Company		
	Trade and other payables £m	**Debt £m**	**Total £m**
2007			
Not later than one year	2.5	1.0	3.5
More than one year but not more than two years	-	-	-
More than two years but not more than five years	-	-	-
More than five years	-	560.0	560.0
At 31 December	**2.5**	**561.0**	**563.5**

The table below analyses the group's derivative financial instruments which will be settled on a gross basis into relevant maturity groupings, based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Group	
	2008 Total outflows £m	**2008 Total inflows £m**
Not later than one year	4.9	6.6
More than one year but not more than two years	1.1	1.5
Total	**6.0**	**8.1**

Notes to the financial statements

17. **Financial instruments** (continued)

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

	Group	
	2008	**2007**
	£m	**£m**
Not later than one year	**0.4**	0.4
More than one year but not more than five years	**1.7**	2.1
More than five years	-	-
	2.1	2.5
Future finance charges on finance leases	**(0.5)**	(0.7)
Present value of finance lease liabilities	**1.6**	1.8

B. Market price risk

The group's borrowings, excluding finance leases, have been financed through floating rate debt and are therefore subject to re-pricing risk. £565.0m (2007: £560.0m) of the group's gross borrowings were subject to re-pricing risk and a 1 per cent increase in interest rates would increase the group's interest costs by £5.7m per annum (2007: £5.6m).

C. Undrawn borrowing facilities

The group had the following committed but undrawn floating rate borrowing facilities available at 31 December in respect of which all conditions precedent had been met:

	Group		Company	
	2008 Total £m	**2007 Total £m**	**2008 Total £m**	**2007 Total £m**
Expiring in:				
More than two years but not more than five years	**345.0**	-	**250.0**	-
More than five years		350.0	-	250.0
	345.0	350.0	**250.0**	250.0

D. Fair value of financial assets and liabilities

(i) Financial assets

The carrying value for financial assets equates to the estimated fair value. The group considers that its maximum exposure to credit risk in respect of financial assets equates to their carrying value. The carrying value of the group's assets is not subject to changes in foreign currency exchange rates.

Notes to the financial statements

17. **Financial instruments** (continued)

(ii) Financial liabilities

	Group			
	2008		2007	
	Book value £m	Fair value £m	Book value £m	Fair value £m
Borrowings	**565.7**	**565.7**	561.3	561.3
Finance leases	**1.6**	**1.6**	1.8	2.0
	567.3	**567.3**	563.1	563.3

	Company			
	2008		2007	
	Book value £m	Fair value £m	Book value £m	Fair value £m
Borrowings	**560.3**	**560.3**	561.0	561.0

The group's bank borrowings are subject to variable rates of interest and therefore the group considers the fair value of these to be representative of their carrying value. The effective interest rate associated with the group's total borrowings was 6.7 per cent (2007: 7.3 per cent). The carrying value of the group's liabilities is not subject to changes in foreign currency exchanges rates.

E. Fair values of derivative financial instruments

The fair value of derivative financial instruments (calculated as the present value of the estimated future cash flows) held by the group at the balance sheet date was:

	Group			
	2008		2007	
	Assets £m	Liabilities £m	Assets £m	Liabilities £m
Forward foreign exchange contracts – held as cash flow hedge	**2.1**	**-**	0.7	-

The maximum exposure to credit risk at 31 December 2008 is the fair value of the derivative instruments.

The fair value of the forward foreign exchange contracts is allocated between current £1.7m (2007: £0.4m) and non-current £0.4m (2007: £0.3m) based on the maturity of the hedged item.

The notional principal amount of the outstanding forward foreign exchange contracts at 31 December 2008 was £6.0m (2007: £13.9m). These contracts were transacted in order to hedge the group's currency exposure in relation to contracted future payments for the purchase of property, plant and equipment denominated in foreign currency which are expected to be made at various dates during the next 2 years. The change in the fair value of forward foreign exchange contracts arises entirely as a result of foreign exchange rate movements. The sensitivity of this valuation to exchange rate movements is not considered to be material.

Notes to the financial statements

18. Trade and other payables

	Group		Company	
	2008	**2007**	**2008**	**2007**
	£m	**£m**	**£m**	**£m**
Trade payables	**17.0**	16.3	**-**	-
Amounts owed to subsidiary undertakings	**-**	-	**25.1**	-
Other creditors	**4.2**	3.5	**-**	-
Taxation	**2.4**	2.9	**0.1**	-
Accruals	**34.6**	27.7	**1.2**	2.5
	58.2	50.4	**26.4**	2.5

The carrying amount of trade and other payables approximates to their fair value.

