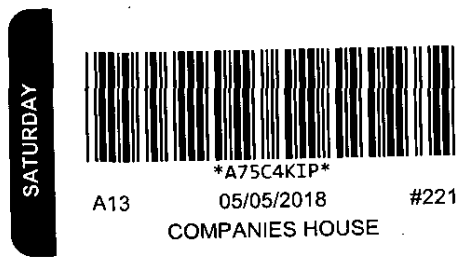


ASSOCIATED BRITISH PORTS

(Reference Number ZC000195)

ANNUAL REPORT AND ACCOUNTS 2017



ASSOCIATED BRITISH PORTS

ANNUAL REPORT AND ACCOUNTS 2017

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Strategic report

The directors present their strategic report for the year ended 31 December 2017.

1. Principal activities

The principal activities of the company comprise the ownership, operation and development of port facilities and the provision of related services in the United Kingdom (“UK”). The company also provides other transport facilities and related services including the Hams Hall rail freight terminal.

The company owns and operates 21 general cargo ports within the UK. On 1 March 2017, following an application by The Teignmouth Quay Company Limited, the Port of Teignmouth (Transfer of Undertaking) Harbour Revision Order 2017 came into force. This Order designated Associated British Ports (“ABP”) as the harbour authority for the Port of Teignmouth in place of The Teignmouth Quay Company Limited with effect from 1 April 2017 and transferred the undertaking of that company, as well as its statutory and other powers and duties, to ABP from that date. Provisions were made for byelaws and contracts made or entered into by The Teignmouth Quay Company Limited to remain in force as if they had been made or entered into by ABP and for legal and other proceedings to be carried on by or in relation to ABP.

2. Strategy

The company’s strategy is aimed at retaining and improving the company’s position as the largest and leading port operator in the UK and is formulated around a largely “landlord” business model. Under this model, the company selectively grants licences to and/or enters into contracts with third parties to provide certain services at its ports whilst the company retains ownership of and responsibility for maintaining and developing port infrastructure. As a result, a relatively low proportion of the company’s revenues are generated through port operations, which differentiates ABP from its competitors. This strategy results in ABP having a lower exposure to operating risk than its competitors.

The company prioritises strategic opportunities in sectors and locations with good prospects for growth and focuses on delivering growth in its operating performance primarily by investment in infrastructure and equipment in partnership with quality customers. Where land available at ports exceeds present and future requirements, the company pursues alternative non-port uses, development or disposal.

Together with its customers, the company supports around 120,000 jobs in Britain and contributes £7.5bn of Gross Value Added to the UK economy every year; a contribution supported by ABP’s ongoing c.£1.0bn investment programme. Delivering jobs and driving growth are key to the company fulfilling its core purpose of “**Keeping Britain Trading**”.

The company’s corporate vision is “**To maximise the profitable and sustainable growth of our business by being our customers’ first choice provider of port services and infrastructure; and ensuring our people achieve their potential, can fulfil their ambitions and go home safe every day.**”

The corporate vision is supported by six strategic “pillars”:

- **Working safely and sustainably** – being able to identify hazards, evaluate risks and use appropriate precautions to carry out activities without endangering employees, others or the environment; reporting accidents and incidents and understanding their causes and learning from them so they are not repeated.

Strategic report (continued)

- **Continually improving the operations and services the company provides** – listening to the views of customers, employees and others to identify areas where productivity and quality of service can improve; measuring and evaluating performance, encouraging and creating new ways of working, developing internal and external expertise.
- **Putting customers first** – gaining a thorough understanding of customers’ specific needs and expectations; then not just meeting but exceeding them; effective and efficient service and delivering exceptional value is key to building customer loyalty.
- **Creating a great place to work** – investing in employees, allowing them to be the best they can be; trusting and empowering them to help others achieve their goals and drive business performance.
- **Being good neighbours** – engaging with stakeholders and communities at local, regional, national and supra-national levels that impact or are impacted by the company’s business; providing consistent, timely and accurate messaging to support corporate objectives.
- **Providing effective infrastructure and equipment** – optimising the whole life cost of new and existing assets; taking account of customer and employee views in defining asset capability; using technology and innovation to drive efficiency.

The company has established a programme of projects aligned to each of the above six strategic pillars designed to improve every aspect of the business. As part of this programme of change the company is investing in new IT systems and developing new processes to transform productivity (see section 2.7).

The company continues to pursue a number of major investments, which have the potential to contribute significant profitable growth during the coming years. Further information on major investments which are yet to be completed and potential opportunities is provided below.

2.1 Car Storage Facilities

As the UK’s leading vehicle-handling port, handling around 900,000 import and export vehicles a year, Southampton continues to invest in facilities to support this important trade. A recent focus has been on further increasing capacity to meet the needs of automotive customers. In addition to the seven multi-story car parks (“MSCPs”) already established (refer to section 3.3 for further details), future investment could see the eighth and ninth MSCPs built at Southampton, bringing the port’s total automotive storage capacity to 55,000 vehicles.

In addition to its Southampton facilities, around 800,000 vehicles a year are handled by ABP’s ports on the Humber. In August 2016 ABP sought to enhance its Humber automotive offering by purchasing a 103 acre site at Grimsby with the intention of transforming it, on a phased basis, into a major new storage and distribution facility capable of accommodating up to 15,200 import and export vehicles.

During the third quarter of 2017, the company secured planning permission to develop 25 acres of the site for car storage and is in advanced negotiations with a customer to operate the new facility. The company continues to progress commercial discussions with a number of new and existing customers keen to utilise the new capacity.

Strategic report (continued)

2.2 Humber Container Terminals

ABP operates two major container terminals on opposite sides of the Humber estuary, at Hull and Immingham. ABP continues its investment programme to more than double the capacity of both Humber container terminals to around 550,000 units per annum. The upgrade is necessary to meet increasing demand, with the total volume of containers handled on the Humber having risen 39% from 2013 to 2016.

Nearly £30m has recently been invested in improving facilities at Hull Container Terminal including the purchase of four new Liebherr ship-to-shore cranes, two of which were delivered in June 2016, with the remaining two scheduled for delivery in the first quarter of 2018. The investment will allow two vessels to be loaded or discharged simultaneously. The additional capacity will enable the terminal to support additional Lift On-Lift Off operators planning to offer services into Hull.

There are plans for further major investment in new equipment and technology at Immingham Container Terminal (“ICT”) over the next three years to meet future growth targets. This is designed in part to increase landside capacity in order to accommodate larger vessels and to attract container business currently constrained by lack of capacity. It will also facilitate the provision of new roads, sheds and open storage areas and potentially the provision of a new deep sea car berth and new container berth. Preparatory work has already commenced on site investigations, development of options and outline design work on ICT and the port’s road infrastructure.

ABP’s investment strategy has already resulted in an existing customer, a leading shortsea and feeder container logistics company, expanding their operations with ABP. In June 2017, the customer confirmed that their second Polish/Baltic sailing into the Humber would call at the Port of Hull. This additional short sea service, which started at the end of June, has since moved to Immingham to complement their existing weekly call into the port.

As well as increasing capacity, the improvements to the terminals demonstrate ABP’s commitment to customer service, with improved quayside handling times and reduced waiting times for hauliers.

2.3 Port Master Planning

Southampton is the UK’s biggest export port with over £40bn of UK-manufactured goods exported each year. It is also the largest port by market share for trade vehicles and cruise turnaround and is home to the UK’s second largest and most efficient container terminal.

Land at the port is intensively used and in recent years action has been undertaken to maximise the use of the available land footprint, such as the development of multi-storey car parks for vehicle storage and the relocation of non-port users to off-port sites.

At the end of 2016 the company published a draft master plan for the Port of Southampton which sets out the next phase of the port’s development needed to maintain and enhance its role as an international deep-sea gateway. The draft master plan contemplates, over the next three to four years, undertaking feasibility studies and research into how the port can be expanded and bringing forward proposals that are considered necessary as a result. Proposals for future port capacity will include options relating to use of the port’s strategic land reserve of almost 800 acres, known locally as Dibden Bay, for mixed use port operations and green energy generation.

Strategic report (continued)

During 2017, ABP commenced a wider Master Planning initiative with a pilot exercise at Barrow. Following this exercise, consultants Turley were appointed and master planning commenced at Swansea, Port Talbot and ABP's East Anglian ports: Lowestoft, Kings Lynn and Ipswich. Preparation is underway to commence a master planning exercise at Hull starting in the first quarter of 2018.

2.4 Offshore Wind

In recent years the company's ports have increasingly supported the offshore wind industry through the provision of port facilities for construction, operation and maintenance of offshore wind related infrastructure. Many of the company's ports are in close proximity to existing and planned offshore wind development zones, in particular those in the North and Irish Seas. As noted in section 3.1, in January 2017 ABP completed the construction of port facilities at Alexandra Dock, Hull, hosting Siemens' offshore wind turbine blade factory and serving its project construction, assembly and service activities. The company continues to work with the offshore wind supply chain to cater for their growing needs, which is likely to provide future opportunities for investment in new port infrastructure.

2.5 Cruise Facilities

Having completed a programme of cruise terminal upgrades, the company continues to engage with its cruise line customers to ensure that it continues to meet their changing needs and can accommodate planned new vessel classes. The company considers it likely that future investment will be required in the medium term to support such requirements and to facilitate growth in passenger volumes.

2.6 Swansea Bay Tidal Lagoon

Swansea Bay Tidal Lagoon is a proposed 320MW tidal lagoon power plant designed to harness the tidal energy resource in Swansea Bay, South Wales, which has the second highest tidal range in the world. The project was granted a Development Consent Order in June 2015 and, if built, will be the world's first tidal lagoon power plant. The scheme, which consists of 16 hydro turbines and a six mile breakwater wall, has attracted equity investors including Prudential and InfraRed Capital Partners.

ABP has an agreement in place with the developer Tidal Lagoon (Swansea Bay) Plc ("TLSB") for the lease of land and foreshore to support the scheme's development. Parent company Tidal Lagoon Power Limited is aiming to build a total of six tidal lagoons which could meet up to 8% of the UK's electricity demand, enough to power around 30% of UK homes, as well as potential overseas projects. The Swansea Bay scheme is the most highly developed UK tidal lagoon proposal. In the event the scheme is approved and construction proceeds, there are likely to be opportunities to handle construction related cargo through the Port of Swansea.

Strategic report (continued)

In May 2016, the Government appointed the Rt Hon Charles Hendry to lead an Independent Review into the feasibility and practicality of tidal lagoon energy in the UK. Issues addressed included whether tidal lagoons could play a cost-effective role in the UK's energy mix, as well as the potential scale of the opportunity in the UK and abroad. Charles Hendry produced his final report and recommendations of the Independent Review of tidal lagoons on 12 January 2017, commenting: "I believe that the evidence is clear that tidal lagoons can play a cost-effective role in the UK's energy mix...I conclude that tidal lagoons would help deliver security of supply; they would assist in delivering our decarbonisation commitments; and they would bring real and substantial opportunities for the UK supply chain." Tidal Lagoon Power Limited ("TLP") called the review "a watershed moment for British energy, British manufacturing, British productivity and our coastal communities", adding: "We look forward to working with Ministers and Officials to bring this new industry to life."

The Independent Review further recommended that a 'pathfinder' project at Swansea Bay should proceed "as soon as is reasonably practicable." The Government is currently assessing the review before deciding whether to award the Swansea Bay Tidal Lagoon project a renewable energy subsidy. If a suitable subsidy is agreed, TLP has stated that the project could be completed within four years.

The Welsh Government has also offered to provide substantial funding support for the development of Swansea Bay Tidal Lagoon with the project cost estimated to be around £1.3bn.

2.7 Business Transformation Programme

As part of the company's strategic vision to put customers first and to continually improve the operations and services it provides, ABP launched a company-wide change programme in 2015, tasked with the transformation of the company's business processes and IT hardware and software, including the implementation of SAP.

In early 2017 the company completed the high-level process and system designs for "back office" functions including finance, procurement and property. The project team is well advanced with the design and build of new processes based on SAP technology to support these functions. Subject to successful testing and business readiness, these processes and systems will be deployed in 2018. In respect of marine, operations, asset management and planning, the evaluation of implementation options for these functions are ongoing.

Further, in 2017 the company established a multi-functional shared services centre – Port Business Services ("PBS") in Hull. Starting with general accounting services, PBS will support the whole of ABP with a portfolio of services that will expand over time. The programme is also steadily delivering incremental process and technology improvements, such as a modern, top-of-the-range tide and weather solution.

The Business Transformation Programme will continue over the next two to three years with the full involvement of ABP's stakeholders throughout the business.

Strategic report (continued)

2.8 New Nuclear Power Plant Opportunities

The government has identified eight sites in England and Wales that are suitable to build new nuclear power stations totalling up to 16GW by 2030. The government's most recent energy projections also forecast that by 2035 nuclear power could provide almost 40% of the UK's electricity generation. EDF Energy's Hinkley Point C new nuclear plant is already under construction and is expected to begin operations around 2025. Developers are also proposing building new nuclear power stations at other designated sites including Moorside in Cumbria, Sizewell in Suffolk, Bradwell in Essex and Wylfa Newydd in Anglesey, North Wales.

