Unaudited condensed group income statement for the six months ended 30 June

	Note	2018 £m	2017* £m
Revenue	2	**287.6**	268.8
Cost of sales		**(118.0)**	(107.1)
Gross profit		**169.6**	161.7
Administrative expenses		**(49.3)**	(50.3)
Operating profit		**120.3**	111.4
Analysed between:			
Underlying operating profit before the following items:		**129.3**	124.3
Depreciation and amortisation of fair value uplift of assets acquired in a business combination		**(8.6)**	(9.3)
Net unrealised gain/(loss) on fuel derivatives	10	**0.8**	(1.5)
Exceptional items		**(1.2)**	(2.1)
		120.3	111.4
Finance costs	3	**(222.2)**	(220.8)
Net unrealised gain on derivatives at fair value through profit and loss	3	**75.8**	40.0
Finance income	3	**15.2**	36.8
Loss before taxation		**(10.9)**	(32.6)
Taxation charge	4	**(31.1)**	(12.6)
Loss for the period attributable to equity shareholder		**(42.0)**	(45.2)

The exceptional items relate to restructuring costs initiated as part of Associated British Ports' change programme.

Unaudited condensed group statement of comprehensive income for the six months ended 30 June

	2018 £m	2017* £m
Loss for the period attributable to equity shareholder	**(42.0)**	(45.2)
Other comprehensive income/(expense):		
Other comprehensive income/(expense) not to be reclassified to profit and loss in subsequent periods:		
Remeasurement gain relating to net retirement benefit liabilities	**21.4**	5.1
Deferred tax associated with remeasurement gain relating to net retirement benefit liabilities	**(5.0)**	(0.2)
Other comprehensive income for the period, net of tax	**16.4**	4.9
Total comprehensive expense for the period, net of tax, attributable to equity shareholder	**(25.6)**	(40.3)

* At 1 January 2018, the group adopted IFRS 15 using the modified retrospective method. Under this method the 2017 comparative is not restated. Further details are set out in note 16.

Unaudited condensed group balance sheet

	Note	At 30 June 2018 £m	At 31 December 2017* £m
Assets			
Non-current assets			
Goodwill	7	**1,051.9**	1,045.9
Intangible assets	7	**181.6**	170.7
Property, plant and equipment	7	**1,680.7**	1,675.0
Investment property	7	**1,966.9**	1,954.7
Retirement benefit assets	5	**23.3**	9.8
Derivative financial instruments	10	**150.2**	161.5
Trade and other receivables	8	**6.4**	6.8
		5,061.0	5,024.4
Current assets			
Property and land held for sale		**5.1**	5.6
Derivative financial instruments	10	**11.7**	12.7
Trade and other receivables	8	**261.5**	246.0
Cash and cash equivalents	9	**45.5**	85.0
		323.8	349.3
Total assets		**5,384.8**	5,373.7
Liabilities			
Current liabilities			
Borrowings	9	**(509.4)**	(505.7)
Derivative financial instruments	10	**(59.1)**	(63.5)
Trade and other payables		**(64.3)**	(66.0)
Deferred revenue	12	**(23.7)**	(24.4)
Provisions		**(15.3)**	(17.3)
		(671.8)	(676.9)
Non-current liabilities			
Borrowings	9	**(4,668.5)**	(4,554.3)
Derivative financial instruments	10	**(794.3)**	(878.8)
Retirement benefit liabilities	5	**(58.7)**	(68.7)
Provisions		**(13.9)**	(13.9)
Deferred tax liabilities		**(81.8)**	(55.9)
Deferred revenue	12	**(69.6)**	(72.3)
Other non-current liabilities		**(1.4)**	(1.7)
		(5,688.2)	(5,645.6)
Total liabilities		**(6,360.0)**	(6,322.5)
Net liabilities		**(975.2)**	(948.8)
Shareholder's deficit			
Share capital		**-**	-
Revaluation reserve		**810.5**	811.0
Other reserve		**1,000.0**	1,000.0
Accumulated losses		**(2,785.7)**	(2,759.8)
Total shareholder's deficit		**(975.2)**	(948.8)

* At 1 January 2018, the group adopted IFRS 15 using the modified retrospective method. Under this method the 2017 comparative is not restated though it has been reanalysed to conform to current presentation. Further details are set out in note 16.

