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

	Note	2019 £m	2018* £m
Revenue	2	**306.0**	287.6
Cost of sales		**(135.8)**	(118.0)
Gross profit		**170.2**	169.6
Administrative expenses		**(60.5)**	(49.3)
Operating profit		**109.7**	120.3
Analysed between:			
Underlying operating profit before the following items:		**123.7**	129.3
Depreciation and amortisation of fair value uplift of assets acquired in a business combination		**(8.9)**	(8.6)
Net unrealised gain on fuel derivatives	9	**0.6**	0.8
Exceptional items		**(5.7)**	(1.2)
		109.7	120.3
Finance costs	3	**(208.1)**	(222.2)
Net unrealised (loss)/gain on derivatives at fair value through profit and loss	3	**(63.1)**	75.8
Finance income	3	**13.0**	15.2
Loss before taxation		**(148.5)**	(10.9)
Taxation credit/(charge)	4	**2.0**	(31.1)
Loss for the period attributable to equity shareholder		**(146.5)**	(42.0)

The exceptional items relate to restructuring costs initiated as part of Associated British Ports' change programme and a provision made for expected credit losses following a customer entering insolvency.

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

	2019 £m	2018* £m
Loss for the period attributable to equity shareholder	**(146.5)**	(42.0)
Other comprehensive income/(expense):		
Other comprehensive income/(expense) not to be reclassified to profit and loss in subsequent periods:		
Remeasurement (loss)/gain relating to net retirement benefit liabilities	**(16.5)**	21.4
Deferred tax associated with the remeasurement loss/gain relating to net retirement benefit liabilities	**2.1**	(5.0)
Other comprehensive (expense)/income for the period, net of tax	**(14.4)**	16.4
Total comprehensive expense for the period, net of tax, attributable to equity shareholder	**(160.9)**	(25.6)

* At 1 January 2019, the group adopted IFRS 16 using the modified retrospective method. Under this method the 2018 comparative is not restated. Further details are set out in note 1.2.

Unaudited condensed group balance sheet

	Note	At 30 June 2019 £m	At 31 December 2018* £m
Assets			
Non-current assets			
Goodwill	6	**1,051.9**	1,051.9
Intangible assets	6	**195.4**	194.4
Property, plant and equipment	6	**1,765.1**	1,754.8
Investment property	6	**1,974.8**	1,957.5
Right of use assets	6	**14.0**	-
Retirement benefit assets	5	**31.2**	43.3
Derivative financial instruments	9	**207.0**	176.9
Trade and other receivables	7	**6.4**	6.8
		5,245.8	5,185.6
Current assets			
Property and land held for sale		**0.7**	3.7
Derivative financial instruments	9	**16.0**	12.3
Trade and other receivables	7	**290.0**	272.2
Cash and cash equivalents	8	**34.3**	37.8
		341.0	326.0
Total assets		**5,586.8**	5,511.6
Liabilities			
Current liabilities			
Borrowings	8	**(20.9)**	(18.9)
Derivative financial instruments	9	**(55.0)**	(52.2)
Trade and other payables		**(77.9)**	(90.1)
Deferred revenue		**(25.8)**	(23.4)
Provisions		**(14.5)**	(15.7)
		(194.1)	(200.3)
Non-current liabilities			
Borrowings	8	**(5,442.2)**	(5,274.4)
Derivative financial instruments	9	**(904.2)**	(810.6)
Retirement benefit liabilities	5	**(61.2)**	(61.7)
Deferred revenue		**(65.1)**	(68.3)
Provisions		**(12.9)**	(14.0)
Deferred tax liabilities		**(71.2)**	(85.4)
Other non-current liabilities		**(1.8)**	(2.1)
		(6,558.6)	(6,316.5)
Total liabilities		**(6,752.7)**	(6,516.8)
Net liabilities		**(1,165.9)**	(1,005.2)
Shareholder's deficit			
Share capital		**-**	-
Revaluation reserve		**849.5**	849.5
Other reserve		**1,000.0**	1,000.0
Accumulated losses		**(3,015.4)**	(2,854.7)
Total shareholder's deficit		**(1,165.9)**	(1,005.2)

* At 1 January 2019, the group adopted IFRS 16 using the modified retrospective method. Under this method the 2018 comparative is not restated. Further details are set out in note 1.2.