The large scale of new nuclear construction, coupled with the proximity of ABP's ports to key sites and our proven experience in delivering world-class major infrastructure, means the company is well placed to benefit from this second phase of nuclear development in the UK.

2.9 Group Renewable Energy Projects

In recent years ABP has invested in renewable energy generating schemes across its UK locations with the further roll out of solar arrays and wind energy, reaching a total installed capacity of 14.6MW by the end of 2017. The energy generated by these investments power the ports at which they are located, with surplus electricity exported to the National Grid.

ABP has signed a three year framework agreement with a solar delivery partner to continue this work with a further 7.0MW already committed to be installed in 2018. Further roof mounted solar projects are currently undergoing feasibility studies. South Wales has purchased batteries to be co-located with the generation already on-site in Barry, Newport and Swansea.

As well as building solar arrays and wind turbines at its ports, ABP is also reducing energy consumption through the installation of low energy lighting. A £2.3m investment in LED lights and controlled systems is currently being installed across Immingham with other similar projects having been completed at Silloth, Hull and Ipswich in recent years.

The use of electric vehicles will also enable ABP to reduce emissions and improve air quality, with Southampton taking delivery of 13 Nissan electric vehicles in August 2017, the first all-electric vehicles in the ABP fleet.

Throughout 2018 and beyond, ABP will continue to assess potential energy generation and storage projects across its portfolio.

3. Development, performance and financial position of the business

Cargo volumes handled by the company's ports (excluding Southampton conservancy only volumes) decreased by 2.9% to 86.0m tonnes in 2017 (2016: 88.6m tonnes) primarily driven by a decrease in other dry bulks (excluding ESI coal and biomass) by 9.2% to 22.7m tonnes (2016: 25.0m tonnes), partially offset by minor increases across other cargo volumes. The decrease in other dry bulks was principally due to a decrease in grain volumes and coal and iron ore imports used for steel production. The decrease in grain was largely due to low levels of stock held in store at the end of 2016, combined with a higher quality harvest, driving reduced quantities available for export in 2017. Coal and iron ore imports used for steel production decreased in 2017 due in part to a decrease in volume at Immingham Bulk Terminal following an unplanned outage at a customer site.

Strategic report (continued)

The company's revenue increased by 4.3% to £540.1m (2016: £517.9m) primarily driven by an increase in unitised revenue (roll on - roll off, vehicles and containers) of 6.2% to £134.4m (2016: £126.5m), break bulks of 8.3% to £67.9m (2016: £62.7m) and biomass of 6.8% to £51.5m (2016: £48.2m). The increase in unitised revenue was principally driven by a new vehicle contract secured at Southampton in 2017, the discontinuation of container discounts at Southampton and increased container volumes at the Humber. An increase in wind turbine activity following the completion of Green Port Hull during the year was the main contributor to the increase in break bulks, whilst the increase in biomass was primarily driven by a higher level of guaranteed tonnage on the Humber. This was partially offset by a decrease in revenues for coal and iron ore used in steel production and grain as a result of the decline in volumes as outlined above.

Underlying operating profit (before movement in the fair value of investment properties, net unrealised gains/losses on fuel derivatives and exceptional items), which is considered by the Board to provide a good representation of the performance of the business, decreased by 1.4% to £253.7m (2016: £257.2m). The 2017 review of the company's investment property portfolio led to an increase in carrying values of £54.6m (2016: decrease £36.9m). Net finance costs amounted to £52.2m (2016: £48.4m).

Pre-tax profit amounted to £247.5m (2016: £168.0m) and the company recognised a tax charge for the year of £35.5m (2016: £38.1m). Cash generated by operations totalled £286.9m (2016: £296.9m).

The company's activities form the principal activities of the group of its intermediate parent, ABPA Holdings Limited ("ABPAH"). Further details of the development, performance and outlook of the ABPAH group and information relating to financial and non-financial KPIs are provided within the Annual Report and Accounts of ABPAH.

The company had net assets of £2,279.9m as at 31 December 2017 (2016: £2,058.4m) including cash of £77.4m (2016: £41.2m). The company's cash resources are managed through a centralised treasury function, which closely monitors and manages risks of the group owned by the company's ultimate parent, ABP (Jersey) Limited, in relation to liquidity, interest rate and capital risks, along with credit risk relating to cash.

The company completed a number of major investments during the year. Further information on these is provided below.

3.1 Green Port Hull ("GPH")

GPH is a collaboration between ABP, Hull City and East Riding Council and partner organisations aimed at transforming Hull into a world-class centre for renewable energy. GPH is located at the Port of Hull adjacent to the major east coast offshore wind development zones, making it perfectly placed to capitalise on the continued growth of the UK's world-leading offshore wind industry. The GPH development involved the construction of an offshore wind turbine blade manufacturing, project construction, assembly and service facility at Alexandra Dock. The new facilities were developed for Siemens Wind Power, which has now merged with Spanish wind turbine manufacturer Gamesa to create a leading global wind power company named Siemens Gamesa Renewable Energy. As of November 2017 the combined business had 83GW of installed capacity in over 90 countries worldwide and had €21bn of orders.

The facility at GPH was completed in January 2017 following a total joint investment by Siemens Wind Power and ABP of £310m (£160m and £150m respectively). All work on the site has concluded and the facility is now operated by Siemens Gamesa Renewable Energy.

Strategic report (continued)

The facility supports the development of the UK's growing offshore wind energy sector and commenced its first exports in January 2017 for the 402MW Dudgeon Offshore Wind Farm, followed by exports to Race Bank (573MW), Galloper (353MW), Beatrice (573MW) and Walney Extension Phase 2 (329MW). GPH will also serve Hornsea Project One which is currently under construction and once operational will be the largest offshore wind farm in the world.

3.2 Southampton Fresh Produce Terminal

In August 2016, ABP announced an investment of £8.3m to upgrade Southampton's Fresh Produce Terminal underpinned by a new 20-year contract with Solent Stevedores. The improvements to the terminal, completed in February 2017, include two new mobile cranes, improved storage, and new energy efficient lighting. Solent Stevedores is also investing in providing additional equipment to enhance fresh produce handling capacity. The works to upgrade the terminal's refrigerated storage areas provide an expanded cool store temperature range and more chilled storage capacity. The improved facility now enables Solent Stevedores to handle a wider range of chilled fruit and other high-value products all year round in Southampton, in addition to the long-standing trade in handling tomato imports from the Canary Islands.

3.3 Car Storage Facilities

In addition to the five multi-story car parks ("MSCPs") already established at the port of Southampton, ABP completed its investment in the sixth and seventh MSCPs during 2017, providing an additional 3,170 car export and 4,378 car import spaces. The additional car storage capacity is being used to accommodate the changing needs of ABP's key partners, including Renault, BMW and Jaguar Land Rover.

4. Principal risks and uncertainties

As the principal operating entity of the group owned by the company's ultimate parent, ABP (Jersey) Limited, ABP has implemented policies designed to identify, assess and manage risks which are supported by an organisational structure that ensures that responsibilities are clearly defined and communicated.

The principal risks and uncertainties of the company are summarised below:

- *Potential impacts from accidents, natural disasters and terrorist incidents* - Accidents (e.g. from the use of heavy machinery, related to workplace transport or handling of dangerous cargo), natural disasters (principally flooding) and acts of terrorism (both land, marine and cyber), all have the potential to negatively impact the company's ability to undertake its operations.

Strategic report (continued)

- *Regulatory backdrop* - There are some material changes to the general regulatory backdrop with the strengthening of requirements for Data Protection and company level controls to prevent the criminal facilitation of tax avoidance (Criminal Finances Act, 2017). The UK ports industry is unregulated in so far as there is no government-appointed regulator to oversee the conduct of industry participants. The European Union Port Services Regulation (“PSR”) was adopted by the European Council of Ministers on 23 January 2017 and will be in force in the first quarter of 2019. The Government has given assurances that it will endeavour to ensure that the PSR will not apply to the UK ports sector post-Brexit. However, should it apply we consider the impact upon ABP will be limited, as the Government intends to limit the application of the Regulation as far as possible. Nonetheless, in preparation for the possibility that ABP will have to comply with the PSR, Brexit notwithstanding, ABP is working with the ports industry and Government in order to ascertain and minimise the practical impact of the PSR. ABP is also running workshops with the affected ports to ascertain and plan the steps to be taken at each port prior to the implementation date.
- *Government energy policy* - The company generates significant income from the electricity supply industry. Government energy policy affects the demand from energy generators for the company’s services. In particular, as a result of the requirement for coal-fired power stations to either fit emissions abatement technology or close down, some coal-fired power stations have opted to fit the required technology, convert to other fuel sources, have closed or plan to close. The impact of this on coal volumes for the company has been partly offset by increasing volumes of biomass and partly by the increasing incidence of wind-powered energy, however availability of subsidies for biomass conversion and wind power may continue to influence demand.
- *Brexit* - Like other port companies handling trade with countries both within and outside the EU, ABP is sensitive to the broader economic consequences of the UK’s vote to leave the EU. Just under half of the volume of trade handled by ABP is with countries that are members of the EU and the Single Market, of which the UK is presently also a member. ABP is engaged in wider industry efforts to minimise any negative impacts of Brexit and maximise potential opportunities.
- *Operational efficiency* - The company has a number of operational efficiency targets, some that will be enabled by a programme of system and process transformation aimed at delivering effective and efficient business systems and processes that support the company’s strategy (the Business Transformation Programme) and other Regional productivity initiatives. There is a risk that these initiatives fail to deliver the anticipated benefits.
- *Asset maintenance and capital project management* - The efficient maintenance of the company’s assets and the effective delivery of new assets (e.g. developing new port facilities) are required to safeguard the ongoing operation and development of the company’s business.
- *Market and competition* - The ports market could become more competitive resulting in downwards price pressure from existing and new competitors or threat of customer loss, due to changes in the market the company serves and risks to the wider economy. There are uncertainties associated with a number of market sectors served by ABP but the impact of changes in the market environment are largely mitigated by the company’s diverse cargo base, its long-term contracts with a broad mix of customers and a proportion of the company’s revenues being either guaranteed or not varying with throughput volumes.
- *Management of environmental matters* - The company and its customers operate a diverse range of operations across the company’s c.12,000 acres of land and seabed including heavy industrial operations. As such these could present a pollution risk or nuisance to neighbouring communities if not effectively managed, affecting the company’s ability to develop the estate.

Strategic report (continued)

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

Treasury matters throughout the company are controlled centrally and carried out in compliance with policies approved by the Board of Associated British Ports Holdings Limited, the company's immediate parent undertaking. The company's liquidity, interest rate and capital risks, along with credit risk relating to cash, are managed by the group. The company's other financial risks are credit and foreign exchange risk. For further details of the company's financial risk management objectives and policies, see note 17 to the accounts.

5. Important events after the reporting period

Throughout 2017, ABP continued to hold discussions with the Welsh Government on the proposed new M4 relief road ("Black Route") around Newport and its impact on the port. ABP formally objected to the Black Route due to its significant and permanent serious detriment to the port. The Black Route will require the purchase of key land assets, the creation of a significant obstruction for marine traffic by way of a height restriction to ships accessing into North Dock and the prevention of cargo handling equipment (such as mobile harbour cranes) from operating unrestricted around North and South Docks.

Discussions progressed throughout the year and on 2 February 2018 an agreement was reached that will ensure that a comprehensive mitigation package is provided by the Welsh Government if they proceed to construct the new M4 relief road, thereby safeguarding the port's current and future operations, customers and tenants. The agreement will provide for, among other things, the relocation of key customers, construction of replacement quays, storage areas and roadways, the purchase of new cranes and compensation for lost business. As a result ABP has withdrawn its objections to the scheme.

6. Future outlook

The directors do not foresee any material changes in the principal activities of the company.

By Order of the Board



GSM Bull
Director
8 March 2018

Directors' report

The directors present their report and the audited accounts of the company (number ZC000195) for the year ended 31 December 2017.

Principal office

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

Dividends

The company paid interim dividends totalling £40.0m during the current year (2016: £50.0m). The directors do not recommend the payment of a final dividend (2016: £nil).

Directors

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

Bird, SA	
Bull, GSM	
Cooper, JNS	
Garton, CC	appointed 29 March 2017
Harston, AF	
Kennerley, MB	
McCartain, MBW	appointed 4 July 2017
Nielsen, JS	
Penney, YK	
Schofield, IH	resigned 29 March 2017
Welch, AJM	

On 15 September 2017 it was announced that JNS Cooper is intending to stand down as a director and Chief Executive during 2018. A process to identify a possible successor is in progress.

On 22 January 2018, it was announced that CC Garton would be resigning from Associated British Ports in order to take up a role with Heathrow Airport as Chief Operating Officer during 2018.

Directors' indemnities

ABP (Jersey) Limited, the company's ultimate parent undertaking, maintains directors' and officers' liability insurance and pension fund trustees' liability insurance which give appropriate cover for any legal action brought against the directors and officers of the company. In addition, the Articles of Association of the company permit the directors and officers of the company to be indemnified in respect of liabilities incurred as a result of their office.

Qualifying third party indemnity provisions (as defined by s.234 of the Companies Act 2006) for the benefit of directors and officers were in force for all directors and officers during the year and remain in force in relation to certain losses and liabilities which directors and officers may incur (or have incurred) in connection with their duties, powers or office.