Unaudited condensed group statement of cash flows for the six months ended 30 June

	Note	2018 £m	2017* £m
Cash flows from operating activities			
Cash generated by operations	13	**143.1**	175.6
Interest paid		**(109.0)**	(88.7)
Interest received		**14.3**	15.1
Income tax paid		**(0.2)**	-
Net cash inflow from operating activities		**48.2**	102.0
Cash flows from investing activities			
Acquisition of subsidiary undertaking	6	**(5.6)**	-
Proceeds from sale of property, plant and equipment		**0.4**	0.5
Purchase of intangible assets		**(20.6)**	(11.1)
Purchase of property, plant and equipment		**(42.7)**	(57.0)
Purchase of investment property		**(18.9)**	(7.5)
Withdrawal from money market deposits		**-**	15.0
Net cash outflow from investing activities		**(87.4)**	(60.1)
Cash flows from financing activities			
Repayment of obligations under finance leases		**(0.3)**	(0.4)
Net cash outflow from financing activities		**(0.3)**	(0.4)
Change in cash and cash equivalents during the period		**(39.5)**	41.5
Cash and cash equivalents at 1 January		**85.0**	46.8
Cash and cash equivalents at 30 June	9	**45.5**	88.3

Included within cash and cash equivalents is £nil (30 June 2017: £1.6m) of restricted cash.

Unaudited condensed group statement of changes in equity for the six months ended 30 June

	Share capital £m	Revaluation reserve £m	Other reserve £m	Accumulated losses £m	Total £m
At 31 December 2017	-	811.0	1,000.0	(2,759.8)	(948.8)
Impact of adopting IFRS 15*	-	-	-	(0.8)	(0.8)
At 1 January 2018	-	811.0	1,000.0	(2,760.6)	(949.6)
Loss for the period	-	-	-	(42.0)	(42.0)
Other comprehensive income	-	-	-	16.4	16.4
Total comprehensive expense	-	-	-	(25.6)	(25.6)
Realisation of revaluation reserve	-	(0.5)	-	0.5	-
At 30 June 2018	**-**	**810.5**	**1,000.0**	**(2,785.7)**	**(975.2)**

	Share capital £m	Revaluation reserve £m	Other reserve £m	Accumulated losses £m	Total* £m
At 1 January 2017	-	753.9	-	(2,645.8)	(1,891.9)
Loss for the period	-	-	-	(45.2)	(45.2)
Other comprehensive income	-	-	-	4.9	4.9
Total comprehensive expense	-	-	-	(40.3)	(40.3)
Forgiveness of intercompany loans	-	-	1,000.0	-	1,000.0
At 30 June 2017	-	**753.9**	**1,000.0**	**(2,686.1)**	**(932.2)**

* At 1 January 2018, the group adopted IFRS 15 using the modified retrospective method. Under this method the 2017 comparative is not restated. Further details are set out in note 16.

Unaudited notes to the interim condensed financial statements

1. Accounting policies

1.1 Basis of preparation

These interim condensed consolidated financial statements do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. The comparative figures for the year ended 31 December 2017 are derived from the statutory accounts filed with the Registrar of Companies. The auditor's report on the statutory accounts for the year ended 31 December 2017 was unqualified and did not contain a statement under section 498 of the Companies Act 2006.

The group prepares its annual consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and applied in accordance with the Companies Act 2006. The interim condensed consolidated financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*, as adopted by the European Union. They do not include all the information and disclosures required in the group's annual consolidated financial statements and should be read in conjunction with the group's annual consolidated financial statements for the year ended 31 December 2017.

Going concern basis
The directors have carried out a review, including consideration of appropriate forecasts and sensitivities which indicates that the group will have adequate resources to continue to trade for the foreseeable future. In particular the directors have considered the following:

- For the six months period ended 30 June 2018 the group generated cash from operations of £143.1m and the group's strategic plan forecasts this strong performance to continue in the future;
- As at 30 June 2018, the group had net current liabilities of £348.0m. These include:
    - current subordinated loans and accrued interest of £492.4m due to its immediate parent undertaking, ABP SubHoldings UK Limited ("ABPS"), due in December 2018. The directors of ABPS have confirmed that it is their intention to agree terms with the company to refinance the loans falling due in 2018 and/or the associated accrued interest in advance of the maturity date, extending the repayment date beyond one year from 16 December 2018, and accordingly, it is not their intention to recall the loans and/or associated accrued interest on the maturity date
- As at 30 June 2018, the group had net liabilities of £975.2m. These include:
    - external long term borrowings of £2,238.7m due between 2021 and 2042;
    - subordinated long-term loans, including accrued interest, due to its immediate parent undertaking, ABPS, of £2,920.6m; and
    - long dated derivative financial instrument liabilities classified as non-current of £794.3m that are not expected to result in significant cash flows in the next twelve months.
- On 8 March 2018, the group's ultimate parent undertaking, ABP (Jersey) Limited, has confirmed that it will continue to finance the group to enable it to meet its liabilities.