19. Provisions

					Group
	Restructuring	**Property provision**	**Self insurance**	**Other**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**
At 1 January 2008	0.8	3.3	12.8	2.1	19.0
Charged to income statement during the year	-	4.1	4.9	0.4	9.4
Utilised in the year	(0.1)	(0.5)	(2.3)	(0.4)	(3.3)
Amortisation of discounting	-	0.1	0.2	-	0.3
At 31 December 2008	**0.7**	**7.0**	**15.6**	**2.1**	**25.4**

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

	Group	
	2008	**2007**
	£m	**£m**
Current	**11.6**	9.4
Non-current	**13.8**	9.6
	25.4	19.0

Restructuring

Following the loss of a customer during 2007, the group incurred exceptional impairment and restructuring costs of £6.8m. The balance of this provision relates to a number of cost reduction exercises due to be completed in the future. The group expects to utilise the rest of this provision within one year.

Property provisions

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. The group expects to utilise £0.3m of this provision within one year.

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. In determining the provision, cash flows, where appropriate, have been discounted on a pre-tax basis using a discount rate of 5.6%. The group reassesses this liability on an annual basis. The group expects to utilise £10.1m of this provision within one year, with the balance relating to potential liabilities which have been projected forward until 2037.

Other
Other provisions primarily relate to obligations from commitments entered into as part of the development of certain port facilities. The group expects to utilise £0.5m of this provision within one year.

20. **Deferred tax**

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 28.0 per cent.

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

Group	2007 £m	Adjustments in respect of previous periods charged to income statements £m	Charged to income statement £m	(Credited) / charged to retained earnings £m	Total 2008 £m
Accelerated tax depreciation	60.7	1.5	83.8	-	**146.0**
Revaluation of operational land and investment properties	16.8	-	8.9	(9.6)	**16.1**
Capital losses	(2.2)	0.9	-	(0.9)	**(2.2)**
Retirement benefit obligations	20.2	-	1.8	(7.9)	**14.1**
Other	(4.6)	0.1	0.4	0.4	**(3.7)**
Net deferred tax liability	90.9	2.5	94.9	(18.0)	**170.3**

Notes to the financial statements

20. **Deferred tax** (continued)

Group	2006 £m	Adjustments in respect of previous periods (credited) / charged to income statements £m	(Credited) / charged to income statement £m	Charged to retained earnings £m	Total 2007 £m
Accelerated tax depreciation	65.3	3.5	(8.1)	-	**60.7**
Revaluation of operational land and investment properties	22.1	(0.8)	(5.6)	1.1	**16.8**
Capital losses	(7.5)	(5.6)	10.9	-	**(2.2)**
Retirement benefit obligations	8.7	-	0.6	10.9	**20.2**
Other	(2.8)	(2.9)	0.7	0.4	**(4.6)**
Net deferred tax liability	85.8	(5.8)	(1.5)	12.4	**90.9**

The group has unrecognised capital losses of £477.7m (2007: £449.4m) that are only available for offset against future sales of land and buildings from the port estates. The group has crystallised capital losses of £45.8m (2007: £41.7m) on which a deferred tax asset has not been recognised.

The group had no unrecognised deferred income tax assets (2007: none) that can be carried forward against future taxable income.

The group's deferred tax assets are offset against deferred tax liabilities where there is a legally enforceable right of offset and there is an intention to settle the balances net. Consequently, the group has provided for its deferred tax liabilities at 31 December 2008 of £170.3m (2007: £90.9m) on a net basis. The group does not expect this liability to crystallise within the foreseeable future and has classified the balance as being non-current.

The company's deferred tax asset of £nil (2007: £0.9m) relates to management expenses. The company has crystallised capital losses of £45.8m (2007: £41.7m) on which a deferred tax asset has not been recognised.

21. **Other non-current liabilities**

	Group		Company	
	2008 £m	2007 £m	2008 £m	2007 £m
Property completions payable	**20.0**	18.8	-	-
Other creditors	**3.1**	-	-	-
	23.1	18.8	-	-

Property completions payable are monies due to a third party. Under the terms of the sale of 81 acres of land at the Port of Barry in partnership with the Welsh Assembly Government, the Welsh Assembly Government's outstanding share of the consideration due is payable by the group upon receipt of the outstanding proceeds from the purchaser. The outstanding proceeds are payable by the purchaser not later than September 2010 (note 14). The amount payable has been discounted at a rate of 6.2 per cent. The gross amount payable is £21.9m.