Charitable donations

The company donated £112,453 (2016: £87,741) to charities during the year.

Directors' report (continued)

Human resources policies

Our personnel resources strategy includes 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 of companies owned by ABP (Jersey) Limited (the "group") monitors a range of indicators to assist it with the management of its employees.

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 every effort is made to assess opportunities for career development and promotion and to ensure that, wherever possible, the person can either continue in their present role or retrain for a different role.

The group monitors the gender diversity of all employees, senior managers and directors and a detailed review of the information can be found within the strategic report in the accounts of ABPA Holdings Limited ("ABPAH"). 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.

Employee involvement

The group is committed to the development of its employees and provides relevant training for career progression. There is regular communication with employees through in-house publications and the intranet. This communication includes information in respect of financial and economic factors affecting the performance of the group. The group also consults with its employees about both the methods and substance of communication.

The group operates incentive schemes available to all employees that seek to reward good group performance.

A description of the management of social and community issues relating to the group can be found within the strategic report of ABPAH.

Matters disclosed in the strategic report

The directors consider the following matters of strategic importance and have chosen to disclose these in the strategic report:

- Financial risk management objectives and policies and details of the company's exposure to liquidity, interest rate, foreign exchange, credit and capital risk and other risk disclosures
- Important events which have occurred since the end of the financial year

Auditor re-appointment

The auditor, Ernst & Young LLP, was appointed by Associated British Ports Holdings Limited, the company's Holding Company, in accordance with s.10(1) of Schedule 2 of the Transport Act 1981 and, having indicated its willingness to continue in office, Ernst & Young LLP will continue as auditor to the company.

Directors' report (continued)

Audit information

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

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

By Order of the Board



AC Garner
Secretary
25 Bedford Street
London, WC2E 9ES
8 March 2018

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

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

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

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

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

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

Opinion

We have audited the financial statements of Associated British Ports for the year ended 31 December 2017 which comprise the Income Statement, Statement of Comprehensive Income, Balance Sheet, Statement of Cash Flows, Statement of Changes in Equity and the related notes 1 to 27, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Use of our report

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 14, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.



Matthew Williams (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

March 2018

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Income statement for the year ended 31 December

	Note	2017 £m	2016 £m
Revenue		540.1	517.9
Cost of sales		(216.3)	(202.9)
Gross profit		323.8	315.0
Administrative expenses		(78.7)	(61.7)
Increase/(decrease) in fair value of investment properties	9	54.6	(36.9)
Operating profit	2	299.7	216.4
Analysed between:			
Underlying operating profit before the following items:		253.7	257.2
Increase/(decrease) in fair value of investment properties	9	54.6	(36.9)
Net unrealised (loss)/gain on fuel derivatives		(0.1)	4.0
Exceptional items	2	(8.5)	(7.9)
		299.7	216.4
Finance costs	5	(52.5)	(48.8)
Finance income	5	0.3	0.4
Profit before taxation		247.5	168.0
Taxation charge	6	(35.5)	(38.1)
Profit for the year attributable to holding company		212.0	129.9

The company declared interim dividends totalling £40.0m in the current year (2016: £50.0m).

The exceptional items relate to restructuring costs initiated as part of Associated British Ports' ("ABP") change programme. The costs relating to the change programme are disclosed separately as management considers them to be material and they relate to the restructuring of ABP's activities.

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

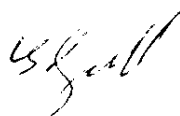
Statement of comprehensive income for the year ended 31 December

	Note	2017 £m	2016 £m
Profit for the year attributable to holding company		212.0	129.9
Other comprehensive income/(expense):			
<i>Other comprehensive income/(expense) not to be reclassified to profit and loss in subsequent periods:</i>			
Surplus arising on revaluation of investment property	9	3.3	7.4
Deferred tax on revaluation of investment property	20	5.2	5.0
Remeasurement gain/(loss) relating to net retirement benefit liabilities	14	51.4	(97.3)
Deferred tax associated with remeasurement gain/loss relating to net retirement benefit liabilities	20	(10.4)	17.2
Other comprehensive income/(expense) for the year, net of tax		49.5	(67.7)
Total comprehensive income for the year, net of tax, attributable to holding company		261.5	62.2

Balance sheet as at 31 December

	Note	2017 £m	2016 £m
Assets			
Non-current assets			
Intangible assets	7	67.7	39.5
Property, plant and equipment	8	1,236.9	1,172.7
Investment property	9	1,952.9	1,896.4
Investments in subsidiaries	10	47.8	47.8
Retirement benefit assets	14	9.8	-
Derivative financial instruments	16	0.1	0.4
Trade and other receivables	11	6.6	5.7
		3,321.8	3,162.5
Current assets			
Property and land held for sale	12	5.6	0.6
Derivative financial instruments	16	0.5	1.1
Trade and other receivables	11	111.9	98.8
Other financial assets	13	-	15.0
Cash and cash equivalents		77.4	41.2
		195.4	156.7
Total assets		3,517.2	3,319.2
Liabilities			
Current liabilities			
Borrowings	15	(0.3)	(0.3)
Derivative financial instruments	16	-	(0.2)
Trade and other payables	18	(180.3)	(178.7)
Provisions	19	(9.8)	(4.6)
		(190.4)	(183.8)
Non-current liabilities			
Borrowings	15	(729.7)	(761.8)
Retirement benefit liabilities	14	(68.7)	(114.2)
Trade and other payables	18	(45.8)	(45.8)
Provisions	19	(13.9)	(15.6)
Deferred tax liabilities	20	(114.8)	(105.0)
Other non-current liabilities	21	(74.0)	(34.6)
		(1,046.9)	(1,077.0)
Total liabilities		(1,237.3)	(1,260.8)
Net assets		2,279.9	2,058.4
Holding company's equity			
Revaluation reserve		1,526.7	1,468.8
Retained earnings		753.2	589.6
Total holding company's equity		2,279.9	2,058.4

The financial statements were approved by the Board on 8 March 2018 and signed on its behalf by:



GSM Bull
Director

Statement of cash flows for the year ended 31 December

	Note	2017 £m	2016 £m
Cash flows from operating activities			
Cash generated by operations	22	286.9	296.9
Interest paid		(45.0)	(26.7)
Interest received		0.4	0.4
Net cash inflow from operating activities		242.3	270.6
Cash flows from investing activities			
Acquisition of subsidiary undertaking		-	(6.3)
Proceeds from sale of property, plant and equipment		0.2	7.5
Proceeds from sale of investment property		0.8	-
Purchase of intangible assets		(22.2)	(24.2)
Purchase of property, plant and equipment		(105.3)	(119.7)
Purchase of investment property		(15.6)	(64.2)
Withdrawal from/(payment into) money market deposits		15.0	(15.0)
Net cash outflow from investing activities		(127.1)	(221.9)
Cash flows from financing activities			
Repayment of borrowings		(38.3)	(51.3)
Repayment of obligations under finance leases		(0.7)	(0.6)
Dividends paid		(40.0)	(33.2)
Net cash outflow from financing activities		(79.0)	(85.1)
Change in cash and cash equivalents during the year			
Cash and cash equivalents at 1 January		41.2	77.6
Cash and cash equivalents at 31 December		77.4	41.2

Included within cash and cash equivalents is £nil (2016: £1.6m) of restricted cash.

Statement of changes in equity for the year ended 31 December

	Revaluation reserve £m	Retained earnings £m	Total £m
At 1 January 2017	1,468.8	589.6	2,058.4
Profit for the year	54.6	157.4	212.0
Other comprehensive income	3.3	46.2	49.5
Total comprehensive income	57.9	203.6	261.5
Dividend	-	(40.0)	(40.0)
At 31 December 2017	1,526.7	753.2	2,279.9

	Revaluation reserve £m	Retained earnings £m	Total £m
At 1 January 2016	1,498.3	547.9	2,046.2
Profit/(loss) for the year	(36.9)	166.8	129.9
Other comprehensive (expense)/income	7.4	(75.1)	(67.7)
Total comprehensive income/(expense)	(29.5)	91.7	62.2
Dividend	-	(50.0)	(50.0)
At 31 December 2016	1,468.8	589.6	2,058.4

Revaluation reserve

The revaluation reserve is used to record unrealised increases in the fair value of fixed assets, primarily investment properties. Decreases in fair values are taken to the revaluation reserve only to the extent that an increase on the same asset has already been recognised in the reserve. The balance of any decrease in fair value of an asset would be charged to the income statement. At the end of the year unrealised changes in the fair value of investment properties, recognised in the income statement, are transferred from retained earnings to the revaluation reserve. The deferred tax associated with the revaluation of investment property is included within retained earnings.

Notes to the financial statements

1. Accounting policies

1.1 Basis of preparation

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

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

Consolidation exemption

These separate financial statements contain information about Associated British Ports as an individual company and do not contain consolidated financial information as the parent of a group. The company has taken advantage of the exemption available under s400 of the Companies Act 2006, from the requirement to prepare and deliver consolidated financial statements, as the results of the group are included in the consolidated financial statements of its intermediate parent undertaking, ABPA Holdings Limited, which are available from 25 Bedford Street, London, WC2E 9ES.

Statement of compliance

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

1.2 Changes in accounting policies

New standards and amendments adopted

In preparing these financial statements the company has implemented the following new amendment effective for the first time for the annual reporting period commencing 1 January 2017:

IAS 7 (Amendment) Disclosure initiative

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

The company adopted the amendment on the effective date of 1 January 2017. The application of this amendment detailing the cash and non-cash changes in liabilities arising from financing activities are set out in note 22.

New standards, amendments and interpretations issued but not yet effective

The IASB and IFRIC have issued a number of standards, amendments and interpretations with an effective date of implementation for accounting periods beginning after the start of the company’s current financial year. The following are expected to have an impact on the company:

IFRS 9 Financial Instruments

IFRS 9 replaces IAS 39 *Financial Instruments: Recognition and Measurement* and is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory.

Notes to the financial statements

1. **Accounting policies** (continued)

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

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

The company plans to adopt the new standard on the required effective date using the full retrospective approach. The company has performed a detailed impact assessment of IFRS 9 based on currently available information and (subject to changes arising from further reasonable and supportable information being made available) expects no significant impact on its financial statements on applying the standard.

IFRS 15 Revenue from contracts with customers

IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018.

The company plans to adopt the new standard on the required effective date using the modified retrospective approach.

The company has performed a detailed impact assessment of IFRS 15 and in most cases the company's revenue relates to relatively simple charging mechanisms where there are clear and easily identifiable performance obligations that take place over a short period of time and where the implementation of the standard does not have a material impact on the timing of revenue recognition.

However, there are two circumstances where the application of IFRS 15 could affect the timing of revenue recognition and cause revenue to be deferred from one accounting period to the next.

- 1) Bundled charging arrangements – in some cases the company charges its customers a bundled rate that covers several performance obligations that may be satisfied over an extended period of time. Under IFRS 15 such bundled charges must be allocated to each component performance obligation and the relevant proportion of revenue only recognised as each obligation is completed. This could cause a deferral of revenue when compared to the company's former approach to revenue recognition; and
- 2) Vessels calling at the ports over a period end – as stated above, many of the company's performance obligations take place over a relatively short period of time. However, where vessels are at the ports over a period end then even that short period of time could fall either side of an accounting period end and IFRS 15 could require a more precise allocation of revenue to each period than was the case under the company's former approach to revenue recognition.

The company has assessed that when IFRS 15 is adopted, the current reporting period would be adjusted such that at 1 January 2018, revenue of £0.7m would be deferred into the following year and that the current portion of deferred revenue would be increased by the same amount.

Notes to the financial statements1. **Accounting policies** (continued)1.2 **Changes in accounting policies** (continued)*New standards, amendments and interpretations issued but not yet effective* (continued)

In summary, the impact as at 1 January 2018 upon adoption of IFRS 15 is expected to be as follows:

	Increase/(decrease)
	£m
Liabilities	
Deferred revenue	0.7
Equity	
Retained earnings	(0.7)

IFRS 16 Leases

IFRS 16 replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach.

IFRS 16 requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset).

Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Conversely lessors accounting is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

The company has not yet completed its assessment of the potential effect of IFRS 16 on its financial statements.

Notes to the financial statements

1. Accounting policies (continued)

1.2 Changes in accounting policies (continued)

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

Other changes

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

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

1.3 Critical estimates, judgements and assumptions

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

Estimates

The critical estimates in applying these policies are as follows:

- Valuation of investment property – note 9
- Valuation of defined benefit pension scheme liabilities – note 14

Judgements

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

- Classification of investment property – see accounting policy in note 1.4
- Measurement of deferred taxation of investment property – the company reviews potential tax liabilities and benefits to assess the appropriate accounting treatment. Tax provisions are made if it is probable that a liability will arise. Tax benefits are not recognised unless it is probable that they will be obtained. Assessing the expected realisation of the value of investment property through sale or use requires judgements to be made based on past experience and the current tax environment.