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

	Note	2019 £m	2018* £m
Cash flows from operating activities			
Cash generated by operations	11	**130.9**	143.1
Interest paid		**(86.8)**	(109.0)
Interest received		**13.1**	14.3
Income tax paid		**(7.5)**	(0.2)
Net cash inflow from operating activities		**49.7**	48.2
Cash flows from investing activities			
Acquisition of subsidiary undertaking		**-**	(5.6)
Proceeds from sale of property, plant and equipment		**-**	0.4
Proceeds from sale of property and land held for sale		**6.9**	-
Purchase of intangible assets		**(13.7)**	(20.6)
Purchase of property, plant and equipment		**(57.5)**	(42.7)
Purchase of investment property		**(17.6)**	(18.9)
Net cash outflow from investing activities		**(81.9)**	(87.4)
Cash flows from financing activities			
Drawdown of borrowings		**30.0**	-
Repayment of obligations under finance leases		**-**	(0.3)
Payment of lease liabilities		**(1.3)**	-
Net cash inflow/(outflow) from financing activities		**28.7**	(0.3)
Change in cash and cash equivalents during the period		**(3.5)**	(39.5)
Cash and cash equivalents at 1 January		**37.8**	85.0
Cash and cash equivalents at 30 June	8	**34.3**	45.5

* At 1 January 2019, the group adopted IFRS 16 using the modified retrospective method. Under this method the 2018 comparative is not restated. Further details are set out in note 1.2.

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 2018*	-	849.5	1,000.0	(2,854.7)	(1,005.2)
Impact of adopting IFRS 16*	-	-	-	0.2	0.2
At 1 January 2019	-	849.5	1,000.0	(2,854.5)	(1,005.0)
Loss for the period	-	-	-	(146.5)	(146.5)
Other comprehensive expense	-	-	-	(14.4)	(14.4)
Total comprehensive expense	-	-	-	(160.9)	(160.9)
At 30 June 2019	**-**	**849.5**	**1,000.0**	**(3,015.4)**	**(1,165.9)**

	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)**

* At 1 January 2019, the group adopted IFRS 16 using the modified retrospective method. Under this method the 2018 comparative is not restated. Further details are set out in note 1.2.

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 2018 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 2018 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 2018.

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 2019 the group generated cash from operations of £130.9m and the group's strategic plan forecasts this strong performance to continue in the future;
- As at 30 June 2019, the group had net liabilities of £1,165.9m. These include:
    - external senior long term borrowings of £2,288.4m that are not due until between 2021 and 2042;
    - subordinated long-term loans, including accrued interest, due to its immediate parent undertaking, ABP SubHoldings UK Limited, of £3,142.8m; and
    - long dated derivative financial instrument liabilities classified as non-current of £904.2m that are not expected to result in significant cash flows in the next twelve months.
- On 13 March 2019, the group's ultimate parent undertaking, ABP (Jersey) Limited, 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 2018, except for the adoption of new standards, amendments and interpretations effective from 1 January 2019.

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 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 and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under IFRS 16 is substantially unchanged from the accounting under IAS 17. IFRS 16 is effective for annual periods beginning on or after 1 January 2019.

The group adopted the new standard on 1 January 2019 using the modified retrospective approach, that is to apply the standard retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. Under this approach, the comparative information has not been restated and continues to be reported under IAS 17, IFRIC 4, SIC-15 and SIC-27.

The group elected to apply the transitional practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The group therefore did not apply the standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.

The group elected to use the recognition exemptions for lease contracts that, at the date of initial application, have a lease term of 12 months or less and do not contain a purchase option, and lease contracts for which the underlying asset is of low value. The group also elected to use the practical expedient to apply a single discount rate to a portfolio of leases with similar characteristics, exclude initial direct costs from the measurement of the right of use asset at the date of initial application and use hindsight in determining the lease term.

Leases previously classified as operating leases
The adoption of IFRS 16 did not have a material impact on the group’s operating leases where the group is the lessor.

The group as the lessee recognised right of use assets and lease liabilities for those leases previously classified as operating leases except for short-term leases and leases of low value assets. The right of use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

Leases previously classified as finance leases
The initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases were carried over from the assets and liabilities previously recognised under IAS 17 and the lease liabilities were remeasured to the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application with the right of use assets adjusted by the same amount.

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)

Where the group has back to back finance leases and the group is both the lessee and intermediate lessor, the finance lease receivables and lease liabilities were separately remeasured to the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application with the difference recognised in opening accumulated losses at the date of initial application.