Notes to the financial statements

22. Share capital

A. Authorised

	2008 £m	2007 £m
500,000,000 (2007: 500,000,000) ordinary shares of 25p each	**125.0**	125.0

Issued and fully paid

Ordinary shares of 25p each	Shares	2008 £m	Shares	2007 £m
At 1 January	**308,468,510**	**77.1**	307,957,479	77.0
Allotted under share option schemes and share incentive plan	**522,070**	**0.1**	511,031	0.1
At 31 December	**308,990,580**	**77.2**	308,468,510	77.1

The company did not repurchase any of its own shares during 2008 or 2007.

B. Potential issue of shares

(i) Outstanding share options

During the year, options exercised under the schemes resulted in the issue of 522,070 (2007: 511,031) ordinary shares of 25p each. The company received a total of £1.7m (2007: £1.6m) in respect of these shares. A summary of options granted to employees and outstanding at 31 December 2008 under share option schemes is given below.

	Date granted	Price per share	Date option normally exercisable	Number of options outstanding
Savings-related scheme	October 2001	327.0p	2009	39,116
Savings-related scheme	October 2002	327.0p	2009 to 2010	45,115
Savings-related scheme	October 2003	337.0p	2009 to 2011	268,736
Savings-related scheme	October 2004	354.0p	2009 to 2012	296,379
Savings-related scheme	October 2005	398.0p	2009 to 2013	384,553
				1,033,899

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 per cent of the average middle-market quotations as derived from the Daily Official List of the London Stock Exchange for the dealing days specified in rule 6(ii) of the scheme. To the extent permitted by the relevant savings contracts, holders of options under the SRSOS were allowed to exercise their options early following the group's acquisition by ABP Acquisitions UK Limited. Options lapsing due to early exercise were cash compensated by ABP Acquisitions UK Limited.

Notes to the financial statements

22. **Share capital** (continued)

Historically the company also operated an Executive Share Option Scheme (ESOS), a Long-Term Incentive Plan (LTIP) and a Performance Share Plan (PSP). Following the acquisition of the company on 14 August 2006 no further grants were made under any of these schemes. Historically the company also operated a Share Incentive Plan (SIP) that was closed following the acquisition of the company on 14 August 2006.

(ii) Changes in share options

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

	2008		2007	
	Number of shares	Weighted average exercise price (pence)	Number of shares	Weighted average exercise price (pence)
Outstanding at 1 January	**1,753,918**	**351.8**	2,393,283	343.7
Forfeited	**(197,949)**	**348.3**	(128,334)	316.5
Exercised	**(522,070)**	**329.6**	(511,031)	322.5
Outstanding at 31 December	**1,033,899**	**363.7**	1,753,918	351.8
Exercisable at 31 December	**-**	**-**	-	-

Summary data for options outstanding at period end is set out below:

	2008				2007			
Range of exercise prices	Weighted average exercise price (pence)	Number of shares	Weighted average remaining life expected (years)	Weighted average remaining life contracted (years)	Weighted average exercise price (pence)	Number of shares	Weighted average remaining life expected (years)	Weighted average remaining life contracted (years)
£ 2-3	**-**	**-**	**-**	**-**	255.0	57,137	1.3	1.0
£ 3-4	**363.7**	**1,033,899**	**2.3**	**2.0**	355.1	1,696,781	2.7	2.4

The weighted average share price during the year for options exercised over the year was 910.0p (2007: 910.0p).

Notes to the financial statements

22. **Share capital** (continued)

C. Share-based payments

(i) Fair values

Historically, grants of options over the shares of Associated British Ports Holdings Limited were made to the employees of the group. Grants of share options ceased in 2006 following the acquisition of Associated British Ports Holdings Limited on 14 August 2006.

As permitted by IFRS 2, Share-based Payment, the group has applied the requirements of this standard to all share-based payment awards either unvested at 31 December 2004 or granted after 7 November 2002. These awards were made by Associated British Ports Holdings Limited, and in accordance with IFRS2 recognised in the accounts of Associated British Ports. Under IFRS 2, Share-based Payment, the cost of each share-based payment is assessed on a fair value basis and is charged to the income statement over the vesting period of the grant. The fair value of each share-based payment is determined at the grant date.

There were no grants made in 2008 or 2007.

Based on the observed actual vesting percentages for completed and the expected vesting percentages for ongoing grants under the Savings-related Share Option Scheme, the following amounts have been charged to the group's income statement in respect of IFRS 2 Share-based Payment.