1.4 Significant accounting policies

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

Notes to the financial statements

1. **Accounting policies** (continued)

1.4 **Significant accounting policies** (continued)

Revenue recognition

Revenue comprises the amounts receivable in respect of ports and transport services and rental income from investment properties:

- Revenue from the provision of ports and transport services is principally generated through long term contracts and includes dues and fees, cargo handling charges, infrastructure charges, marine operations, utilities and fuel, service fees and other sundry income. Revenue from the provision of ports and transport services is recognised when the service is provided. Contracts with customers often include minimum volume guarantees, which if not achieved by the customer result in additional revenue to the company to cover the shortfall. These shortfall revenues are recognised at the point that the underperformance on the contract can be reliably measured and the underperformance is reasonably certain, taking into account the period and other terms specified in the contract.
- Minimum lease payments from operating leases are recognised as rental income over the lease term on a straight line basis. Contingent rents are recognised as rental income in the period in which they are earned.

Impairment of non-financial assets

The company 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 company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use, and is determined for an individual asset unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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

Impairment losses 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.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the company estimates the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions 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 a revalued amount, in which case the reversal is treated as a revaluation increase.

Notes to the financial statements

1. **Accounting policies** (continued)

1.4 **Significant accounting policies** (continued)

Impairment of non-financial assets (continued)

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

Investment property

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

- it is not occupied by the company or used by the company for the provision of operational port services that are material in nature (e.g. stevedoring);
- it is a defined area (land, buildings, jetties and other fixed structures) and one or more users pay an amount, whether rental or commercial revenue for use of that area for a period of one or more years; and
- any “ancillary services” provided by the company at the property are insignificant to the arrangements as a whole. Ancillary services are deemed to be significant when they take place within the property, the value of the services exceeds one quarter of the estimated rental value of the property and they are provided under a non-cancellable contract.

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

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

Transfers of investment properties to operational assets are made at fair value at the date of change in use or classification.

Property, plant and equipment

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

Capital investment grants are credited against the carrying cost of the asset to which they relate and are recognised in the income statement over the life of the depreciable asset as a reduced depreciation expense. Transfers of property, plant and equipment to investment properties or to property and land held for sale are reflected net of any unamortised capital investment grants.

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

Notes to the financial statements

1. **Accounting policies** (continued)

1.4 **Significant accounting policies** (continued)

Property, plant and equipment (continued)

Transfers of property from property, plant and equipment to investment property are at carrying value. Subsequent to transfer, investment property will be carried at fair value. The initial revaluation gain or loss arising on an asset transferred from property, plant and equipment to investment property is treated as follows:

- an upward revaluation movement is recognised in other comprehensive income and accumulated in the revaluation reserve. However, the increase is recognised in the income statement to the extent that it reverses a revaluation decrease of the same asset previously recognised in the income statement; or
- a downward revaluation movement is recognised in the income statement. However, the decrease shall be recognised in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset. The decrease recognised in other comprehensive income reduces the revaluation reserve.

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

Retirement benefits

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

The net retirement benefit liability recognised in the balance sheet represents the actual deficit or surplus in the company's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

The company participates in a number of multi-employer defined benefit pension schemes. Where the company is able to determine its share of the assets and liabilities on a consistent and reliable basis it accounts for these schemes as defined benefit schemes; where it is unable, it accounts for these schemes as defined contribution schemes. Further information on these schemes is contained within note 14.

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

Notes to the financial statements

1. Accounting policies (continued)

1.4 Significant accounting policies (continued)

Financial instruments

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

Where the company has sold receivables to a counterparty, these amounts are derecognised when:

- the company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and
 - either
 - a) the company has transferred substantially all the risks and rewards of the asset; or
 - b) the company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Other financial assets are represented by bank deposits with an original maturity of more than three months but less than twelve months. The company defines these as short-term liquid investments readily convertible into known amounts of cash.

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

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

Derivative financial instruments utilised by the company comprise fuel swaps and caps and forward foreign exchange contracts. All such instruments are used for hedging purposes (albeit they are not designated as such for accounting purposes) to manage the risk profile of an existing underlying exposure of the company in line with the company's risk management policies. All derivative financial instruments are initially recorded in the balance sheet at fair value and are measured at fair value thereafter. The company's derivatives are not designated as hedges, therefore fair value gains and losses are taken to the income statement following the same classification as the underlying transaction.

Derivatives are classified as current and non-current based on the present value of future cash flows.

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 company's financial performance.

Notes to the financial statements

1. Accounting policies (continued)

1.5 Other accounting policies (continued)

Interest income

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

Borrowing costs

Borrowing costs 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, including qualifying assets within investment properties measured at fair value. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that the company incurs in connection with the borrowing of funds.

Leases – company as lessee

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

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

Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the company 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.

Leases – company as lessor

Leases where the company does not transfer substantially all the risks 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 basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases where the company does transfer substantially all the risks and rewards of ownership of the asset are classified as finance leases. Finance leases are recorded in the balance sheet as a receivable, at an amount equal to the net investment in the lease. Subsequently finance income is recognised based on a pattern reflecting a constant periodic rate of return.

Intangible assets

Purchased intangible assets are recognised at fair value on the date of acquisition if they relate to a business combination or otherwise are recognised at cost.

Software is amortised over periods of between 2 years and 10 years on a straight-line basis from the time the asset is available for use.

Notes to the financial statements

1. Accounting policies (continued)

1.5 Other accounting policies (continued)

Intangible assets (continued)

Other intangible assets are amortised over periods of between 2 years and 10 years from acquisition on a straight-line basis.

Development costs incurred on internal projects are only capitalised where the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Property and land held for sale

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

Transfers of property from property and land held for sale to non-current assets are made at the lower of carrying amount, (before classification as held for sale, adjusted for any depreciation, amortisation or revaluations that would have been recognised had the asset not been classified as held for sale) and the recoverable amount as at the date of transfer.

Cash and cash equivalents

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

Investments

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

Taxation

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

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

Notes to the financial statements

1. **Accounting policies** (continued)

1.5 **Other accounting policies** (continued)

Taxation (continued)

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

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

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

Foreign currencies

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

Provisions

Provisions are recognised when the company 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.

Dividends

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

Notes to the financial statements

2. Operating profit

Operating profit is stated after charging/(crediting):

	2017 £m	2016 £m
<i>Depreciation</i>		
Property, plant and equipment – included in cost of sales	65.7	53.5
Property, plant and equipment – included in administrative expenses	1.8	1.5
<i>Amortisation</i>		
Intangible assets – included in cost of sales	1.3	1.6
Intangible assets – included in administrative expenses	1.6	1.7
<i>Profit on write off of intangibles and disposal of property, plant and equipment, investment property and property and land held for sale</i>	(0.4)	(0.7)
<i>Operating lease rentals payable</i>		
Property, plant and equipment	3.7	3.8
<i>Repairs and maintenance expenditure on investment property and property, plant and equipment</i>	16.1	15.6
<i>Third party labour and sub-contractor haulage</i>	24.5	23.7
<i>Utilities and fuel</i>	16.4	14.9
<i>Trade receivables impairment</i>	0.2	2.3
<i>Exceptional items</i>		
<i>Associated British Ports' change programme</i>		
Staff costs provided (note 4)	3.9	4.7
Other costs provided	0.1	3.2
Staff costs charged directly to the income statement (note 4)	1.7	-
Other costs charged directly to the income statement	2.8	-

3. Audit fees

Remuneration received by Ernst & Young LLP is detailed below and has been borne by the company.

	2017 £'000	2016* £'000
Fees payable to the company's auditor for the audit of the company's annual accounts	300.9	227.4
Fees payable to the company's auditor in respect of:		
Audit of the accounts of the group companies	331.0	336.9
Other services	27.2	150.0

* The comparatives have been restated to conform with current year presentation.

In addition to the above services, Ernst & Young LLP acted as auditor to the company's main defined benefits pension scheme – The Associated British Ports Group Pension Scheme. The appointment of auditors to the company'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 company. The aggregate fees paid to the company's auditor for audit services to the pension schemes during the year were £22,502 (2016: £24,250).

Notes to the financial statements

4. Directors and employees

Staff costs are analysed as follows:

	2017	2016
	£m	£m
Staff costs		
Wages and salaries	83.3	71.9
Social security costs	8.9	8.4
Pension costs (note 14)	10.5	10.1
	102.7	90.4
Exceptional items	5.6	4.7
Total staff costs	108.3	95.1

During 2017 exceptional staff costs of £5.6m (2016: £4.7m) were recognised as part of the £8.5m (2016: £7.9m) restructuring costs in relation to Associated British Ports' change programme.

The monthly average number of people employed during the year was 2,076 (2016: 2,007).

Directors emoluments are analysed as follows:

	2017	2016
	£m	£m
Emoluments paid to directors of the company		
Short-term employee benefits	3.7	2.4
Post-employment benefits	0.4	0.3
Other long-term benefits	1.7	-
Termination benefits	-	0.6
Total directors emoluments	5.8	3.3

Emoluments comprise amounts paid to the directors of the company by the company, with one director being paid by the immediate parent undertaking.

Key management compensation is analysed as follows:

	2017	2016
	£m	£m
Key management compensation		
Short-term employee benefits	3.7	3.1
Post-employment benefits	0.4	0.4
Other long-term benefits	1.7	-
Termination benefits	-	0.6
Total key management compensation	5.8	4.1

Key management comprises the directors of the company, including two directors (2016: two) who were also directors of the immediate parent undertaking.

Eleven of the (2016: eleven) directors are eligible to join the Associated British Ports Group Pension Scheme; at 31 December 2017 five (2016: six) directors were members of this scheme; eleven directors (2016: ten) received an allowance for contributions towards pensions schemes unconnected with the company.

	2017	2016
	£m	£m
Highest paid director		
Short-term employee benefits	0.9	0.5
Post-employment benefits	0.1	0.1
Other long-term benefits	0.5	-
Total highest paid director	1.5	0.6

Notes to the financial statements

5. Finance costs/(income)

	2017 £m	2016 £m
Interest on amounts due to parent undertaking	52.7	55.6
Interest on amounts due to subsidiary undertaking	-	0.1
Net interest charge on net defined benefit liabilities	2.8	0.7
Other finance costs	0.9	2.7
Less: interest capitalised on non-current assets under construction	(3.9)	(10.3)
Finance costs	52.5	48.8
Other finance income	(0.3)	(0.4)
Finance income	(0.3)	(0.4)
Net finance costs on financial assets and financial liabilities held at amortised cost	52.2	48.4

6. Taxation

	2017 £m	2016 £m
Analysis of charge/(credit) for the year		
Current tax	31.0	45.4
Deferred tax (note 20)	4.5	(7.3)
Taxation	35.5	38.1

Current taxation for both 2017 and 2016 represents a charge for group relief surrendered by another group undertaking, with that amount being added to amounts due to parent undertaking. 2016 also included a consortium relief credit.

	2017 £m	2016 £m
Tax on items (charged)/credited to other comprehensive income		
Deferred tax (charged)/credited associated with remeasurement gain/loss relating to net retirement benefit liabilities	(10.4)	17.2
Deferred tax credited on revaluation of investment property	5.2	5.0

The taxation charge (2016: charge) for the year is lower (2016: higher) than the standard rate of taxation in the UK of 19.25% (2016: 20.00%). The differences are explained below:

	2017 £m	2016 £m
Profit before taxation	247.5	168.0
Profit before taxation multiplied by standard rate of corporation tax in the UK of 19.25% (2016: 20.00%)	47.6	33.6
Effects of:		
Items not deductible for tax	1.0	4.3
Decrease in deferred taxes due to reduction in tax rate	(1.3)	(12.3)
Tax in respect of prior years	(2.0)	1.1
Deferred tax asset (recognised)/not recognised	(10.8)	11.4
Deferred tax on assets transferred from subsidiary undertaking	1.0	-
Total tax charge for the company	35.5	38.1

Notes to the financial statements

6. Taxation (continued)

Tax in respect of prior years relates predominantly to revised allocation of capital expenditure in the filed corporation tax returns after detailed review by external specialist consultants.

Deferred tax assets of £11.4m were not recognised in 2016 as it was not sufficiently certain when profits of the right type would be available against which the underlying deductible temporary difference could be utilised. In 2017 sufficient profits were identified to recognise this deferred tax which, after accounting for the change in the corporation tax rate, amounted to £10.8m.

The deferred tax on assets transferred from subsidiary undertaking relates to the transfer of the harbour authority for the port of Teignmouth under The Port of Teignmouth (Transfer of Undertaking) Harbour Revision Order 2017.

7. Intangible assets

	Software £m	Other £m	Total £m
Acquired intangible assets			
2017			
Cost			
At 1 January	39.7	12.4	52.1
Additions	29.5	1.7	31.2
Write off	(0.1)	-	(0.1)
At 31 December	69.1	14.1	83.2
Accumulated amortisation			
At 1 January	(7.2)	(5.4)	(12.6)
Charge for the year	(0.5)	(2.4)	(2.9)
At 31 December	(7.7)	(7.8)	(15.5)
Net book value			
At 1 January	32.5	7.0	39.5
At 31 December	61.4	6.3	67.7

Notes to the financial statements

7. Intangible assets (continued)

	Software [*] £m	Other £m	Total £m
Acquired intangible assets			
2016			
Cost			
At 1 January	18.8	8.7	27.5
Additions	20.9	3.7	24.6
At 31 December	39.7	12.4	52.1
Accumulated amortisation			
At 1 January	(6.0)	(3.3)	(9.3)
Charge for the year	(1.2)	(2.1)	(3.3)
At 31 December	(7.2)	(5.4)	(12.6)
Net book value			
At 1 January	12.8	5.4	18.2
At 31 December	32.5	7.0	39.5

* During 2017, the directors considered that software, previously included in other intangible assets, has become a significant class of intangible assets and should be disclosed separately. The 2016 comparatives are consistent with current presentation.