In summary the impact of adopting IFRS 16 is as follows:

Impact on the group balance sheet as at 1 January 2019:

	Increase/(decrease) £m
Assets	
Non-current assets	
Property, plant and equipment	(1.3)
Right of use assets	13.4
Trade and other receivables	0.4
Total non-current assets	**12.5**
Current assets	
Trade and other receivables	(0.3)
Total current assets	**(0.3)**
Total assets	**12.2**

	(Increase)/decrease £m
Liabilities	
Current liabilities	
Borrowings	(1.5)
Trade and other payables	0.3
Total current liabilities	**(1.2)**
Non-current liabilities	
Borrowings	(11.5)
Trade and other payables	0.7
Total non-current liabilities	**(10.8)**
Total liabilities	**(12.0)**

	Increase/(decrease) £m
Shareholder's deficit	
Accumulated losses	(0.2)
Total shareholder's deficit	**(0.2)**

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 carrying amounts of the group's right of use assets and lease liabilities and the movements during the six months ended 30 June 2019 are set out below:

	Right of use assets						
	Operational land £m	**Buildings £m**	**Dock structures, quays and dredging £m**	**Plant and equipment £m**	**Investment property £m**	**Total £m**	**Lease liabilities £m**
Net book value at 31 December 2018	-	-	-	-	-	-	-
Impact of adopting IFRS 16	4.6	4.0	0.5	2.8	1.5	13.4	14.8
Net book value at 1 January 2019	4.6	4.0	0.5	2.8	1.5	13.4	14.8
Additions	-	-	-	1.8	-	1.8	1.8
Depreciation expense	(0.2)	(0.3)	-	(0.7)	-	(1.2)	-
Interest expense	-	-	-	-	-	-	0.5
Payments	-	-	-	-	-	-	(1.8)
Net book value at 30 June 2019	**4.4**	**3.7**	**0.5**	**3.9**	**1.5**	**14.0**	**15.3**

Further details are set out in notes 6 and 8.

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018 as follows:

	Total £m
Operating lease commitments as at 31 December 2018	25.6
Less:	
Commitments relating to short-term leases	(0.1)
Commitments relating to leases of low value assets	(0.0)
Add:	
Commitments relating to leases previously classified as finance leases	19.2
Additional commitments due to change in definition of lease payments	4.8
	49.5
Weighted average incremental borrowing rate as at 1 January 2019	6.97%
Discounted operating lease commitments as at 1 January 2019	14.8
Lease liabilities as at 1 January 2019	**14.8**

Other changes
Several other standards, amendments and interpretations apply for the first time in 2019, but do not have a material impact on the interim condensed consolidated financial statements of the group.

Unaudited notes to the interim condensed financial statements

1. **Accounting policies** (continued)

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

New standards, amendments and interpretations issued but not yet effective
The group's annual consolidated financial statements for the year ended 31 December 2018 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. No new standard, amendment or interpretation has subsequently been issued.

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

1.3 **New accounting policies**

Upon adoption of IFRS 16, the group applied the following new accounting policy from the date of initial application:

Leases – group as lessee
Leases with lease terms of 12 months or less and leases of low value assets are not capitalised and the lease payments are recognised as expenses on a straight-line basis over the lease term. All other leases are treated as follows:

Right of use assets are recognised at the commencement date of the lease, which is the date the underlying asset is available to use. Right of use assets are initially measured at cost. The cost of the right of use assets includes the amount of lease liabilities recognised, initial direct costs incurred and lease payments made at or before the commencement date less any lease incentives received.

Right of use operating assets are subsequently measured at cost less any accumulated depreciation and impairment losses and adjusted for any remeasurement of lease liabilities. Unless the group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right of use operating assets are depreciated on a straight-line basis over the shorter of their estimated useful lives and the lease term. Right of use operating assets are subject to impairment.

Right of use assets that meet the definition of investment property are subsequently measured at fair value. Valuations are conducted annually by the directors. Surpluses or deficits arising on the revaluation of right of use investment property are recognised in the income statement. Transfers of right of use investment properties to right of use operating assets are made at fair value at the date of change in use or classification.

Lease liabilities are recognised at the commencement date of the lease. Lease liabilities are measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the group and payments of penalties for terminating a lease, if the lease term reflects the group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as cost of sales or administrative expenses in the period in which the event or condition that triggers the payment occurs.

Unaudited notes to the interim condensed financial statements

1. **Accounting policies** (continued)

1.3 **New accounting policies** (continued)

Leases – group as lessee (continued)

The present value of the lease payments are calculated using the group's incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, finance expense is recognised over the lease term to reflect the accretion of interest and increases the amount of lease liabilities and the lease liabilities are reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the fixed lease payments or a change in the assessment to purchase the underlying asset. The amount of the remeasurement of the lease liability is also recognised as an adjustment to the right of use asset.