	2008 £m	**2007** £m
Charge for grants in prior years	**0.2**	0.3
Charge for grants during 2005	**0.2**	0.2
Charge for grants during 2006	-	0.1
Total income statement charge	**0.4**	0.6

(ii) Fair value assumptions

The fair value of shares and share options granted under the various schemes has been calculated using the Black-Scholes option pricing model. No performance conditions were included in the fair value calculation. No options were granted in 2008.

Notes to the financial statements

23. Reserves and statement of changes in shareholder's equity

Group	Share capital £m	Share premium account £m	Revaluation reserve £m	Hedging reserve £m	Capital redemption reserve £m	Share options reserve £m	Retained earnings £m	Total £m
At 1 January 2008	77.1	125.5	704.7	0.7	25.5	22.3	232.0	1,187.8
Surplus arising on revaluation of investment property (note 11)	-	-	32.6	-	-	-	(31.7)	0.9
Share of associated undertakings' actuarial loss relating to net retirement benefit liabilities (note 12)	-	-	-	-	-	-	(0.2)	(0.2)
Share of associated undertakings' gain on derivative financial instruments (note 12)	-	-	-	0.1	-	-	-	0.1
Actuarial loss relating to net retirement benefit assets (note 13)	-	-	-	-	-	-	(27.3)	(27.3)
Fair value gain on forward foreign exchange contract (note 17E)	-	-	-	1.4	-	-	-	1.4
Deferred tax associated with actuarial loss relating to net retirement benefit assets (note 20)	-	-	-	-	-	-	7.9	7.9
Deferred tax arising on gain on forward foreign exchange contract (note 20)	-	-	-	(0.6)	-	-	-	(0.6)
Deferred tax arising on revaluation of investment property (note 20)	-	-	-	-	-	-	10.5	10.5
Issue of ordinary shares	0.1	1.6	-	-	-	-	-	1.7
Share-based payments	-	-	-	-	-	0.7	-	0.7
Profit for the year	-	-	-	-	-	-	65.3	65.3
At 31 December 2008	**77.2**	**127.1**	**737.3**	**1.6**	**25.5**	**23.0**	**256.5**	**1,248.2**

Notes to the financial statements

23. Reserves and statement of changes in shareholder's equity (continued)

Group	Share capital £m	Share premium account £m	Revaluation reserve £m	Hedging reserve £m	Capital redemption reserve £m	Share options reserve £m	Retained earnings £m	Total £m
At 1 January 2007	77.0	124.0	688.2	-	25.5	22.3	69.3	1,006.3
Surplus arising on revaluation of investment property (note 11)	-	-	17.0	-	-	-	(2.9)	14.1
Realisation of property revaluation surpluses of previous years	-	-	(0.5)	-	-	-	0.5	-
Share of associated undertakings' actuarial loss relating to net retirement benefit liabilities (note 12)	-	-	-	-	-	-	0.8	0.8
Actuarial loss relating to net retirement benefit assets (note 13)	-	-	-	-	-	-	41.3	41.3
Fair value gain on forward foreign exchange contract (note 17E)	-	-	-	0.7	-	-	-	0.7
Deferred tax associated with actuarial loss relating to net retirement benefit assets (note 20)	-	-	-	-	-	-	(10.9)	(10.9)
Deferred tax arising on revaluation of investment property (note 20)	-	-	-	-	-	-	(1.1)	(1.1)
Issue of ordinary shares	0.1	1.5	-	-	-	-	-	1.6
Share-based payments	-	-	-	-	-	-	-	-
Profit for the year	-	-	-	-	-	-	135.0	135.0
At 31 December 2007	**77.1**	**125.5**	**704.7**	**0.7**	**25.5**	**22.3**	**232.0**	**1,187.8**

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.

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

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

Share options reserve
The share options reserve is a reserve to recognize those amounts in respect of share based payments.