Software comprise IT software acquisition and subsequent development costs primarily relating to the company's business transformation programme.

Other intangible assets cost at 31 December 2017 includes a 2011 payment in relation to the Transport Infrastructure Fund in connection with the expansion of rail infrastructure at Southampton of £5.9m (2016: £5.9m).

The amount of borrowing costs capitalised during the year ended 31 December 2017 was £2.7m (2016: £1.4m). The weighted average rate used to determine the amount of borrowing costs eligible for capitalisation was 7.0% (2016: 7.0%).

Notes to the financial statements

8. Property, plant and equipment

	Operational land £m	Buildings £m	Dock structures, quays and dredging £m	Floating craft £m	Plant and equipment £m	Assets in the course of construction £m	Total £m
2017							
Cost							
At 1 January	404.0	231.8	612.9	74.3	378.6	69.4	1,771.0
Additions	0.2	15.6	39.0	2.4	20.9	33.7	111.8
Transfers within property, plant and equipment	-	9.3	15.0	1.6	22.2	(48.1)	-
Transfers (to)/from investment property	7.4	3.6	-	-	-	-	11.0
Transfer from subsidiary undertaking*	1.2	4.5	6.3	-	4.2	0.4	16.6
Disposals	-	-	-	(0.1)	(12.4)	(0.6)	(13.1)
At 31 December	412.8	264.8	673.2	78.2	413.5	54.8	1,897.3
Accumulated depreciation							
At 1 January	-	(88.5)	(244.2)	(49.6)	(216.0)	-	(598.3)
Charge for year	-	(12.0)	(28.3)	(3.6)	(23.6)	-	(67.5)
Transfers to/(from) investment property	-	(0.4)	-	-	-	-	(0.4)
Transfer from subsidiary undertaking*	-	(2.2)	(1.6)	-	(2.4)	-	(6.2)
Disposals	-	-	-	0.1	11.9	-	12.0
At 31 December	-	(103.1)	(274.1)	(53.1)	(230.1)	-	(660.4)
Net book value							
At 1 January	404.0	143.3	368.7	24.7	162.6	69.4	1,172.7
At 31 December	412.8	161.7	399.1	25.1	183.4	54.8	1,236.9

* During the year, The Port of Teignmouth (Transfer of Undertaking) Harbour Revision Order 2017 transferred the harbour authority for the Port of Teignmouth from the company's immediate subsidiary undertaking, The Teignmouth Quay Company Limited to Associated British Ports. On the transfer date of 1 April 2017, £16.6m of cost and £6.2m of accumulated depreciation were transferred to and vested in the company.

Notes to the financial statements

8. Property, plant and equipment (continued)

	Operational land £m	Buildings £m	Dock structures, quays and dredging £m	Floating craft £m	Plant and equipment £m	Assets in the course of construction £m	Total £m
2016							
Cost							
At 1 January	382.4	212.3	514.5	68.0	339.3	138.2	1,654.7
Additions	6.6	7.1	23.1	1.7	27.5	45.8	111.8
Transfers within property, plant and equipment	4.8	13.5	72.1	5.4	18.4	(114.2)	-
Transfers from/(to) investment property	10.2	(1.1)	3.2	-	-	(0.4)	11.9
Disposals	-	-	-	(0.8)	(6.6)	-	(7.4)
At 31 December	404.0	231.8	612.9	74.3	378.6	69.4	1,771.0
Accumulated depreciation							
At 1 January	-	(79.0)	(221.4)	(46.5)	(203.8)	-	(550.7)
Charge for year	-	(9.7)	(22.9)	(3.8)	(18.6)	-	(55.0)
Transfers to/(from) investment property	-	0.2	0.1	-	-	-	0.3
Disposals	-	-	-	0.7	6.4	-	7.1
At 31 December	-	(88.5)	(244.2)	(49.6)	(216.0)	-	(598.3)
Net book value							
At 1 January	382.4	133.3	293.1	21.5	135.5	138.2	1,104.0
At 31 December	404.0	143.3	368.7	24.7	162.6	69.4	1,172.7

Plant and equipment held under finance leases includes marine vessels operated by the company's ports and transport business. The finance leased assets had a book cost and accumulated depreciation at 31 December 2017 totalling £3.2m (2016: £3.2m) and £1.6m (2016: £1.3m) respectively.

The amount of borrowing costs capitalised during the year ended 31 December 2017 was £1.2m (2016: £2.3m). The weighted average rate used to determine the amount of borrowing costs eligible for capitalisation was 7.0% (2016: 7.0%).

The net book values for property, plant and equipment are reported net of amortised government grants received of £3.9m (2016: £4.1m).

Notes to the financial statements

9. Investment property

	Port-related investment properties £m	Other investment properties £m	Land at ports held for development £m	Total £m
2017				
At valuation				
At 1 January	1,700.4	164.3	31.7	1,896.4
Additions	8.1	1.4	4.9	14.4
Disposals	-	-	(0.2)	(0.2)
Transfers within investment property	(1.4)	1.4	-	-
Transfers (to)/from property and land held for sale	(0.8)	-	(4.2)	(5.0)
Transfers (to)/from property, plant and equipment	(10.9)	0.3	-	(10.6)
	1,695.4	167.4	32.2	1,895.0
Surplus on revaluation	3.0	0.3	-	3.3
Increase in fair value of investment properties	52.2	0.6	1.8	54.6
At 31 December	1,750.6	168.3	34.0	1,952.9
2016				
At valuation				
At 1 January	1,682.2	165.3	26.3	1,873.8
Additions	61.5	1.7	1.1	64.3
Transfers within investment property	(0.6)	-	0.6	-
Transfers (to)/from property, plant and equipment	(10.8)	(0.9)	(0.5)	(12.2)
	1,732.3	166.1	27.5	1,925.9
Surplus on revaluation	7.3	0.1	-	7.4
(Decrease)/increase in fair value of investment properties	(39.2)	(1.9)	4.2	(36.9)
At 31 December	1,700.4	164.3	31.7	1,896.4

During the year £3.3m (2016: £7.4m) was credited directly to the revaluation reserve reflecting the increase to fair value of the properties transferred from property, plant and equipment to investment property (previously recorded at cost). An increase of £54.6m (2016: decrease £36.9m) in the fair value of investment properties was recognised directly in the income statement.

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

The amount of borrowing costs capitalised during the year ended 31 December 2017 was £nil (2016: £6.6m). The weighted average rate used to determine the amount of borrowing costs eligible for capitalisation was 7.0% (2016: 7.0%).

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

Notes to the financial statements

9. Investment property (continued)

Basis of valuation

Investment property valuations are conducted annually by the company's internal valuation team and are reviewed by external valuers at least once every five years, the most recent being as at 31 December 2013. The company's internal valuation team comprises regionally based Chartered Surveyors, including The Royal Institution of Chartered Surveyors ("RICS") Registered Valuers, led by the Group Head of Property.

Investment properties fair value has been estimated on the basis of market value in accordance with the Appraisal and Valuation Standards issued by RICS, which is consistent with fair value as defined by IFRS 13.

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

Completed investment property

The valuations adopt conventional investment valuation methodology by assessing the income from the investment assets and then capitalising against an investment yield. Deductions have been made to reflect stamp duty and the other costs that would be incurred by a purchaser of the asset, namely legal and surveyors' fees. The main assumptions considered in arriving at the fair value of investment property are the current or estimated rental values, forecast variable income (typically set with regard to historic income) and prevailing market yields. The valuations also take into account the wider port operating costs either by applying an appropriate amount of such costs against the revenues generated by the property and/or by an adjustment to the yield.

The valuation of investment property has been categorised as a Level 3 fair value measurement under IFRS 13, being a recurring fair value measurement using significant unobservable inputs.

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

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

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

Notes to the financial statements

9. Investment property (continued)

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

2017	Port-related investment properties	Other investment properties and land held for development	Total
Observable			
Average income per acre £'000	84.1	4.4	42.0
Income range per acre £'000	0 – 475	0 – 114	0 – 475
Unobservable			
Yield – average %	11.7	12.2	11.9
Yield – range %	6.0 – 33.3	6.0 – 17.5	6.0 – 33.3
Other assumptions			
Other purchasers' costs %	1.8	1.8	1.8
<hr/>			
2016	Port-related investment properties	Other investment properties and land held for development	Total
Observable			
Average income per acre £'000	73.6	6.6	39.1
Income range per acre £'000	0 – 458	0 – 116	0 – 458
Unobservable			
Yield – average %	11.8	12.3	11.9
Yield – range %	6.0 – 33.3	6.0 – 17.5	6.0 – 33.3
Other assumptions			
Other purchasers' costs %	1.8	1.8	1.8

Prior year numbers have been restated to conform with current methodology.

The most sensitive input to the valuation of investment property is the yield, which for 2017 averages 11.9% (2016: 11.9%). A decrease in the average yield of 0.5% would result in an increase in the aggregate valuation of £85.7m (2016: £83.3m) and an increase in the average yield of 0.5% would result in a decrease in the aggregate valuation of £78.8m (2016: £76.5m). Yields are not dependent on any other significant unobservable inputs used in the valuations.

Rental income

Rental income, excluding other income, generated from the company's investment property portfolio amounted to £122.0m (2016: £118.1m) and related operating expenses amounted to £2.2m (2016: £2.2m). Direct operating expenses relating to vacant property are considered to be immaterial.

Notes to the financial statements

10. Investments

	Interest in subsidiary undertakings £m	Total £m
At 1 January 2016	41.5	41.5
Acquisition of subsidiary undertaking	6.3	6.3
At 31 December 2016	47.8	47.8
At 31 December 2017	47.8	47.8

On 5 August 2016 the company purchased 100% of RPM Industrial Site Services Limited (“RPM”) with a fair value of £6.3m. RPM holds 50% of the freehold and leasehold property at Moody Lane Grimsby, consisting of 103 acres of land. On the same day the company purchased the remaining 50% of the land for consideration of £6.6m, including transaction costs, which has been included as an addition to property, plant and equipment in note 8 to the accounts.

A list of the company’s subsidiary undertakings is set out in note 26.

11. Trade and other receivables

	2017 £m	2016 £m
Non-current		
Prepayments and accrued income	1.3	1.2
Other receivables	5.3	4.5
Total non-current trade and other receivables	6.6	5.7
Current		
Gross trade receivables	62.8	68.0
Provision for doubtful receivables	(1.8)	(9.6)
Net trade receivables	61.0	58.4
Amounts due from group undertakings	1.5	1.5
Amounts due from subsidiary undertakings	-	0.1
Prepayments and accrued income	33.0	25.1
Other receivables	16.4	13.7
Total current trade and other receivables	111.9	98.8

In December 2016 the company entered into an invoice receivable sale facility, which allows the sale of receivables of up to £25.0m to the counterparty bank. The counterparty bank has no recourse to the company in respect of unpaid amounts. As at 31 December 2017, invoices totalling £16.4m (2016: £14.6m) were sold as part of this facility and derecognised from the company balance sheet.

Amounts due from group and subsidiary undertakings are not overdue for repayment and are not considered impaired. Details of the amounts due from related parties are disclosed in note 23.

All trade receivables are non-interest bearing. Disclosure of the financial risks related to these financial instruments is in note 17.

Notes to the financial statements

11. Trade and other receivables (continued)

Other receivables mainly comprise costs incurred relating to damage to property that is recoverable from third parties, including insurers, costs incurred where compensation, at least equal to the costs, is expected to be obtained and recoverable VAT.

The company has provided for known credit risks as part of its normal provision for doubtful receivables when there is objective evidence that the company may not be able to collect all amounts recorded within the balance sheet.

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

	2017 £m	2016 £m
At 1 January	9.6	8.6
Provision for the impairment of trade receivables	0.8	4.1
Impairment provisions reversed	(0.6)	(1.8)
Receivables written off as uncollectable	(8.0)	(1.3)
At 31 December	1.8	9.6

As at 31 December 2017 the company held trade receivables that were past due but not impaired, as set out in the table below. These relate to a number of independent customers for whom there is no recent history of default and where terms and amounts have not been renegotiated in the last year.

The ageing of these trade receivables is as follows:

	2017 £m	2016 £m
Up to 3 months	12.4	11.2
3 to 6 months	1.0	0.7
Over 6 months	0.5	0.9
Total past due but not impaired receivables	13.9	12.8

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

12. Property and land held for sale

	2017 £m	2016 £m
At 1 January	0.6	0.6
Transfers from/(to) investment property	5.0	-
At 31 December	5.6	0.6

The historical cost of property and land held for sale is £4.1m (2016: £0.3m).

13. Other financial assets

	2017 £m	2016 £m
Money market deposits	-	15.0

Notes to the financial statements**13. Other financial assets** (continued)

During 2016 the company invested in money market deposits with maturities ranging between seven and twelve months. These matured during 2017.