Given the nature, maturity dates and counterparties of these liabilities, as well as the group's track record of its ability to refinance debt and generate cash flows, the directors are confident that the group 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.

1.2 Changes in accounting policies

New standards, amendments and interpretations adopted
The interim condensed consolidated financial statements have been prepared in accordance with the accounting policies set out in the group's annual consolidated financial statements for the year ended 31 December 2017, except for the adoption of new standards, amendments and interpretations effective from 1 January 2018.

Unaudited notes to the interim condensed financial statements

1. Accounting policies (continued)

1.2 Changes in accounting policies (continued)

New standards, amendments and interpretations adopted (continued)

The nature and effect of these changes that have an impact on the group are disclosed below:

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. The group adopted the new standard on 1 January 2018 using the full retrospective approach and the adoption did not have a material impact on the group's interim condensed consolidated financial statements.

IFRS 15 Revenue from contracts with customers
IFRS 15 *Revenue from contracts with customers* establishes a five-step model to account for revenue arising from contracts with customers. New estimates and judgemental thresholds have been introduced, which can affect the timing of revenue recognition. IFRS 15 supersedes IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards.

The group adopted the new standard on 1 January 2018 using the modified retrospective approach. Under this approach, the comparative information has not been restated and continues to be reported under IAS 18. Further details are set out in note 16.

Other changes
Several other standards, amendments and interpretations apply for the first time in 2018, but do not have a material impact on the interim condensed consolidated financial statements of the group.

New standards, amendments and interpretations issued but not yet effective
The group's annual consolidated financial statements for the year ended 31 December 2017 disclose new standards, amendments and interpretations issued by the IASB and IFRIC with an effective date of implementation for accounting periods beginning after the start of the group's current financial year along with the anticipated impact on the group. One new amendment has subsequently been issued. The directors do not anticipate that the adoption of this new amendment will have a material impact on the group's consolidated financial statements in the period of initial application.

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

Unaudited notes to the interim condensed financial statements

2. Revenue from contracts with customers

The disaggregation of the group's revenue from contracts with customers is set out below:

	For the six months ended 30 June	
	2018	**2017**
	£m	**£m**
Revenue		
ESI coal	**10.0**	8.7
Biomass	**24.5**	24.0
Other dry bulks	**38.3**	38.1
Break bulks	**38.5**	33.0
Liquid bulks	**24.4**	23.9
Ro-ro	**14.6**	14.0
Import/export vehicles	**24.7**	23.0
Containers	**32.1**	30.4
Total commodity revenue	**207.1**	195.1
Cruise & ferry	**17.9**	16.5
Pilotage & conservancy	**30.9**	28.7
Property income	**11.4**	10.0
Other	**20.3**	18.5
Total non commodity revenue	**80.5**	73.7
Total revenue	**287.6**	268.8

3. Finance costs/(income)

	For the six months ended 30 June	
	2018	**2017**
	£m	**£m**
Interest on term and revolving facilities	**2.4**	2.1
Interest on private placement notes	**21.8**	22.3
Interest on public loan notes	**21.9**	21.5
Interest on amounts due to parent undertaking	**127.8**	132.6
Foreign exchange losses	**10.7**	3.5
Amortisation of borrowing costs and discount on issue	**1.0**	1.0
Net interest charge on net defined benefit liabilities	**0.7**	1.4
Other finance costs	**1.7**	1.7
Less: interest capitalised on non-current assets under construction	**(2.0)**	(1.7)
Finance costs on financial assets and liabilities held at amortised cost	**186.0**	184.4
Interest cost on derivatives at fair value through profit and loss	**36.2**	36.4
Finance costs	**222.2**	220.8
Interest on amounts due from parent undertaking	**(4.8)**	(4.1)
Foreign exchange gains	**(1.1)**	(22.9)
Other finance income	**(0.2)**	(0.2)
Finance income on financial assets and liabilities held at amortised cost	**(6.1)**	(27.2)
Interest income on derivatives at fair value through profit and loss	**(9.1)**	(9.6)
Finance income	**(15.2)**	(36.8)
Net unrealised gain on derivatives at fair value through profit and loss	**(75.8)**	(40.0)
Net finance costs	**131.2**	144.0

Unaudited notes to the interim condensed financial statements

4. Taxation

The group is subject to UK corporation tax. The rate of taxation applicable to the group's taxable profits for the six months ended 30 June 2018 was 19.00% (period ended 30 June 2017: 19.25%). The current tax charge for the six months ended 30 June 2018 amounted to £10.4m (period ended 30 June 2017: £nil). This increase is due to the introduction of interest restriction rules with effect from 1 April 2017 producing a taxable profit for the six months ended 30 June 2018 of £47.6m (period ended 30 June 2017: £0.2m) for the group.