Notes to the financial statements

23. **Reserves and statement of changes in shareholder's equity** (continued)

						Company
	Share capital £m	Share premium account £m	Capital Redemption Reserve £m	Share options reserves £m	Retained Earnings £m	Total £m
At 1 January 2008	77.1	125.5	25.5	14.2	161.0	403.3
Profit for the year	-	-	-	-	92.9	92.9
Issue of ordinary shares (note 22)	0.1	1.6	-	-	-	1.7
Share-based payments	-	-	-	0.4	-	0.4
At 31 December 2008	**77.2**	**127.1**	**25.5**	**14.6**	**253.9**	**498.3**
At 1 January 2007	77.0	124.0	25.5	14.8	0.8	242.1
Profit for the year	-	-	-	-	160.2	160.2
Issue of ordinary shares (note 22)	0.1	1.5	-	-	-	1.6
Share-based payments	-	-	-	(0.6)	-	(0.6)
At 31 December 2007	**77.1**	**125.5**	**25.5**	**14.2**	**161.0**	**403.3**

Notes to the financial statements

24. Cash flow statements

Reconciliation of operating profit to cash generated from / (absorbed by) operations:	Group 2008 £m	Group 2007 £m	Company 2008 £m	Company 2007 £m
Operating profit / (loss)	**218.4**	192.6	**(1.8)**	(1.8)
Depreciation of property, plant and equipment	**38.0**	36.2	-	-
Amortisation of intangible assets	**0.4**	0.4	-	-
Share-based payment	**0.4**	(0.6)	-	(0.6)
Profit on sale of property, plant and equipment	-	(0.1)	-	-
Increase in provisions	**6.0**	2.2	-	-
Revaluation of investment properties	**(31.7)**	(2.9)	-	-
Increase in net retirement benefit asset	**(5.8)**	(1.7)	-	-
Operating cash flows before movements in working capital	**225.7**	226.1	**(1.8)**	(2.4)
Decrease in property developments and land held for sale	**1.0**	6.1	-	-
(Increase) / decrease in trade and other receivables	**(7.7)**	(131.7)	**(34.0)**	(156.6)
(Decrease) / increase in trade and other payables	**(131.9)**	(24.5)	**(1.0)**	(3.5)
Cash generated from / (absorbed by) operations	**87.1**	76.0	**(36.8)**	(162.5)

Analysis of cash and cash equivalents	Group 2008 £m	Group 2007 £m	Company 2008 £m	Company 2007 £m
Cash at bank and in hand	**24.6**	34.8	-	-
Bank overdraft (note 16)	-	(0.9)	-	-
Cash and cash equivalents	**24.6**	33.9	-	-

25. Related party transactions

The group has interests in two associated undertakings: Southampton Container Terminals Limited and Tilbury Container Services Limited. The nature of these investments is described more fully in note 28 to the financial statements. During the year, the group charged these undertakings a total of £30.0m (2007: £30.0m) in respect of property management and operational services. At the year-end, £6.9m (2007: £12.8m) remained owing by these undertakings in respect of these charges and in relation to tax losses surrendered by the group to these entities.

The company has an interest bearing loan arrangement with its immediate parent undertaking, ABP Acquisitions UK Limited. During 2008, the company charged interest of £16.2m (2007: £4.5m). The balance outstanding under this loan facility as at 31 December 2008 was £256.2m (2007: £154.5m). The interest rate on this loan is 8.23% (2007: 8.17%).

ABP Insurance Limited, a direct subsidiary of Associated British Ports Holdings Limited, acts as the group's captive insurance company. It writes both employers' liability and general package policies for group companies and received £3.7m (2007: £4.0m) of premiums during the year.

Notes to the financial statements

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

The group's UK retirement benefit schemes are managed by The Associated British Ports Group Pension Scheme (see note 13). During the year, the group charged The Associated British Ports Group Pension Scheme £0.3m (2007: £0.3m) in respect of administrative services. At the year-end, £0.2m (2007: £nil) remained owing to the group by The Associated British Ports Group Pension Scheme in respect of these charges.

Key management compensation is disclosed in note 6. During the year, nine of the directors of the company were employed by the shareholders of 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. During 2008, Goldman Sachs International (on behalf of Admiral Institutional Sarl and Admiral Global and International Sarl.) earned £60,000 (2007: £47,014) of directors' fees, Borealis International Investments Corporation and Borealis (Luxembourg) S.C.A. earned £90,000 (2007: £70,521) of directors' fees, Cheyne Walk Investments Pte Limited earned £90,000 (2007: £70,521) of directors' fees and Infracapital Partners LP and M&G Investment Limited earned £30,000 (2007: £23,507) of directors' fees.

Key management personnel had access to an employee scheme which provided relocation assistance including bridging loans on family homes. The taxable benefits of this scheme have been included in the key management remuneration in note 6. The balance outstanding on the loans to key management at 31 December 2008 were £1.1m (2007: £nil). The balance arose during 2008, is unsecured and has been reduced to £0.6m since 31 December 2008. The bridging loan element of the scheme has since been withdrawn.