14. Pension commitments

The company participates in a number of pension schemes:

- The main scheme is a funded defined benefits scheme - The Associated British Ports Group Pension Scheme (“ABPGPS”);
- Unfunded retirement benefit arrangements in respect of former employees;
- Three industry-wide defined benefit schemes - The Pilots National Pension Fund (“PNPF”), The Former Registered Dock Workers Pension Fund (“FRDWPF”) and The Merchant Navy Officers Pension Fund (“MNOFP”);
- One industry-wide defined contribution scheme - The Ensign Retirement Plan (“ERP”); and
- Defined contribution arrangements (as a section of the ABPGPS).

Except for unfunded retirement benefit arrangements, the assets of the company’s pension schemes are held in trust funds independent of the company.

Summary***Income statement***

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

	2017	2016
	£m	£m
ABPGPS and unfunded retirement benefit arrangements	4.7	4.4
Industry wide schemes	(0.9)	(0.3)
Defined contribution arrangements	6.7	6.0
Net pension charge recognised within operating profit	10.5	10.1
Net interest charge on net defined benefit liabilities	2.8	0.7
Net pension charge recognised in profit before tax	13.3	10.8

Balance sheet

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

	2017	2016
	£m	£m
ABPGPS – net funded pension asset/(liability)	9.8	(31.0)
ABPGPS – net unfunded pension liability	(2.5)	(2.8)
	7.3	(33.8)
PNPF	(66.2)	(79.2)
FRDWPF	-	(1.2)
Net retirement benefit liabilities	(58.9)	(114.2)
Net retirement benefit assets total	9.8	-
Net retirement benefit obligations total	(68.7)	(114.2)
Net retirement benefit liabilities	(58.9)	(114.2)

Notes to the financial statements

14. Pension commitments (continued)

During the year the company followed the advice from its actuaries Willis Towers Watson to adopt a modified discount rate methodology for the ABPGPS. The changes aimed to exclude non-corporate bonds (e.g. those issued by universities and unincorporated bodies) while a small change to the credit rate definition maintained the population. This change in discount rate, a slight decrease in inflation expectations and investment returns being greater than expected at the beginning of the year led to a significant actuarial gain and the scheme as a result has moved to a £7.3m surplus (2016: £33.8m deficit).

The PNPf also recorded an actuarial gain during the year due to changes in demographic and financial assumptions and investment returns.

Schemes accounted for on a defined benefit basis

ABPGPS and unfunded retirement benefit arrangements

The defined benefits section of the ABPGPS is closed to new members. New members joining this scheme are offered membership of a defined contributions section, which at 31 December 2017 constituted 8% (2016: 7%) of the total asset value.

The most recent formal valuation of the ABPGPS was carried out as at 31 December 2014. The valuation of the liabilities as at 31 December 2017 detailed below has been derived by projecting forward the position as at 31 December 2014. This exercise was performed by an independent actuary, Willis Towers Watson. The present value of the defined benefit obligations and the related current service cost were measured using the Projected Unit Credit method. The present value of pension liabilities has been determined by discounting pension commitments (including an allowance for salary growth) using a high quality corporate bond yield.

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

The Pilots National Pension Fund ("PNPF")

The PNPf is an industry-wide defined benefits scheme, with all categories of members being either employed or self employed. The most recent triennial actuarial valuation was carried out by an independent actuary as at 31 December 2016 and approved on 13 February 2018. No significant change has been made to the deficit recovery plan.

Under the terms of the PNPf scheme rules and the trustee powers the company is exposed to actuarial risks associated with the current and former employees of other participating entities. As such, the company's share of the liabilities of the scheme is sensitive to changes in the overall membership composition of the scheme and the experience in rates of retirement, mortality, cash commutations, augmentations and increase in salaries.

Other risks associated with the company's share of the net liabilities of the scheme include potential challenges from participating bodies to the allocation of liabilities in relation to self employed members to sponsoring employers and the impact of participating bodies leaving the scheme (e.g. under Section 75 of the Pensions Act). The actuary assessed and indicated the company's share of the deficit as at 31 December 2017 to be 35.5% (2016: 35.5%).

Notes to the financial statements

14. Pension commitments (continued)

Schemes accounted for on a defined benefit basis (continued)

The valuation of the liabilities as at 31 December 2017 has been derived by projecting forward the position as at 31 December 2013, taking account of experience over the period since that date, changes in market conditions and differences in the financial and demographic assumptions. This exercise was performed by an independent actuary, Aon Hewitt. The present value of the defined benefit obligation was measured using the Projected Unit Credit method.

Under the scheme deficit recovery plan, the company will be required to make payments towards the funding of the deficit with payments of £5.3m in 2017 rising by 3.4% each year until 2028.

Assumptions

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

	ABPGPS		PNPF	
	2017 %	2016 %	2017 %	2016 %
Inflation (CPI/RPI)	2.05/3.05	2.10/3.10	2.10/3.10	2.30/3.30
Rate of increase in pensionable salaries	2.00	2.00	3.10	3.80
Rate of increase for pensions in payment ¹	2.85	2.90	3.00	3.20
Rate of increase for pensions in payment ²	2.15	2.20	3.60	3.70
Rate of increase for pensions in payment ³	2.05	2.10	2.10	2.30
Discount rate	2.65	2.50	2.40	2.50

¹ ABPGPS - (earned before 1 April 2007) (RPI capped at 5% p.a.); PNPF - (maximum 5%; minimum 0%)

² ABPGPS - (earned on or after 1 April 2007) (RPI capped at 3% p.a.); PNPF - (maximum 5%; minimum 3%)

³ ABPGPS - (earned before 1 April 2007) (CPI uncapped); PNPF - (in deferment in excess of Guaranteed Minimum Pension)

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

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

	ABPGPS		PNPF	
	2017 Years	2016 Years	2017 Years	2016 Years
Male life expectancy retiring at age 60 in 15 years	28.7	28.6	27.4	28.2
Female life expectancy retiring at age 60 in 15 years	31.2	31.1	29.5	30.5

Sensitivities

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

Increase in liabilities	ABPGPS		PNPF	
	2017 £m	2016 £m	2017 £m	2016 £m
Decrease in discount factor by 0.5%	55.5	57.7	13.0	14.0
Increase in rate of mortality of a 60 year old by 1 year	24.8	26.2	8.0	9.0

Notes to the financial statements

14. Pension commitments (continued)

Schemes accounted for on a defined benefit basis (continued)

Balance sheet

Changes in fair value of scheme assets were as follows:

	ABPGPS		PNPF	
	2017 £m	2016 £m	2017 £m	2016 £m
Fair value of scheme assets at 1 January	621.9	586.7	115.3	106.4
Amounts recognised in income statement:				
Interest income	15.2	21.2	2.8	3.6
Remeasurement gain in OCI:				
Return on assets, excluding amounts in net interest	19.3	40.4	6.0	11.9
Contributions by employees	0.3	0.3	-	0.1
Contributions by employer	4.7	5.5	5.3	5.2
Benefits paid	(32.3)	(30.9)	(11.3)	(11.5)
Administrative expenses paid	(1.3)	(1.3)	(0.6)	(0.4)
Fair value of scheme assets at 31 December	627.8	621.9	117.5	115.3

Changes in fair value of scheme obligations were as follows:

	ABPGPS		PNPF	
	2017 £m	2016 £m	2017 £m	2016 £m
Fair value of scheme obligations at 1 January	(655.7)	(539.9)	(194.5)	(174.7)
Amounts recognised in income statement:				
Current and past service costs	(4.7)	(4.4)	(0.1)	(0.1)
Interest cost	(16.0)	(19.5)	(4.7)	(5.9)
Remeasurement gain/(loss) in OCI:				
Remeasurement gain from changes in demographic assumptions	-	-	7.1	-
Remeasurement gain/(loss) from changes in financial assumptions	19.3	(128.9)	1.5	(23.6)
Experience gain/(loss)	3.1	4.9	(4.9)	(2.0)
Contributions by employees	(0.3)	(0.3)	-	(0.1)
Benefits paid directly by the company	0.2	0.2	-	-
Benefits paid	32.3	30.9	11.3	11.5
Administrative expenses paid	1.3	1.3	0.6	0.4
Fair value of scheme obligations at 31 December	(620.5)	(655.7)	(183.7)	(194.5)

The current service cost represented 46.0% (2016: 34.6%) for the ABPGPS and unfunded retirement benefit arrangements and 36.7% (2016: 23.8%) for the PNPF, of the applicable pensionable payroll. Interest cost for the ABPGPS includes £0.1m (2016: £0.1m) relating to the unfunded retirement benefit obligation.

Returns on assets and interest on liabilities are determined by reference to the actuarial assumptions adopted at the beginning of each financial period. The actual return on assets for 2017 was a gain of £34.5m (2016: £61.6m) for the ABPGPS and unfunded retirement benefit arrangements and a gain of £8.8m (2016: £15.5m) for the PNPF.

Notes to the financial statements

14. Pension commitments (continued)

Schemes accounted for on a defined benefit basis (continued)

As at 31 December 2017, the cumulative remeasurement result recognised in the company's other comprehensive income amounted to a loss of £90.4m (2016: £143.1m) for the ABPGPS and unfunded retirement benefit arrangements and a gain of £3.5m (2016: loss of £6.2m) for the PNPf.

The scheme's assets were represented by investments in:

	2017	2016
	%	restated**
ABPGPS		%
Liability matching and hedging investments or assets*	27.1	29.1
Bond funds	33.3	39.0
Diversified growth funds	20.2	24.1
Private credit funds	5.5	-
Emerging market funds	5.1	-
Property	7.8	7.4
Cash	1.0	0.4

*Includes physical bond assets including fixed rate and inflation linked government and corporate bonds; derivative contracts including interest rate, inflation, total return swap and futures contracts; repurchase agreements with various counterparty banks; and pooled money market and asset backed security funds.

**The prior year comparative has been restated to conform to current presentation.

	2017	2016
	%	%
PNPF		
Global equities	17.5	17.0
Corporate bonds	31.6	32.8
Fund of hedge funds	16.8	15.2
Diversified growth funds	15.9	15.8
Gilts	16.8	16.7
Cash	1.4	2.5

Historical record – ABPGPS and unfunded retirement benefit arrangements

Amounts for the current and previous years are as follows:	2017	2016	2015	2014	2013
	£m	£m	£m	£m	£m
Fair value of scheme assets	627.8	621.9	586.7	598.2	545.0
Present value of funded scheme obligations	(618.0)	(652.9)	(537.4)	(569.6)	(509.1)
Present value of unfunded obligations	(2.5)	(2.8)	(2.5)	(2.7)	(2.6)
Net assets/(liabilities) recognised in the balance sheet	7.3	(33.8)	46.8	25.9	33.3
Remeasurement gain/(loss) due to changes in assumptions	19.3	(128.9)	17.0	(59.7)	(16.5)
Experience gain/(loss) on scheme obligations	3.1	4.9	10.6	(1.8)	25.6
Experience gain/(loss) on scheme assets	19.3	40.4	(9.8)	48.2	4.7
Remeasurement gain/(loss) relating to net retirement benefit assets/(liabilities) recognised in other comprehensive income	41.7	(83.6)	17.8	(13.3)	13.8

Notes to the financial statements

14. Pension commitments (continued)

Schemes accounted for on a defined benefit basis (continued)

Historical record – PNPF

Amounts for the current and previous years are as follows:	2017 £m	2016 £m	2015 £m	2014 £m	2013 £m
Fair value of scheme assets	117.5	115.3	106.4	110.4	95.4
Present value of funded scheme obligations	(183.7)	(194.5)	(174.7)	(183.4)	(174.3)
Net liabilities recognised in the balance sheet	(66.2)	(79.2)	(68.3)	(73.0)	(78.9)
Remeasurement gain/(loss) due to changes in assumptions	8.6	(23.6)	4.2	(11.2)	1.2
Experience loss on scheme obligations	(4.9)	(2.0)	(0.6)	(2.2)	(3.1)
Experience gain/(loss) on scheme assets	6.0	11.9	(1.2)	17.8	2.6
Remeasurement gain/(loss) relating to net retirement benefit liabilities recognised in other comprehensive income	9.7	(13.7)	2.4	4.4	0.7

Schemes accounted for on a defined contribution basis

The Former Registered Dock Workers Pension Fund (“FRDWPF”)

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

With effect from 31 August 2013 all remaining active members of the fund opted out of pensionable service and the fund was closed to future accruals.

In July 2014 a contributions agreement was formally agreed by all parties to the scheme. This required the company to contribute £1.9m over a period of 6.5 years into the fund, which was provided for. As at 31 December 2016, the company had a remaining provision of £1.2m.

In October 2017 the Trustee to the FRDWPF secured an annuity contract to cover all remaining liabilities of the Fund. As a result the contributions agreement detailed above was ceased with effect from 31 August 2017, once notice had been served that the policy would proceed. It is anticipated that the Fund will commence wind-up in 2018. The remaining provision was released in 2017 and is recorded in the industry wide schemes cost within the income statement.

The Merchant Navy Officers Pension Fund (“MNOFF”)

In previous years the company provided for an impending s75 debt, which would be payable upon the retirement of the company’s last remaining member of the scheme. Following the introduction of The Ensign Retirement Plan the risk associated with this obligation no longer exists and consequently the provision was reduced to £nil. The reduction of £nil (2016: £0.4m) has been recorded in the industry wide schemes cost within the income statement.