The deferred tax charge for the six months ended 30 June 2018 amounted to £20.7m (period ended 30 June 2017: £12.6m). The current year charge compared to the prior period charge has been influenced by the change in the fair value of derivatives and accelerated capital allowances.

5. Pension costs and pension commitments

Income statement

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

	For the six months ended 30 June	
	2018	**2017**
	£m	**£m**
ABPGPS and unfunded retirement benefit arrangements	**2.1**	2.3
Industry wide schemes	**0.1**	0.1
Defined contribution arrangements	**3.9**	3.4
Net pension charge recognised within operating profit	**6.1**	5.8
Net interest charge on net defined benefit liabilities	**0.7**	1.4
Net pension charge recognised in loss before tax	**6.8**	7.2

Balance sheet

The retirement benefit assets and obligations were:

	At 30 June 2018	At 31 December 2017
	£m	**£m**
ABPGPS – net funded pension assets	**23.3**	9.8
ABPGPS – net unfunded pension liability	**(2.4)**	(2.5)
	20.9	7.3
PNPF	**(56.3)**	(66.2)
Net retirement benefit liabilities	**(35.4)**	(58.9)
Net retirement benefit assets total	**23.3**	9.8
Net retirement benefit obligations total	**(58.7)**	(68.7)
Net retirement benefit liabilities	**(35.4)**	(58.9)

The valuation for the group's main defined benefits pension scheme was reviewed by the scheme's actuary at 30 June 2018. Based on this review, the scheme's net surplus was estimated as being £20.9m at 30 June 2018 (31 December 2017: £7.3m), representing an increase of £13.6m. As at 30 June 2018 there have been no significant changes to the assumptions used as at 31 December 2017.

The valuation for the PNPF was reviewed by the scheme's actuary at 30 June 2018. Based on this review, our share of the scheme's net deficit was estimated as being £56.3m (31 December 2017: £66.2m). The decrease in the deficit of £9.9m mainly relates to gains from changes in demographic and financial assumptions.

Unaudited notes to the interim condensed financial statements

6. Business combination

On 1 February 2018, the group acquired 100% of the issued share capital of W.E. Dowds (Shipping) Limited ("Dowds group"). Dowds group is based at the Port of Newport in the United Kingdom and its principal operation is the discharge, storage and forwarding of imported steel coils. The acquisition will help secure further growth for the Port of Newport. The group funded the acquisition through internal resources.

The acquisition has been accounted for using the acquisition method. The interim condensed consolidated financial statements include the results of the Dowds group for the five months period from the acquisition date.

The fair value of the identifiable assets and liabilities of the Dowds group as at the date of acquisition was:

	Note	**Fair value recognised on acquisition £m**
Assets		
Property, plant and equipment	7	**1.1**
Trade and other receivables		**2.3**
Cash and cash equivalents		**5.4**
		8.8
Liabilities		
Trade and other payables		**(1.4)**
Deferred revenue		**(0.1)**
Deferred tax liabilities[1]		**(0.1)**
		(1.6)
Total identifiable net assets at fair value		**7.2**
Goodwill arising on acquisition (provisional)[2]	7	**6.0**
Purchase consideration transferred		**13.2**

Analysis of cash flows on acquisition:	
Net cash acquired from the subsidiary undertaking (included in cash flows from investing activities)	**5.4**
Cash paid	**(11.0)**
Net cash outflow on acquisition	**5.6**

[1] The deferred tax liability comprises the tax affect of the accelerated depreciation of tangible assets for tax purposes.
[2] Included in goodwill is £2.2m relating to an additional payment made after the reporting period for the acquisition of the Dowds group. The goodwill is considered provisional as at 30 June 2018.

At the date of acquisition the fair value and carrying amount of the trade receivables were £2.0m.

The goodwill recognised is primarily attributed to the expected synergies and other benefits from combining the assets and activities of the Dowds group with those of the group. The goodwill is not deductible for income tax purposes.