26. **Financial commitments**

	Group		Company	
	2008	**2007**	**2008**	**2007**
	£m	**£m**	**£m**	**£m**
Group capital expenditure contracted but not provided for	**24.4**	22.8	**-**	-

The group's share of the capital commitment of its associated undertakings amounted to £6.4m (2007: £4.0m).

	Group		Company	
Total future minimum lease instalments expected to be paid under non-cancellable operating leases are as follows:	**2008**	**2007**	**2008**	**2007**
	£m	**£m**	**£m**	**£m**
Not more than one year	**3.5**	3.8	**0.1**	0.9
More than one year but not more than five years	**8.5**	9.2	**0.1**	0.2
More than five years	**23.5**	19.8	**-**	-
	35.5	32.8	**0.2**	1.1

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

Notes to the financial statements

26. **Financial commitments** (continued)

	Group		Company	
Total future minimum lease instalments expected to be received under non-cancellable subleases are as follows:	**2008 £m**	**2007 £m**	**2008 £m**	**2007 £m**
Not more than one year	**0.6**	0.8	-	-
More than one year but not more than five years	**1.0**	1.3	-	-
More than five years	**17.4**	0.4	-	-
	19.0	2.5	-	-

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

27. **Contingent liabilities**

	Group		Company	
Contingent liabilities under claims, indemnities and bank guarantees	**2008 £m**	**2007 £m**	**2008 £m**	**2007 £m**
Bank guarantees in respect of group borrowings	**2,155.0**	2,160.0	**2,160.0**	2,160.0
Other guarantees and contingencies	**0.3**	0.6	-	-

The company has provided guarantees in respect of group borrowings and facilities totalling £2,720m (2007: £2,720m). Under these facilities £560m of indebtedness was incurred by the company as at 31 December 2008 (2007: £560m) and is included in the company's borrowings as set out in note 16. As part of the security package for these facilities the group has given a legal mortgage over all of its real property, shares in subsidiaries and a fixed and floating charge over various assets including its rights in relation to its principal subsidiary, Associated British Ports.

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 13.

Notes to the financial statements

28. Principal subsidiary and associated undertakings

	% held by Group
Subsidiary undertakings	
Ports and transport	
Associated British Ports	(see below)[1]
The Teignmouth Quay Company Limited	100
ABP Marine Environmental Research Limited (directly owned)	100
Property	
Grosvenor Waterside (Holdings) Limited	100
ABP Property Development Company Limited	100
Grosvenor Waterside Investments Limited	100
Associated undertakings : Ports and transport	
Southampton Container Terminals Limited	49
Tilbury Container Services Limited	33[2]

[1]*Under the Transport Act 1981, the company has powers over Associated British Ports corresponding to the powers of a holding company over a wholly owned subsidiary undertaking.*
[2]*Associated British Ports also owns 49 per cent of the issued preference share capital in Tilbury Container Services Limited.*

All principal subsidiary and associated undertakings are registered and operate in England and Wales. The group's interest in subsidiary undertakings is represented by ordinary shares. All shares held are of the same class with voting rights in the same proportion to the shareholding. A full list of subsidiary and associated undertakings will be annexed to the company's next annual return.

29. Ultimate controlling party

The company is a limited liability company domiciled and incorporated in England and Wales. Its immediate parent undertaking is ABP Acquisitions UK Limited whose consolidated financial statements are the smallest group in which the company is included. The ultimate parent undertaking and controlling party is ABP (Jersey) Limited which produces consolidated financial statements that comply with IFRS and are available from Whiteley Chambers, Don Street, St Helier, Jersey, JE4 9WG. The consolidated financial statements of ABP (Jersey) Limited are the largest group in which the company is included. ABP (Jersey) Limited is a limited liability company domiciled and incorporated in Jersey. The company is owned by a consortium of investors as shown below.

	% of Ordinary shares	% of Preference shares
Infracapital Nominees Limited (owned by Infracapital Partners LP)	**10.00**	10.00
Cheyne Walk Investment Pte Limited (owned by GIC Special Investments pte)	**33.33**	33.33
Borealis (Luxembourg) S.C.A.	**16.67**	33.33
Borealis International Investments Corporation	**16.67**	-
Admiral Global & International S.a.r.l (owned by Goldman Sachs Infrastructure Fund)	**23.00**	22.71
Admiral Institutional S.a.r.l (owned by Goldman Sachs Infrastructure Fund)	**0.33**	0.63
	100.00	100.00