In 2017 and 2016 the company had no contributions to this scheme.

Notes to the financial statements**14. Pension commitments (continued)****Schemes accounted for on a defined contribution basis (continued)*****The Ensign Retirement Plan (“ERP”)***

The ERP is an industry-wide pension arrangement available to all employers and employees associated with the maritime industry. The plan falls under the governance of the Trustee of the MNOPF and sits alongside the defined benefit arrangement within the framework of the MNOPF. The ERP is a defined contribution pension arrangement and the company enrolls apprentices into the plan.

In 2017 the company expensed as defined contribution pension costs a total of £67,000 (2016: £47,000) of contributions to this plan.

Defined contribution arrangements

The defined contribution pension cost represents the actual contributions payable by the company to the arrangements provided by the ABPGPS. At 31 December 2017, there were no amounts outstanding as being due to these arrangements from the company (2016: £nil).

15. Borrowings

	2017	2016
	£m	£m
Current		
Obligations under finance leases	0.3	0.3
Total current borrowings	0.3	0.3
Non-current		
Obligations under finance leases	1.7	2.0
Amounts due to parent undertaking	728.0	759.8
Total non-current borrowings	729.7	761.8

Amounts due to parent undertaking represents a loan from the company's immediate parent undertaking, Associated British Ports Holdings Limited. More detail on the company's related party borrowings is set out in note 23.

Obligations under finance leases are secured on related leased assets.

Disclosure of the financial risks related to these financial instruments is disclosed in note 17. Details of the company's contingent liabilities in relation to the ultimate parent undertaking's group borrowings are set out in note 25.

The company's borrowings are denominated in sterling.

16. Derivative financial instruments

The company uses derivatives to manage its exposure to various foreign currency transactions and fuel prices. As the company does not designate any of its derivatives as hedges, the fair value changes are recognised in the income statement in accordance with the company's accounting policy set out in note 1.

Notes to the financial statements

16. Derivative financial instruments (continued)

At the balance sheet date the company held the following derivative assets and liabilities. The terms and fair value of derivative financial instruments held by the company at the balance sheet date were:

2017	Expiry	Notional	Net amounts of financial assets presented in the balance sheet £m	Net amounts of financial liabilities presented in the balance sheet £m
At fair value through profit and loss				
Fuel swaps and caps	2018-2019	16.8m litres	0.6	-
Forward foreign exchange contracts	2018	£0.5m	-	-
Fair value of derivative financial instruments			0.6	-
Derivatives not offset in the balance sheet*			-	-
Net amount			0.6	-

*Right to off set under master netting arrangements.

2016	Expiry	Notional	Net amounts of financial assets presented in the balance sheet £m	Net amounts of financial liabilities presented in the balance sheet £m
At fair value through profit and loss				
Fuel swaps and caps	2017-2018	30m litres	0.8	(0.2)
Forward foreign exchange contracts	2017	£6.5m	0.7	-
Fair value of derivative financial instruments			1.5	(0.2)
Derivatives not offset in the balance sheet*			(0.2)	0.2
Net amount			1.3	-

*Right to off set under master netting arrangements.

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

	2017 £m	2016 £m
Current assets	0.5	1.1
Non-current assets	0.1	0.4
Total assets	0.6	1.5
Current liabilities	-	(0.2)
Non-current liabilities	-	-
Total liabilities	-	(0.2)

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

Notes to the financial statements

17. Financial instruments

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

Fair value of financial instruments

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

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

- The fair value of cash and cash equivalents, current trade and other receivables, current other financial assets and current trade and other payables approximate to their carrying amounts due to the short-term maturities of these instruments;
- The fair value of amounts due to parent undertaking approximates to their carrying amounts as interest charged is linked to the group's weighted average cost of debt, which is mostly linked to LIBOR;
- The derivative financial instrument swaps are not traded in an active market, hence their fair value is determined by using discounted cash flow valuation techniques. These valuation techniques maximise the use of observable market data where available, including fuel prices and implied volatilities, and rely as little as possible on entity specific estimates and accords to Level 2 in the fair value hierarchy; and
- The fair value of foreign exchange contracts is based on market price, corresponding to Level 1 in the fair value hierarchy.

Financial risk management

Treasury matters throughout the company are controlled centrally and carried out in compliance with policies approved by the boards of, Associated British Ports Holdings Limited ("ABPH"), the company's immediate parent undertaking and ABP (Jersey) Limited ("ABPJ"), the company's ultimate parent undertaking. The Board of ABPH monitors treasury matters and approves significant decisions. The treasury function's purpose is to identify, mitigate and hedge financial risks inherent in the group's business operations and capital structure. The company's liquidity, interest rate and capital risks, along with credit risk relating to cash, are managed by the group. The company's other main financial risks are foreign exchange and credit risk. The company aims to manage these risks to an acceptable level.

The company does not use financial instruments for speculative purposes.

Liquidity risk

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

Notes to the financial statements

17. Financial instruments (continued)

Financial risk management (continued)

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

	Borrowings £m	Derivative financial instruments £m	Trade and other payables and other non- current liabilities £m	Total £m
2017				
Not later than one year	50.8	-	153.1	203.9
More than one year but not more than two years	50.7	-	47.3	98.0
More than two years but not more than five years	777.0	-	-	777.0
More than five years	-	-	0.2	0.2
Total payments	878.5	-	200.6	1,079.1

	Borrowings £m	Derivative financial instruments £m	Trade and other payables and other non- current liabilities £m	Total £m
2016				
Not later than one year	53.2	0.2	156.6	210.0
More than one year but not more than two years	53.2	-	47.7	100.9
More than two years but not more than five years	864.3	-	-	864.3
Total payments	970.7	0.2	204.3	1,175.2

Principal and interest on borrowings due to parent undertaking are payable on final maturity in 2020, however payments may be required prior to this date should the borrowing facility limit be reached. The maturity analysis above reflects interest payments being made in line with the year in which it arises, with no compounding, in order for the borrowing to remain within the facility limits.

Notes to the financial statements

17. Financial instruments (continued)

Financial risk management (continued)

The table below analyses the company's forward foreign exchange contracts which will be settled on a gross basis, into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows:

	2017		2016	
	Total outflows £m	Total inflows £m	Total outflows £m	Total inflows £m
Forward foreign exchange contracts				
Not later than one year	(0.5)	0.5	(6.5)	7.2
Total forward foreign exchange contracts	(0.5)	0.5	(6.5)	7.2

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

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

	2017 £m	2016 £m
Future minimum lease payments paid on finance leases		
Not later than one year	0.6	0.7
More than one year but not more than five years	2.4	2.4
More than five years	-	0.6
	3.0	3.7
Less: finance charges allocated to future periods	(1.0)	(1.4)
Present value of minimum lease payments	2.0	2.3

	2017 £m	2016 £m
Amounts payable under finance leases		
Not later than one year	0.3	0.3
More than one year but not more than five years	1.7	1.5
More than five years	-	0.5
Total obligations under finance leases	2.0	2.3

The company had the following committed but undrawn borrowing facilities available at 31 December, through its immediate parent undertaking, Associated British Ports Holdings Limited, in respect of which all conditions precedent had been met:

	2017 £m	2016 £m
Expiring in:		
More than two years but not more than five years	72.0	40.2
Undrawn borrowing facilities	72.0	40.2

This facility is only available up to the committed undrawn borrowing facilities available to the wider group through Associated British Ports Holdings Limited's ("ABPH") immediate parent undertaking, ABP Acquisitions UK Limited, which as at 31 December 2017 was £400.0m (2016: £400.0m).

Notes to the financial statements

17. Financial instruments (continued)

Financial risk management (continued)

Market risk

Interest rate risk

The company's loan with its immediate parent undertaking, ABPH, is linked to the wider group's cost of debt. Interest rate risk is managed on a group basis by the wider group, owned by the company's ultimate parent undertaking, ABP (Jersey) Limited, maintaining an appropriate balance between fixed and floating debt and using interest rate swaps when appropriate to economically hedge against changes in interest rates. Further detail on how the group manages interest rate risk is included in the strategic report of ABPA Holdings Limited.

Foreign exchange risk

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

Credit risk

Credit risk with banks and financial institutions is managed by the wider group. The group monitors the credit risk of banking counterparts, tracking credit default swap rates and credit ratings of actual and potential counterparties. Cash deposits of the group at the year end were all with counterparties with a credit rating of A3 or better and the weighted average maturity of deposits was less than 6 days from 31 December 2017.

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

Given the counterparties of company receivables, as set out in note 11, management considers the company's exposure to credit risk to be minimal. The maximum exposure to credit risk at 31 December 2017 is the carrying amount of each class of receivable.

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

Capital risk

The company manages its capital to ensure that it will be able to continue as a going concern while 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.

The company's overall strategy remains unchanged from 2016.

Notes to the financial statements

18. Trade and other payables

	2017 £m	2016 £m
Current		
Trade payables	35.9	35.4
Amounts due to parent undertaking	31.1	48.6
Amounts due to group undertakings	49.5	49.3
Amounts due to subsidiary undertakings	11.7	0.8
Accruals	44.2	37.1
Other creditors	4.0	3.8
Taxation	3.9	3.7
Total current trade and other payables	180.3	178.7
Non-current		
Amounts due to subsidiary undertakings	45.8	45.8
Total non-current trade and other payables	45.8	45.8

Included within accruals is £24.3m (2016: £22.1m) relating to revenue billed in advance and deferred income. All trade and other payables are non-interest bearing. Details on amounts due to related parties are disclosed in note 23.

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

19. Provisions

	Restructuring £m	Property £m	Self insurance £m	Other £m	Total £m
At 1 January 2017	1.8	0.1	18.2	0.1	20.2
Charged/(credited) to income statement during the year	4.0	(0.1)	-	0.6	4.5
Utilised in the year	(1.5)	-	-	-	(1.5)
Amortisation of discounting	-	-	0.5	-	0.5
At 31 December 2017	4.3	-	18.7	0.7	23.7
Expected utilisation within one year	4.3	-	4.8	0.7	9.8

	Restructuring £m	Property £m	Self insurance £m	Other £m	Total £m
At 1 January 2016	2.8	3.4	16.4	0.2	22.8
Charged/(credited) to income statement during the year	7.9	(3.1)	-	-	4.8
Utilised in the year	(8.9)	(0.2)	(0.4)	(0.1)	(9.6)
Amortisation of discounting	-	-	2.2	-	2.2
At 31 December 2016	1.8	0.1	18.2	0.1	20.2
Expected utilisation within one year	1.8	0.1	2.6	0.1	4.6

Notes to the financial statements**19. Provisions (continued)**

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

	2017	2016
	£m	£m
Current	9.8	4.6
Non-current	13.9	15.6
Total provisions	23.7	20.2

Restructuring

During 2015 a business transformation programme was initiated as part of Associated British Ports' change programme. A provision has been raised for restructuring in relation to this programme, which primarily includes staff and consultancy related costs. This programme was ongoing in 2017 and the provision is expected to be utilised within one year.

Property

Property provisions include amounts provided in relation to property leases where the unavoidable costs under the lease exceed the economic benefit and amounts provided in relation to other exposures associated with the company's property portfolio, such as customer claims regarding rates. The provision was fully utilised as at 31 December 2017.

Self insurance

The company self-insures various matters relating primarily to property, employer's liabilities and general third party liabilities associated with its business and carries a provision in respect of employer's liability in relation to certain industrial diseases.

The provision was reviewed and updated in 2014 in conjunction with an independent actuary. The potential liabilities have been projected forward until 2075, using the actuary's estimate of incidence of type and number of claims and life expectancy of claimants and the company reassesses these liabilities on an annual basis. Cash flows, where appropriate, have been discounted on a pre-tax basis using a discount rate of 2.9% (2016: 2.9%). The most recent actuarial assessment identified an estimated range of liabilities between £11m and £24m (£8.8m - £17.3m discounted). In the light of significant uncertainty associated with asbestos related and noise-induced hearing loss claims, the company is currently providing above the top end of the range.

Other

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

20. Deferred tax

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

Notes to the financial statements

20. Deferred tax (continued)

The movement on the deferred tax is shown below:

	2016 £m	Adjustments in respect of previous periods credited/ (charged) to income statement £m	Charged/ (credited) to income statement £m	Charged/ (credited) to OCI £m	2017 £m
Accelerated tax depreciation	44.5	-	8.1	-	52.6
Revaluation of operational land and investment properties	83.5	(2.1)	9.6	(5.2)	85.8
Capital losses	(9.3)	-	-	-	(9.3)
Losses available to offset future company profits	11.0	-	(11.0)	-	-
Retirement benefit obligations	(22.5)	-	0.3	10.4	(11.8)
Other	(2.2)	0.1	(0.4)	-	(2.5)
Net deferred tax liability	105.0	(2.0)	6.6	5.2	114.8

	2015 £m	Adjustments in respect of previous periods charged to income statement £m	(Credited)/ charged to income statement £m	(Credited)/ charged to OCI £m	2016 £m
Accelerated tax depreciation	55.0	4.0	(14.5)	-	44.5
Revaluation of operational land and investment properties	98.3	-	(9.3)	(5.5)	83.5
Capital losses	(9.8)	-	-	0.5	(9.3)
Losses available to offset future company profits	-	-	11.0	-	11.0
Retirement benefit obligations	(6.7)	-	1.4	(17.2)	(22.5)
Other	(2.3)	-	0.1	-	(2.2)
Net deferred tax liability	134.5	4.0	(11.3)	(22.2)	105.0

The company has unrecognised capital losses of £314.1m (2016: £309.5m) that are only available for offset against gains from future sales of land and buildings from the port estates. These have not been recognised as gains from future property sales cannot be projected with sufficient certainty.