2. **Revenue**

The disaggregation of the group's revenue is set out below:

	For the six months ended 30 June	
	2019 £m	**2018 £m**
Revenue		
Call	**49.9**	49.1
Traffic	**131.8**	124.3
Cargo operations	**23.3**	18.7
Shortfall	**7.4**	5.4
Fixed	**2.9**	3.3
Other	**25.4**	19.5
Total revenue from contracts with customers	**240.7**	220.3
Rental income from investment properties	**65.3**	67.3
Total revenue	**306.0**	287.6

Unaudited notes to the interim condensed financial statements

3. Finance costs/(income)

	For the six months ended 30 June	
	2019	**2018***
	£m	**£m**
Interest on term and revolving facilities	**2.7**	2.4
Interest on private placement notes	**23.3**	21.8
Interest on public loan notes	**22.3**	21.9
Interest on amounts due to parent undertaking	**124.9**	127.8
Interest on lease liabilities	**0.5**	-
Foreign exchange losses	**1.0**	10.7
Amortisation of borrowing costs and discount on issue	**1.0**	1.0
Net interest charge on net defined benefit liabilities	**0.2**	0.7
Other finance costs	**1.2**	1.7
Less: interest capitalised on non-current assets under construction	**(0.8)**	(2.0)
Finance costs on financial assets and liabilities held at amortised cost	**176.3**	186.0
Interest cost on derivatives at fair value through profit and loss	**31.8**	36.2
Finance costs	**208.1**	222.2
Interest on amounts due from parent undertaking	**(4.8)**	(4.8)
Foreign exchange gains	**(0.6)**	(1.1)
Other finance income	**(0.2)**	(0.2)
Finance income on financial assets and liabilities held at amortised cost	**(5.6)**	(6.1)
Interest income on derivatives at fair value through profit and loss	**(7.4)**	(9.1)
Finance income	**(13.0)**	(15.2)
Net unrealised loss/(gain) on derivatives at fair value through profit and loss	**63.1**	(75.8)
Net finance costs	**258.2**	131.2

* At 1 January 2019, the group adopted IFRS 16 using the modified retrospective method. Under this method the 2018 comparative is not restated. Further details are set out in note 1.2.

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 2019 was 19.0% (period ended 30 June 2018: 19.0%). The current tax charge for the six months ended 30 June 2019 amounted to £10.0m (period ended 30 June 2018: £10.4m). Taxable profits have remained broadly the same between periods. The main driver for the difference in loss before taxation and the taxable profits is the movement in the fair value of derivatives, most of which is not a taxable item.

The deferred tax credit for the six months ended 30 June 2019 amounted to £12.0m (period ended 30 June 2018: charge of £20.7m). The current period credit compared to the prior period charge has been influenced by the change in the fair value of derivatives, accelerated capital allowances and pension valuation.

Unaudited notes to the interim condensed financial statements

5. **Pension commitments**

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

	For the six months ended 30 June	
	2019	**2018**
	£m	**£m**
ABPGPS and unfunded retirement benefit arrangements	**1.3**	2.1
Industry wide schemes	**0.1**	0.1
Defined contribution arrangements	**4.7**	3.9
Net pension charge recognised within operating profit	**6.1**	6.1
Net interest charge on net defined benefit liabilities	**0.2**	0.7
Net pension charge recognised in loss before taxation	**6.3**	6.8

Balance sheet
The retirement benefit assets and obligations were:

	At 30 June 2019	**At 31 December 2018**
	£m	**£m**
ABPGPS – net funded pension assets	**31.2**	43.3
ABPGPS – net unfunded pension liability	**(2.3)**	(2.2)
	28.9	41.1
PNPF	**(58.9)**	(59.5)
Net retirement benefit liabilities	**(30.0)**	(18.4)
Net retirement benefit assets total	**31.2**	43.3
Net retirement benefit obligations total	**(61.2)**	(61.7)
Net retirement benefit liabilities	**(30.0)**	(18.4)

The valuation for the group's main defined benefits pension scheme was reviewed by the group's actuary at 30 June 2019. Based on this review, the scheme's net surplus was estimated as being £28.9m at 30 June 2019 (31 December 2018: £41.1m), representing a decrease of £12.2m. At 30 June 2019 there have been no significant changes to the assumptions used at 31 December 2018.

