ABP ACQUISITIONS UK LIMITED

(Company Number 05839361)

ANNUAL REPORT AND ACCOUNTS 2016

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Directors' report

The directors present their report and the audited accounts of the company (number 05839361) for the year ended 31 December 2016.

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

Principal activity
The principal activity of the company is as a special purpose vehicle established to acquire and finance Associated British Ports Holdings Limited, the immediate subsidiary undertaking of the company.

Important events of the year
During the year the company repaid £15.0m of ten year term loans and extended the break dates on interest rate swaps with notional principal of £130.0m. There were no new funds raised in 2016.

The loss for the year was £645.3m (2015: £459.1m). At 31 December 2016 the company had net liabilities of £4,286.9m (2015: £3,641.6m). The company's ultimate parent undertaking, ABP (Jersey) Limited, has confirmed that it will continue to finance the company to enable it to meet its liabilities as they fall due.

The primary driver of performance is the ability of the wider group's main trading group, owned by the company's immediate parent undertaking ABPA Holdings Limited, to generate cash flows, as indicated by the following:

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

[1] Consolidated EBITDA (earnings before interest, tax, depreciation and amortisation) is calculated in accordance with the definitions set out in the group's credit facilities and after excluding certain items (see reconciliation of operating profit to consolidated EBITDA below)

ABPA Holdings Limited: Reconciliation of Operating Profit to Consolidated EBITDA

	2016 £m	2015 £m
Operating Profit	**186.6**	294.2
Amortisation	**26.9**	32.7
Depreciation	**61.7**	55.0
Decrease/(increase) in fair value of investment properties	**36.9**	(59.3)
Unrealised foreign exchange gain	**(0.7)**	(0.2)
Net unrealised (gain)/loss on fuel derivatives	**(4.0)**	3.7
Profit on write off of intangibles and disposal of property, plant and equipment, investment property and property and land held for sale	**(0.7)**	(8.5)
Consolidated EBITDA	**306.7**	317.6
Exceptional items	**7.9**	6.0
Consolidated EBITDA pre exceptional costs	**314.6**	323.6

Directors' report (continued)

Important events after the reporting period
In January 2017, pursuant to a process to reduce the amount of loans owed by the company's intermediate parent undertaking, ABP Bonds UK Limited ("ABPB"), to the shareholders of the company's ultimate parent, ABP (Jersey) Limited ("ABPJ"), the company's immediate parent undertaking ABPA Holdings Limited ("ABPAH") waived £1.0bn of its intercompany loan to the company accruing interest at 12.0% per annum.

In March 2017, the Board of ABPAH agreed with the company to extend the maturity date on the remaining borrowings accruing interest at 12.0% per annum and the associated accrued interest thereon from 2018 to 2027. In addition, the interest rate on the borrowings was reduced to 9.0% from 12.0% per annum. In all other regards the loan agreement remained the same.

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

Ownership
The company's ultimate parent company, ABPJ, with registered address 44 Esplanade, St Helier, Jersey, JE4 9WG, is owned (directly or through intermediaries, as set out in note 18 to the accounts) by Canada Pension Plan Investment Board (incorporated in Canada), 9348654 Canada Inc. (incorporated in Canada), OMERS Administration Corporation (incorporated in Canada), GIC (Ventures) Pte Limited (incorporated in Singapore), Kuwait Investment Authority (incorporated in Kuwait) and Hermes GPE Infrastructure Fund LP (incorporated in the UK), Hermes Infrastructure (SAP I) LP (incorporated in Guernsey) and Hermes Infrastructure (Alaska) LP (incorporated in Guernsey), acting by their manager Hermes GPE LLP (incorporated in the UK).

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

Principal risks and uncertainties
The company has two main sources of risk and uncertainty: the profitability of the underlying trading group and the treasury risks associated with the group's financing structure, of which the company is a key part. Subject to the profitability of the underlying group, the company has limited risk because it interacts only with fellow group companies and providers of bank debt. The nature of the interactions is set out in notes 4, 8, 9, 11, 12 and 15 to the accounts. Within the interactions the principal risks are fluctuations in interest rates and exchange rates, timing of interest receipts and other cash receipts and interest payments and repayments of principal at the end of loan terms. The agreements and hedging arrangements are structured so that the company should not be exposed to these risks at any time other than ultimately by the ability of the underlying trading group to pay its debts. Further details on financial risk management are set out in note 11.