Deferred tax assets of £nil (2016: £11.4m) have not been recognised as it is not sufficiently certain when profits of the right type will be available against which the underlying deductible temporary difference could be utilised.

Notes to the financial statements

21. Other non-current liabilities

	2017	2016
	£m	£m
Other liabilities	74.0	34.6

The other non-current liabilities relate principally to rent and other income received in advance relating to an investment property, which has been recognised in income since 2016 and will be spread over the 15 year term of the lease.

22. Cash generated by operations

	2017	2016
	£m	£m
Reconciliation of profit before taxation to cash generated by operations:		
Profit before taxation	247.5	168.0
Finance costs	52.5	48.8
Finance income	(0.3)	(0.4)
Net unrealised loss/(gain) on operating derivatives	0.7	(4.6)
Depreciation of property, plant and equipment	67.5	55.0
Amortisation of intangible assets	2.9	3.3
Profit on write off of intangibles and disposal of property, plant and equipment, investment property and property and land held for sale	(0.4)	(0.7)
Increase/(decrease) in provisions	3.0	(4.8)
(Increase)/decrease in fair value of investment properties	(54.6)	36.9
Difference between pension contributions paid and defined benefit pension credit/charge through profit and loss	(6.6)	(7.1)
Operating cash flows before movements in working capital	312.2	294.4
(Increase)/decrease in trade and other receivables	(15.0)	4.5
(Decrease) in trade and other payables	(10.3)	(2.0)
Cash generated by operations	286.9	296.9

The table below shows the cash and non-cash changes in liabilities and related assets arising from financing activities:

	At 1 January	Cash flows	Non-cash changes	At 31 December
2017	£m	£m	£m	£m
Long-term intercompany borrowings	(759.8)	78.3	(46.5)	(728.0)
Obligations under finance leases	(2.3)	0.7	(0.4)	(2.0)
Total	(762.1)	79.0	(46.9)	(730.0)

Notes to the financial statements**23. Related party transactions**

The company's UK retirement benefit schemes are managed by The Associated British Ports Group Pension Scheme ("ABPGPS") (see note 14). During the year, the company charged ABPGPS £0.1m (2016: £0.1m) in respect of administrative services. At 31 December 2017, £nil (2016: £nil) remained owing to the company by ABPGPS in respect of these charges.

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

Name	Relationship
Associated British Ports Holdings Limited	Immediate parent
ABP Acquisitions UK Limited	Intermediate parent
ABP (Aldwych) Limited	Group undertaking
ABP Marchwood Limited	Group undertaking
ABP Marine Environmental Research Limited	Group undertaking
ABP Property Development Company Limited	Group undertaking
ABP Southampton Properties Limited	Group undertaking
Auto Shipping Limited	Group undertaking
Grosvenor Waterside Asset Management Limited	Group undertaking
Grosvenor Waterside Investments Limited	Group undertaking
Millbay Development Company Limited	Group undertaking
ABP Security Limited	Group undertaking
UK Dredging Management Limited	Wholly owned subsidiary
Aldwych Logistics Investments Limited	Wholly owned subsidiary
The Teignmouth Quay Company Limited	Wholly owned subsidiary
Colchester Dock Transit Company Limited	Wholly owned subsidiary
Exxtor Shipping Services Limited	Wholly owned subsidiary
Humber Pilotage (C.H.A.) Limited	Wholly owned subsidiary
Ipswich Port Limited	Wholly owned subsidiary
Northern Cargo Services Limited	Wholly owned subsidiary
Southampton Free Trade Zone Limited	Wholly owned subsidiary
ABP Safeguard Limited	Wholly owned subsidiary
RPM Industrial Site Services Limited	Wholly owned subsidiary

The company has the following borrowings with the related party:

Entity	Due date	Rate per annum	2017 £m	2016 £m
Associated British Ports Holdings Limited	2020	7.0%	(728.0)	(759.8)

The following table shows the borrowing transactions that have been entered into by the company with Associated British Ports Holdings Limited, together with period end balances, for the relevant financial year:

Notes to the financial statements

23. Related party transactions (continued)

Associated British Ports Holdings Limited	2017	2016
	£m	£m
Intercompany borrowing at start of the year	(759.8)	(768.0)
Decrease in payable	1.2	2.6
Interest charged – 7.0% per annum (2016: 7.0%)	(52.7)	(55.6)
Interest paid	45.0	26.7
Dividends payable	(40.0)	(50.0)
Dividends paid	40.0	33.2
Net cash paid	38.3	51.3
Intercompany borrowing at end of the year	(728.0)	(759.8)

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

	2017	2016
	£m	£m
ABP (Aldwych) Limited	1.5	1.5
UK Dredging Management Limited	-	0.1
ABP Acquisitions UK Limited	(31.1)	(48.6)
ABP Marine Environmental Research Limited	(1.6)	(1.5)
Grosvenor Waterside Investments Limited	(38.4)	(38.3)
The Teignmouth Quay Company Limited	(11.8)	(0.8)
ABP Southampton Properties Limited	(4.1)	(4.1)
ABP Property Development Company Limited	(4.6)	(4.7)
Auto Shipping Limited	(0.5)	(0.5)
Grosvenor Waterside Asset Management Limited	(0.1)	(0.1)
Millbay Development Company Limited	(0.1)	-
Total current balances	(90.8)	(97.0)
Colchester Dock Transit Company Limited	(5.3)	(5.3)
Exxtor Shipping Services Limited	(11.2)	(11.2)
Humber Pilotage (C.H.A.) Limited	(2.0)	(2.0)
Ipswich Port Limited	(24.7)	(24.7)
Northern Cargo Services Limited	(1.1)	(1.1)
Southampton Free Trade Zone Limited	(1.5)	(1.5)
Total non-current balances	(45.8)	(45.8)

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

ABP (Aldwych) Limited	2017	2016
	£m	£m
Intercompany receivable at start of the year	1.5	1.4
Increase in receivable	-	0.1
Intercompany receivable at end of the year	1.5	1.5

Notes to the financial statements

23. Related party transactions (continued)

UK Dredging Management Limited	2017	2016
	£m	£m
Intercompany receivable at start of the year	0.1	0.1
Decrease in receivable	(0.1)	-
Intercompany receivable at end of the year	-	0.1
ABP Acquisitions UK Limited	2017	2016
	£m	£m
Intercompany payable at start of the year	(48.6)	-
Decrease/(increase) in payable	17.5	(48.6)
Intercompany payable at end of the year	(31.1)	(48.6)
ABP Marine Environmental Research Limited	2017	2016
	£m	£m
Intercompany payable at start of the year	(1.5)	(1.6)
(Increase)/decrease in payable	(0.1)	0.1
Intercompany payable at end of the year	(1.6)	(1.5)
Grosvenor Waterside Investments Limited	2017	2016
	£m	£m
Intercompany payable at start of the year	(38.3)	(38.3)
Increase in payable	(0.1)	-
Intercompany payable at end of the year	(38.4)	(38.3)
ABP Property Development Company Limited	2017	2016
	£m	£m
Intercompany payable at start of the year	(4.7)	(4.7)
Decrease in payable	0.1	-
Intercompany payable at end of the year	(4.6)	(4.7)
The Teignmouth Quay Company Limited	2017	2016
	£m	£m
Intercompany payable at start of the year	(0.8)	(1.3)
Non-cash transfer of assets and liabilities	(11.0)	-
Decrease in payable	-	0.6
Interest charged – 7.0% per annum (2016: 7.0%)	-	(0.1)
Intercompany payable at end of the year	(11.8)	(0.8)
ABP Security Limited	2017	2016
	£m	£m
Intercompany payable at start of the year	-	-
Port security services expenses	(0.1)	(0.1)
Expenses paid on behalf of the company	0.1	0.1
Intercompany payable at end of the year	-	-

Notes to the financial statements**23. Related party transactions (continued)**

During the year, the company has also entered into transactions of less than £0.1m with each of RPM Industrial Site Services Limited and Millbay Development Company Limited. The outstanding account balances as at 31 December 2017 was less than £0.1m for each of RPM Industrial Site Services Limited, Millbay Development Company Limited, ABP Marchwood Limited, ABP Safeguard Limited, Aldwych Logistics Investments Limited and ABP Security Limited.

24. Financial commitments**Capital commitments**

	2017	2016
	£m	£m
Capital expenditure contracted but not provided for	27.3	64.3

Operating lease commitments – company as lessee

The company leases various vehicles, plant and machinery and property under non-cancellable operating lease agreements. The lease terms vary and range from one to five years for vehicles, less than one year to seven years for plant and machinery, and less than one year to 150 years for property. These leases have various escalation clauses and renewal rights and there are no financial restrictions placed upon the lessee by entering into these leases.

	2017	2016
	£m	£m
Total future minimum lease instalments to be paid under non-cancellable operating leases are as follows:		
Not more than one year	2.1	2.0
More than one year but not more than five years	6.2	6.6
More than five years	22.7	21.5
Total	31.0	30.1

The company subleases property under a non-cancellable operating lease agreement. The agreement has a lease term of 21 years ending in 2027 and includes a break clause in June 2021.

	2017	2016
	£m	£m
Total future minimum lease instalments to be received under non-cancellable operating subleases are as follows:		
Not more than one year	0.2	0.2
More than one year but not more than five years	0.6	0.6
More than five years	0.6	0.7
Total	1.4	1.5

Notes to the financial statements**24. Financial commitments (continued)****Operating lease commitments – company as lessor**

The company leases various areas of land, buildings and other operational assets across its port facilities to its customers. The lease terms vary depending on the nature of the property and are unique to each property. The length of lease for properties contributing to the lease income receivable below ranges from less than one year to 121 years. Where renewal rights exist these rights are either contractual or statutory in nature.

Total future minimum lease income receivable under non-cancellable operating leases is as follows:	2017 £m	2016 £m
Not later than one year	102.5	92.2
More than one year but not more than five years	285.0	238.9
More than five years	1,023.2	948.1
Total	1,410.7	1,279.2

25. Contingent liabilities

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

The Health and Safety Executive ("HSE") are investigating potential breaches of Health & Safety legislation that have occurred over the last three years. The company is fully supporting the HSE as they undertake their investigations. In August of this year, the HSE indicated that it would be bringing charges in relation to at least one of these breaches which might therefore result in a financial penalty, although details of the charges have not yet been provided and no legal action has yet commenced. Depending on the charges that are brought and the outcome of the remaining investigations it is likely that uninsured financial penalties may be incurred by the company, however, at this stage it is too early to make a reliable assessment of the outcome of such prospective proceedings or remaining investigations.

The company makes contributions to three industry-wide defined benefit pension schemes, which have various funding levels. The company's ability to control these schemes is limited and therefore the impact on the company's future cash flows and cost base from these schemes is uncertain. Further details on these schemes are set out in note 14.

Notes to the financial statements**26. Subsidiary undertakings**

All subsidiaries have a registered address of 25 Bedford Street, London, WC2E 9ES and operate in England and Wales, unless otherwise stated. The company's controlling interest in subsidiary undertakings is represented by ordinary shares. All ordinary shares have voting rights in the same proportion to the shareholding.

	% held by Company
Subsidiary undertakings: Ports and transport	
The Teignmouth Quay Company Limited	100
Subsidiary undertakings: Property	
RPM Industrial Site Services Limited	100
Subsidiary undertakings: Group services	
UK Dredging Management Limited	100
Subsidiary undertakings: Dormant	
Aldwych Logistics Investments Limited	100
ABP Marchwood Limited	100
ABP Safeguard Limited	100
Colchester Dock Transit Company Limited	100
Grosvenor Waterside (Cardiff Bay) Limited	100
Ipswich Port Limited	100
Slater's Transport Limited	100
Whitby Port Services Limited	100
ABP Secretariat Services Limited	100
ABP (Pension Trustees) Limited	100
Exxtor Shipping Services Limited	100
Humber Pilotage (C.H.A.) Limited	100
Northern Cargo Services Limited	100
Southampton Free Trade Zone Limited	100

27. Holding company and ultimate controlling parties

Under the Transport Act 1981, Associated British Ports Holdings Limited has powers over Associated British Ports corresponding to the powers of a holding company over a wholly-owned subsidiary undertaking. The company's intermediate parent undertaking, ABPA Holdings Limited ("ABPAH"), produces consolidated financial statements that comply with IFRS. Copies of these financial statements may be obtained from ABPAH, at its registered office at 25 Bedford Street, London, WC2E 9ES, which is also the principal place of business of Associated British Ports ("ABP"). The consolidated financial statements of ABPAH are the smallest group in which ABP is included.

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

ABPJ is owned by a consortium of investors as shown below:

Notes to the financial statements

27. Holding company and ultimate controlling parties (continued)

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