Transaction costs have been expensed and are included in administrative expenses in the group income statement and are part of operating cash flows in the statement of cash flows.

Unaudited notes to the interim condensed financial statements

7. Movements in goodwill, intangible assets, property, plant and equipment and investment property

	Goodwill £m	Intangible assets £m	Property, plant and equipment £m	Investment property £m
Six months ended 30 June 2018				
Net book value as at 1 January 2018	1,045.9	170.7	1,675.0	1,954.7
Additions	-	18.9	34.4	20.7
Transfers between asset categories	-	-	8.9	(8.9)
Transfers from property and land held for sale	-	-	0.1	0.4
Write offs and disposals	-	(0.2)	(0.1)	-
Acquisition of subsidiary undertaking (note 6)	6.0	-	1.1	-
Depreciation and amortisation	-	(7.8)	(38.7)	-
Net book value at 30 June 2018	**1,051.9**	**181.6**	**1,680.7**	**1,966.9**

	Goodwill £m	Intangible assets £m	Property, plant and equipment £m	Investment property £m
Year ended 31 December 2017				
Net book value as at 1 January 2017	1,045.9	158.0	1,626.8	1,898.3
Additions	-	31.2	112.2	14.4
Transfers between asset categories	-	-	9.9	(9.9)
Transfers to property and land held for sale	-	-	-	(5.0)
Write offs and disposals	-	(0.1)	(1.2)	(0.2)
Depreciation and amortisation	-	(18.4)	(72.7)	-
Surplus on revaluation	-	-	-	3.0
Increase in fair value of investment properties	-	-	-	54.1
Net book value at 31 December 2017	**1,045.9**	**170.7**	**1,675.0**	**1,954.7**

Intangible assets
During the six months ended 30 June 2018, the group capitalised a further £17.4m (period ended 30 June 2017: £14.9m) of software and other intangible assets relating to the group's business transformation programme.

Property, plant and equipment
During the six months ended 30 June 2018, the major amounts capitalised included: £6.1m relating to the construction of the Immingham renewable fuels terminal, £3.6m for a third crane at Hull container terminal, £2.7m for the construction of the Newport bulk shed and £2.0m for energy efficiency projects.

Investment property
During the six months ended 30 June 2018, the group acquired Eling Wharf in Southampton, an industrial site which is in close proximity to the Western Docks. The site provides the group with a further strategic advantage in Southampton. There has also been expenditure across the group on smaller investment properties, most notably the Caldaire Terminal in Goole, the property occupied by TATA Chemicals in Hull and the DONG expansion in Grimsby.

During the six months ended 30 June 2018 and 30 June 2017 there was no change in fair value of investment properties recognised directly in the income statement.

Unaudited notes to the interim condensed financial statements

8. Trade and other receivables

	At 30 June 2018 £m	At 31 December 2017* £m
Non-current		
Accrued income	**0.9**	1.3
Other receivables	**5.5**	5.5
Total non-current trade and other receivables	**6.4**	6.8
Current		
Gross trade receivables	**69.0**	63.2
Provision for doubtful receivables	**(2.1)**	(1.8)
Net trade receivables	**66.9**	61.4
Amounts due from parent undertakings	**130.5**	125.7
Prepayments	**14.7**	10.4
Accrued income	**31.7**	23.2
Other receivables	**11.4**	19.0
Interest receivable on derivatives	**6.3**	6.3
Total current trade and other receivables	**261.5**	246.0

* At 1 January 2018, the group adopted IFRS 15 using the modified retrospective method. Under this method the 2017 comparative is not restated though it has been reanalysed to conform to current presentation. Further details are set out in note 16.

The group recognised impairment losses on receivables and accrued income arising from contracts with customers, included under administrative expenses, amounting to £0.4m and £0.1m for the six months ended 30 June 2018 and 2017, respectively.