The valuation for the PNPF was reviewed by the scheme's actuary at 30 June 2019. Based on this review, the group's share of the scheme's net deficit was estimated as being £58.9m (31 December 2018: £59.5m), representing a decrease of £0.6m. At 30 June 2019 there have been no significant changes to the assumptions used at 31 December 2018.

Unaudited notes to the interim condensed financial statements

6. **Movements in fixed assets**

	Goodwill £m	Intangible assets £m	Property, plant and equipment £m	Investment property £m	Right of use assets £m
Six months ended 30 June 2019					
Net book value at 31 December 2018*	1,051.9	194.4	1,754.8	1,957.5	-
Impact of adopting IFRS 16*	-	-	(1.3)	-	13.4
Net book value as at 1 January 2019	1,051.9	194.4	1,753.5	1,957.5	13.4
Additions	-	13.3	50.4	18.4	1.8
Transfers between asset categories	-	-	1.1	(1.1)	-
Depreciation and amortisation	-	(12.3)	(39.9)	-	(1.2)
Net book value at 30 June 2019	**1,051.9**	**195.4**	**1,765.1**	**1,974.8**	**14.0**

	Goodwill £m	Intangible assets £m	Property, plant and equipment £m	Investment property £m
Year ended 31 December 2018*				
Net book value as at 1 January 2018	1,045.9	170.7	1,675.0	1,954.7
Additions	-	39.4	88.5	34.2
Transfers between asset categories	-	-	69.9	(69.9)
Transfers from/(to) property and land held for sale	-	-	0.1	(0.5)
Disposals and write offs	-	(0.1)	(0.5)	-
Acquisition of subsidiary undertaking	6.0	-	1.1	-
Depreciation and amortisation	-	(15.6)	(79.3)	-
Surplus on revaluation	-	-	-	3.9
Increase in fair value of investment properties	-	-	-	35.1
Net book value at 31 December 2018*	**1,051.9**	**194.4**	**1,754.8**	**1,957.5**

* At 1 January 2019, the group adopted IFRS 16 using the modified retrospective method. Under this method the 2018 comparative is not restated. Further details are set out in note 1.2.

Intangible assets
During the six months ended 30 June 2019, the major amounts capitalised included: £12.8m (period ended 30 June 2018: £17.4m) 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 2019, the major amounts capitalised included: £8.7m relating to the construction of the 8th multi-storey car park in Southampton, £7.1m for the redevelopment of the Ocean and QEII Cruise Terminals in Southampton, £5.1m for the expansion of the Immingham Container Terminal, £2.0m for the first phase of the Grimsby Automotive Terminal and £1.7m for a new bulk shed in Ayr.

Unaudited notes to the interim condensed financial statements

6. **Movements in fixed assets** (continued)

Investment property
During the six months ended 30 June 2019, the major amounts capitalised included: £6.2m relating to the Immingham Bulk Terminal and £2.8m relating to terminal improvements in Hull.

During the six months ended 30 June 2019 and 30 June 2018 there was no change in fair value of investment properties recognised directly in the income statement.

Right of use assets
During the six months ended 30 June 2019, additions to right of use assets included £1.6m relating to a vessel hire in Troon.

Leases exempted
During the six months ended 30 June 2019, the group recognised lease expense from short-term leases of £1.6m and leases of low value assets of £0.2m.

7. **Trade and other receivables**

	At 30 June 2019 £m	**At 31 December 2018* £m**
Non-current		
Accrued income	**0.8**	1.4
Other receivables	**5.6**	5.4
Total non-current trade and other receivables	**6.4**	6.8
Current		
Gross trade receivables	**98.9**	76.7
Allowance for expected credit losses	**(7.2)**	(1.5)
Net trade receivables	**91.7**	75.2
Amounts due from parent undertakings	**142.2**	137.4
Amounts due from group undertaking	**0.3**	0.3
Prepayments	**8.2**	7.2
Accrued income	**26.4**	28.3
Other receivables	**15.0**	17.5
Interest receivable on derivatives	**6.2**	6.3
Total current trade and other receivables	**290.0**	272.2

* At 1 January 2019, the group adopted IFRS 16 using the modified retrospective method. Under this method the 2018 comparative is not restated. Further details are set out in note 1.2.

During the six months ended 30 June 2019, the group recognised provision for expected credit losses measured at an amount equal to the lifetime expected credit losses on receivables arising from contracts with customers of £5.7m (period ended 30 June 2018: £0.4m).