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

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

Directors' report (continued)

- *Government energy policy* - The group generates significant income from the electricity supply industry. Government energy policy affects the demand from energy generators for the group's services. In particular, as a result of the requirement for coal-fired power stations to either fit emissions abatement technology or close down, some coal-fired power stations have opted to fit the required technology, convert to other fuel sources, have closed or plan to close.
- *Market and competition* - The ports market could become more competitive resulting in downwards price pressure from existing and new competitors or threat of customer loss, due to changes in the market the group serves and risks to the wider economy.
- *Asset maintenance and capital project management* - The efficient maintenance of the group's assets and the effective delivery of new assets (e.g. developing new port facilities) is required to prevent asset failure and safeguard the ongoing operation and development of the group's business.
- *Failure of third party infrastructure* - The failure of third party infrastructure such as the electrical supply or rail infrastructure to the group's ports could cause severe disruption to the group's operations.
- *Potential impacts from accidents, natural disasters and terrorist incidents* - Accidents (e.g. from the use of heavy machinery, related to workplace transport or handling of dangerous cargo), natural disasters, principally flooding, and acts of terrorism (both land and marine), all have the potential to negatively impact the group's ability to undertake its operations.
- *People* - Failure to attract, retain, motivate and manage capable employees across the business could limit the group's ability to deliver its strategy.
- *Brexit* - Like other port companies handling trade with countries both within and outside the European Union ("EU"), the group is sensitive to the broader economic consequences of the United Kingdom's ("UK") vote to leave the EU on 23 June 2016 (so-called 'Brexit'). Just under half of the volume of trade handled by the group is with countries that are members of the EU and the Single Market, of which the UK is presently also a member until it leaves the EU, which may be as soon as 2019.
- *Regulatory backdrop* - The UK ports industry is unregulated in so far as there is no government-appointed regulator to oversee the conduct of industry participants. The European Parliament's deliberations on the draft EU Port Services Regulation, concerning market access and charges levied for port services and infrastructure, have continued through 2016. The adoption of the EU Port Services Regulation is dependent on the timing and terms of the UK's post Brexit trading relationship with the EU.
- *Management of environmental matters* - The group and its customers operate a diverse range of operations across the group's 12,000 acres of land and seabed including heavy industrial operations. As such these could present a pollution risk or nuisance to neighbouring communities if not effectively managed.
- *Business Transformation Programme* - The group is currently undergoing a programme of system and process transformation aimed at delivering effective and efficient business systems and processes that support the group's strategy. There is a risk that the programme fails to deliver the anticipated benefits or that project costs exceed the budgeted amount.
- *Defined benefit pension liabilities* - The valuation and service costs associated with the defined benefit pension schemes in which the group participates can vary depending on market conditions. A deterioration in the funding levels of such schemes could lead to the need for additional contributions.
- *Financial risk management* - The group's main financial risks are liquidity, interest rate, foreign exchange, capital and credit risk. The group aims to manage these risks to an acceptable level. The group does not use financial instruments for speculative purposes.

Directors' report (continued)

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

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

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

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

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

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

Qualifying third party indemnity provisions (as defined by s234 of the Companies Act 2006) for the benefit of directors and officers were in force for all directors and officers during the year and remain in force in relation to certain losses and liabilities which directors and officers may incur (or have incurred) in connection with their duties, powers or office.

Annual general meeting
In accordance with s303 of the Companies Act 2006, the members have not required the directors to call an annual general meeting of the company.

Auditor re-appointment
In accordance with s487 of the Companies Act 2006, the auditor is deemed to have been re-appointed and Ernst & Young LLP will therefore continue as auditor to the company.

Directors' report (continued)

Audit information

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

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

Small company exemptions

In preparing the directors' report, the directors have taken advantage of the exemptions available under s415A of the Companies Act 2006 in so far as it relates to filing obligations of companies entitled to the small companies exemptions.

In addition, the directors have taken advantage of the exemption available under s414A(2) and s414B not to produce a strategic report.

By Order of the Board

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ABP ACQUISITIONS UK LIMITED

We have audited the financial statements of ABP Acquisitions UK Limited for the year ended 31 December 2016, which comprise the Income Statement, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Cash Flows, the Statement of Changes in Equity and the related notes 1 to 18. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

Opinion on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Ernst & Young LLP

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

Income statement for the year ended 31 December

	Note	2016 £m	2015 £m
Administrative expenses	2	**-**	-
Finance costs	4	**(656.9)**	(564.5)
Net unrealised (loss)/gain on derivatives at fair value through profit and loss	4	**(80.6)**	30.2
Finance income	4	**24.9**	24.9
Loss before taxation		**(712.6)**	(509.4)
Taxation credit	5	**67.3**	50.3
Loss for the year		**(645.3)**	(459.1)