Unaudited notes to the interim condensed financial statements

9. Net borrowings

	Due date at 30 June 2018	Rate per annum	At 30 June 2018 £m	At 31 December 2017 £m
Term and revolving facilities	2023-2029	1m - 3m LIBOR plus margin	**209.0**	209.0
Private placements – GBP floating rate	2024-2033	6m LIBOR plus margin	**460.0**	460.0
Private placements – GBP fixed rate	2023-2035	3.43% - 4.38%	**365.0**	365.0
Private placements – USD fixed rate	2022-2029	3.82% - 4.62%	**285.9**	285.9
Public loans – GBP floating rate	2022-2033	3m LIBOR plus margin	**135.0**	135.0
Public loans – USD floating rate	2021	3m USD LIBOR plus margin	**48.9**	48.9
Public loans – GBP fixed rate	2026-2042	5.25% - 6.25%	**550.0**	550.0
Public loans – EUR fixed rate	2023	3.22% - 3.50%	**118.6**	118.6
Net accumulated foreign exchange loss on external debt			**83.5**	73.9
Deferred borrowing costs			**(17.2)**	(18.2)
External debt			**2,238.7**	2,228.1
Interest payable on external debt and derivatives			**16.7**	16.3
Interest receivable on derivatives			**(6.3)**	(6.3)
Obligations under finance leases			**1.9**	2.0
Net cash			**(45.5)**	(85.0)
Net external debt			**2,205.5**	2,155.1
Amounts due to parent undertaking	2018-2027	9.00% - 10.00%	**1,138.8**	1,138.8
Interest on amounts due to parent undertaking			**1,781.8**	1,674.8
Net borrowings			**5,126.1**	4,968.7
Current borrowings			**509.4**	505.7
Non-current borrowings			**4,668.5**	4,554.3
Less: current receivables (interest receivable on derivatives - note 8)			**(6.3)**	(6.3)
Less: cash and cash equivalents			**(45.5)**	(85.0)
Net borrowings			**5,126.1**	4,968.7

During the six months ended 30 June 2018 external borrowings remained consistent with the prior year end with the exception of foreign currency loans which have been impacted by the volatility in the exchange rate. The increase in net accumulated foreign exchange losses is due to the weakening of Sterling against the US dollar.

Amounts due to parent undertaking represent two loans from ABP SubHoldings UK Limited, the group's immediate parent undertaking, which largely match borrowings from the shareholders of the group's ultimate parent undertaking held by the group's intermediate parent undertaking, ABP Bonds UK Limited, and fellow group undertaking, ABP Mezzanine Holdco UK Limited.

Borrowings of the group are secured over all of the group's investments (and in the case of Associated British Ports Holdings Limited, the group's wholly owned intermediate subsidiary undertaking, the Associated British Ports ownership rights).

Unaudited notes to the interim condensed financial statements

9. Net borrowings (continued)

The wholly owned immediate subsidiary undertaking of the company, ABP Acquisitions UK Limited (“ABPA”), has borrowing agreements which restrict the amounts that can be paid by certain subsidiary undertakings in respect of the redemption, purchase or retirement of share capital or share premium, payments of dividends or interest in respect of shares, payments of management, advisory or other fees at arm’s length, or any repayment of subordinated debt. Were the companies to make payments in excess of these limits it would be in breach of its financing covenants. The companies subject to these restrictions are ABPA Holdings Limited, ABPA, ABP Finance PLC, Associated British Ports Holdings Limited, Associated British Ports and any other material subsidiary undertakings as defined in the agreement.

Obligations under finance leases are secured on related leased assets.

10. Derivative financial instruments

The group uses derivatives to manage its exposure to various fixed rate, floating rate and foreign currency borrowings and transactions and fuel prices. As at 30 June 2018, interest rate and exchange rate exposure in relation to all of the group’s floating rate and non-sterling borrowings was effectively fixed. As the group does not designate any of its derivatives as hedges, the fair value changes are recognised in the income statement.

11. Financial instruments

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.

Below is a comparison by class of the carrying amounts and fair value of the group’s financial instruments, other than those with carrying amounts that are reasonable approximations of fair value. Carrying amounts of the fixed rate public loan notes and fixed rate private placement notes represent principal only and exclude accrued interest and deferred borrowing costs:

	As at 30 June 2018		As at 31 December 2017	
	Book value £m	**Fair value £m**	**Book value £m**	**Fair value £m**
Financial liabilities				
At amortised cost				
Fixed rate public loan notes	**673.8**	**818.7**	674.4	842.6
Fixed rate private placement notes	**721.2**	**747.7**	712.5	742.6

The terms of the fixed rate notes are set out in note 9.

Unaudited notes to the interim condensed financial statements

11. Financial instruments (continued)

Fair value of financial instruments (continued)

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 and current trade and other payables approximates to their carrying amounts due to the short-term maturities of these instruments;
- Current accrued interest represents short-term borrowings whose fair value approximates to carrying value;
- The fair value of term and revolving facilities, floating rate private placement notes and floating rate public loan notes approximates to their carrying value as they bear interest at a rate linked to LIBOR and there have been no significant changes in credit risk since the issue of the instruments. A cash flow projection approach has been used with reference to observed market returns and accords to Level 2 in the fair value hierarchy;
- The fair value of fixed rate public loan notes has been based on the market price, corresponding to Level 1 in the fair value hierarchy;
- The fair value of fixed rate private placement notes has been based on the market observable yield to maturity of the reference bond plus the current spread applicable to the note and equates to Level 2 in the fair value hierarchy;
- The fair value of amounts due to parent undertaking approximates to their carrying amounts as the loans largely match borrowings from the shareholders of the group's ultimate parent undertaking held by the group's intermediate parent undertaking, ABP Bonds UK Limited, and fellow group undertaking, ABP Mezzanine Holdco UK Limited, which were recently transacted at par between willing market participants in an arm's length transaction, corresponding to Level 2 in the fair value hierarchy;
- 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 credit quality of counterparties, fuel prices, implied volatilities, foreign exchange spot and forward rates and interest rate curves, 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.

12. Deferred revenue

	Total
	£m
Six months ended 30 June 2018	
At 31 December 2017*	96.7
Impact of application of IFRS 15 (note 16)	0.8
At 1 January 2018	97.5
Credited to income statement during the period	(18.7)
Amounts received in advance and deferred	14.5
At 30 June 2018	**93.3**

* At 1 January 2018, the group adopted IFRS 15 using the modified retrospective method. Under this method the 2017 comparative is not restated though it has been reanalysed to conform to current presentation. Further details are set out in note 16.

Unaudited notes to the interim condensed financial statements

12. Deferred revenue (continued)

Deferred revenue is analysed between non-current and current as follows:

	At 30 June 2018 £m	At 31 December 2017* £m
Current	**23.7**	24.4
Non-current	**69.6**	72.3
Total deferred revenue	**93.3**	96.7

* At 1 January 2018, the group adopted IFRS 15 using the modified retrospective method. Under this method the 2017 comparative is not restated though it has been reanalysed to conform to current presentation. Further details are set out in note 16.

The non-current deferred revenue principally relates to rent and other income received in advance for investment properties which will be spread over the terms of the leases.

13. Cash generated by operations

	For the six months ended 30 June	
Reconciliation of loss before taxation to cash generated by operations:	2018 £m	2017** £m
Loss before taxation	**(10.9)**	(32.6)
Finance costs	**222.2**	220.8
Net unrealised gain on derivatives at fair value through profit and loss	**(75.8)**	(40.0)
Finance income	**(15.2)**	(36.8)
Net unrealised (gain)/loss on operating derivatives	**(0.8)**	2.0
Depreciation of property, plant and equipment	**38.7**	34.7
Amortisation of intangible assets	**7.8**	7.9
Loss on write off of intangibles and disposal of property, plant and equipment and investment property	**0.1**	0.3
Decrease in provisions	**(2.3)**	-
Difference between pension contributions paid and defined benefit pension credit/charge through the profit and loss	**(2.7)**	(2.8)
Operating cash flows before movements in working capital	**161.1**	153.5
Increase in trade and other receivables	**(9.6)**	(12.7)
(Decrease)/increase in trade and other payables	**(8.4)**	34.8
Cash generated by operations	**143.1**	175.6

** At 1 January 2018, the group adopted IFRS 15 using the modified retrospective method. Under this method the 2017 comparative is not restated. Further details are set out in note 16.

14. Capital commitments

	At 30 June 2018 £m	At 31 December 2017 £m
Group capital expenditure contracted but not provided for	**17.4**	27.3

Unaudited notes to the interim condensed financial statements

15. Contingent liabilities

The Health and Safety Executive ("HSE") has prosecuted the group in relation to a breach of health and safety legislation in Immingham in respect of which the group has pleaded guilty. Sentencing is due to take place in November 2018 and the group expects to incur an uninsured financial penalty. The group has made a provision against the potential penalty, however, at this stage it is difficult to make a reliable assessment of the outcome. In addition, the HSE continues to investigate at least one further incident that has occurred over the last three years. The group is fully supporting the HSE as they undertake their investigations and at present it is unclear whether the HSE intends to take any further action in relation to any other incident.

16. IFRS 15 Revenue from Contracts with Customers

The group adopted IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15"), effective 1 January 2018, using the modified retrospective approach. Under the modified retrospective approach the group has recognised the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of accumulated losses as at 1 January 2018. Therefore, the comparative information has not been restated and continues to be reported under IAS 18.