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

Statement of comprehensive income for the year ended 31 December

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

Balance sheet as at 31 December

	Note	2016 £m	2015 £m
Assets			
Non-current assets			
Investments	7	**2,824.1**	2,824.1
Derivative financial instruments	10	**191.3**	73.4
		3,015.4	2,897.5
Current assets			
Derivative financial instruments	10	**13.0**	9.1
Group and other receivables	8	**171.9**	114.2
Cash and cash equivalents		**5.3**	55.7
		190.2	179.0
Total assets		**3,205.6**	3,076.5
Liabilities			
Current liabilities			
Borrowings	9	**(15.6)**	(17.5)
Derivative financial instruments	10	**(65.1)**	(62.2)
Group and other payables	12	**(669.7)**	(536.2)
		(750.4)	(615.9)
Non-current liabilities			
Borrowings	9	**(5,840.2)**	(5,399.8)
Derivative financial instruments	10	**(901.9)**	(702.4)
		(6,742.1)	(6,102.2)
Total liabilities		**(7,492.5)**	(6,718.1)
Net liabilities		**(4,286.9)**	(3,641.6)
Shareholder's deficit			
Share capital	13	**-**	-
Accumulated losses		**(4,286.9)**	(3,641.6)
Total shareholder's deficit		**(4,286.9)**	(3,641.6)

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

JJ McManus
Director

Statement of cash flows for the year ended 31 December

	Note	2016 £m	2015 £m
Cash flows from operating activities			
Cash generated by operations	14	**112.2**	12.8
Interest paid		**(171.3)**	(202.2)
Interest received		**23.7**	22.0
Drawdown of borrowings		-	464.0
Payment of borrowing costs		-	(1.0)
Repayment of borrowings		**(15.0)**	(240.0)
Net cash (outflow)/inflow from operating activities		**(50.4)**	55.6

		2016 £m	2015 £m
Change in cash and cash equivalents during the year		**(50.4)**	55.6
Cash and cash equivalents at 1 January		**55.7**	0.1
Cash and cash equivalents at 31 December		**5.3**	55.7

Statement of changes in equity for the year ended 31 December

	Share capital £m	Accumulated losses £m	Total £m
At 1 January 2015	-	(3,182.5)	(3,182.5)
Loss for the year	-	(459.1)	(459.1)
At 31 December 2015	-	**(3,641.6)**	**(3,641.6)**
Loss for the year	-	(645.3)	(645.3)
At 31 December 2016	-	**(4,286.9)**	**(4,286.9)**

Notes to the financial statements

1. Accounting policies

1.1 Basis of preparation

The financial statements have been prepared on a going concern basis under the historical cost basis, except for 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.

Going concern basis

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

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

The company has net liabilities of £4,286.9m, which includes:

- subordinated loans accruing interest at 12.0% per annum and non-current accrued interest due to its immediate parent undertaking in 2018 of £3,118.7m;
- subordinated loans accruing interest at 10.0% per annum and non-current accrued interest due to its immediate parent undertaking in 2018 of £462.5m;
- external long term borrowings of £1,400.8m due between 2022 and 2035;
- loans due to its fellow group undertaking of £858.2m due between 2021 and 2042; and
- mark to market liabilities on derivative financial instruments classified as non-current of £901.9m.

As disclosed in the directors report and note 6 to the accounts, after the end of the reporting period ABPAH waived £1.0bn of its intercompany loan, accruing interest at 12.0% per annum, to the company. Subsequently, the maturity date of the remaining loan was extended from 2018 to 2027 and the interest rate was reduced from 12.0% to 9.0% per annum. The intercompany loan due in 2018, accruing interest at 10.0% per annum, is currently expected to be extended within reasonable time of the maturity date. However, should the company have insufficient funds available, repayment of the subordinated loans is not enforceable.

The derivative financial instruments have long dated maturities that are not expected to result in significant cash flows in the next twelve months. Further details related to expected cash flows are provided in note 11.

The company's ultimate parent, ABP (Jersey) Limited, has confirmed that it will continue to finance the company to enable it to meet its liabilities.

Notes to the financial statements

1. **Accounting policies** (continued)

1.1 **Basis of preparation** (continued)

There is no indication that the company will not be able to draw on the cash resources of its subsidiary company in order to pay its borrowings as they fall due, since its subsidiary is a guarantor under the borrowing agreements for the term borrowings and has, or will have, the resources available.

Therefore, given the nature, maturity dates and counterparties of these liabilities (as set out in notes 9, 10, 11 and 15) as well as the wider group's track record of its ability to refinance debt and generate cash flows, as disclosed above, the directors are confident that the company has the ability to continue to meet its liabilities as they fall due for the foreseeable future and therefore the financial statements have been prepared on a going concern basis.

Consolidation exemption
These separate financial statements contain information about ABP Acquisitions UK Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company has taken advantage of the exemption available under s400 of the Companies Act 2006, from the requirement to prepare and deliver consolidated financial statements, as the results of the company, its subsidiaries and its share of associate up until the date of disposal are included in the consolidated financial statements of its immediate parent, 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
There were no new accounting standards, amendments and improvements effective for the first time for the annual reporting period commencing 1 January 2016 that had an impact on the company.

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

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

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

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