The implementation of IFRS 15 did not have a material impact on the group's recognition of revenue. Most of the group'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 or value of revenue recognition. However, there are some areas where the implementation of IFRS 15 has led to revisions to the group's accounting policy for revenue recognition:

Contracts with multiple services
Approximately 20% of the group's revenue comes from contracts with consolidated rates where a single rate per tonne covers more than one performance obligation, where the completion of the performance obligations could cross period ends, and where the allocation of the bundled charge between performance obligations is allocated to each based on their estimated standalone selling prices and requires judgement. Revenue is recognised when, or as, the group satisfies a performance obligation. Application of IFRS15 led to a change to the timing of revenue recognition for such "bundled" charging arrangements.

The timing of revenue recognition often differs from contract payment schedules, resulting in revenue that has been earned but not billed. These amounts are included in accrued income. Amounts billed in advance but not yet earned are recorded and presented as part of deferred revenue.

Incremental costs of obtaining a contract
Incremental costs of obtaining a contract with a customer are recognised as an asset if the group expects to recover those costs. Incremental costs are costs that would not have been incurred had a contract not been obtained (e.g. a sales commission directly related to obtaining a contract). Non-incremental costs of obtaining a contract are expensed when incurred, unless they are explicitly chargeable to the customer regardless of whether or not the contract is obtained.

Incremental costs are capitalised as an asset and are amortised over the life of the contract.

Unaudited notes to the interim condensed financial statements

16. IFRS 15 Revenue from Contracts with Customers (continued)

The details of the primary changes on adoption of IFRS 15 are set out below:

Revenue recognition
There were two circumstances where the adoption of IFRS 15 affected the timing of revenue recognition and caused revenue to be deferred from one accounting period to the next:

1) Bundled charging arrangements – in some cases the group charges its customers a single rate that covered several performance obligations that are 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 caused a deferral of revenue when compared to the group's former approach to revenue recognition; and

2) Vessels calling at the ports over the period end – where vessels were at the ports over the period end then performance obligations could be satisfied either side of the period end and IFRS 15 requires a more precise allocation of revenue to each period than was the case under the group's former approach to revenue recognition.

The following table summarises the impact of the adoption of IFRS 15 on the group's condensed opening balance sheet:

	At 1 January 2018 prior to adoption of IFRS 15 £m	Adjustments £m	At 1 January 2018 after adoption of IFRS 15 £m
Liabilities			
Current liabilities			
Deferred revenue	(24.4)	(0.8)	(25.2)
Total current liabilities	(676.9)	(0.8)	(677.7)
Total liabilities	(6,322.5)	(0.8)	(6,323.3)
Net liabilities	(948.8)	(0.8)	(949.6)
Shareholder's deficit			
Accumulated losses	(2,759.8)	(0.8)	(2,760.6)
Total shareholder's deficit	(948.8)	(0.8)	(949.6)

Unaudited notes to the interim condensed financial statements

16. IFRS 15 Revenue from Contracts with Customers (continued)

The following tables summarise the impact of the adoption of IFRS 15 on the group's interim condensed consolidated financial statements for the six months ended 30 June 2018:

	At 30 June 2018 as reported £m	Adjustments £m	At 30 June 2018 without adoption of IFRS 15 £m
Liabilities			
Current liabilities			
Deferred revenue	(23.7)	0.8	(22.9)
Total current liabilities	(671.8)	0.8	(671.0)
Total liabilities	(6,360.0)	0.8	(6,359.2)
Net liabilities	(975.2)	0.8	(974.4)
Shareholder's deficit			
Accumulated losses	(2,785.7)	0.8	(2,784.9)
Total shareholder's deficit	(975.2)	0.8	(974.4)

	For the six months ended		
	30 June 2018 as reported £m	Adjustments £m	30 June 2018 without adoption of IFRS 15 £m
Revenue	287.6	0.1	287.7
Gross profit	169.6	0.1	169.7
Operating profit	120.3	0.1	120.4
Loss before taxation	(10.9)	0.1	(10.8)
Taxation charge	(31.1)	-	(31.1)
Loss for the period attributable to equity shareholder	(42.0)	0.1	(41.9)

The adoption of IFRS 15 had no impact on the group's condensed group statement of cash flows as there was no impact on the cash and cash equivalents from or used in operating, financing or investing activities.

17. Events after the reporting period

On 11 July 2018, the group refinanced £300.0m Revolving Credit Facility, maturing August 2019. The new facility matures in July 2021.

On 25 August 2018, the £155.0m liquidity facilities, which renew annually, were renewed for a further year to August 2019 and the facilities increased to £165.0m.