Unaudited notes to the interim condensed financial statements

8. Net borrowings

	Due date at 30 June 2019	Rate per annum	At 30 June 2019 £m	At 31 December 2018* £m
Term and revolving facilities	2022-2029	1m - 3m LIBOR plus margin	**239.0**	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; 3m compounded SONIA 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			**102.1**	101.7
Deferred borrowing costs			**(16.1)**	(17.0)
External debt			**2,288.4**	2,257.1
Interest payable on external debt and derivatives			**16.6**	16.5
Interest receivable on derivatives			**(6.2)**	(6.3)
Obligations under finance leases			**-**	1.8
Lease liabilities			**15.3**	-
Net cash			**(34.3)**	(37.8)
Net external debt			**2,279.8**	2,231.3
Amounts due to parent undertaking	2027-2028	9.00% ; 3.95% per annum plus 6 month sterling LIBOR	**1,138.8**	1,138.8
Interest on amounts due to parent undertaking			**2,004.0**	1,879.1
Net borrowings			**5,422.6**	5,249.2
Current borrowings			**20.9**	18.9
Non-current borrowings			**5,442.2**	5,274.4
Less: interest receivable on derivatives			**(6.2)**	(6.3)
Less: cash and cash equivalents			**(34.3)**	(37.8)
Net borrowings			**5,422.6**	5,249.2

* At 1 January 2019, the group adopted IFRS 16 using the modified retrospective method. Under this method the 2018 comparative is not restated. Further details are set out in note 1.2.

During the six months ended 30 June 2019 external borrowings remained consistent with the prior year end with the exception of drawdown of term and revolving facilities of £30.0m and foreign currency loans which have been impacted by the volatility in the exchange rate. The net increase in net accumulated foreign exchange losses is due to the weakening of Sterling against the US dollar.

In June 2019 the £65.0m floating rate public loan due in 2022 accruing interest at 3 month GBP LIBOR plus margin was restructured to 3 month compounded SONIA plus margin. This restructure was not a substantial modification and therefore no derecognition of the original financial instrument was required.

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

8. **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.

Lease liabilities are secured on related leased assets.

9. **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 2019, 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.

10. **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 2019		As at 31 December 2018	
	Book value £m	**Fair value £m**	**Book value £m**	**Fair value £m**
Financial liabilities				
At amortised cost				
Fixed rate public loan notes	**675.6**	**820.1**	676.2	803.1
Fixed rate private placement notes	**735.8**	**862.7**	734.9	729.1

The terms of the fixed rate notes are set out in note 8.

The following methods and assumptions were used to estimate the fair values:

- 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 and implied volatilities, and 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 forward foreign exchange contracts are traded in an active market, hence their fair value is based on market price, corresponding to Level 1 in the fair value hierarchy.

Unaudited notes to the interim condensed financial statements

11. Cash generated by operations

	For the six months ended 30 June	
	2019	**2018***
Reconciliation of loss before taxation to cash generated by operations:	**£m**	**£m**
Loss before taxation	**(148.5)**	(10.9)
Finance costs	**208.1**	222.2
Net unrealised loss/(gain) on derivatives at fair value through profit and loss	**63.1**	(75.8)
Finance income	**(13.0)**	(15.2)
Net unrealised gain on operating derivatives	**(0.6)**	(0.8)
Depreciation of property, plant and equipment	**39.9**	38.7
Depreciation of right of use assets	**1.2**	-
Amortisation of intangible assets	**12.3**	7.8
(Gain)/loss on write off of intangibles and disposal of property, plant and equipment, investment property and property and land held for sale	**(3.9)**	0.1
Decrease in provisions	**(2.5)**	(2.3)
Difference between pension contributions paid and defined benefit pension credit/charge through the profit and loss	**(5.2)**	(2.7)
Operating cash flows before movements in working capital	**150.9**	161.1
Increase in trade and other receivables	**(12.3)**	(9.6)
Decrease in trade and other payables	**(7.7)**	(8.4)
Cash generated by operations	**130.9**	143.1

* At 1 January 2019, the group adopted IFRS 16 using the modified retrospective method. Under this method the 2018 comparative is not restated. Further details are set out in note 1.2.

12. Capital commitments

	At 30 June 2019 £m	**At 31 December 2018 £m**
Group capital expenditure contracted but not provided for	**51.4**	55.7

13. Contingent liabilities

On 28 February 2019 there was a fatal injury to a crew member on the UKD Cherry Sand which occurred during a berthing operation at the Port of Rosyth (a non-ABP port). The Marine Advisory Investigation Bureau (“MAIB”) and Marine Coastguard Agency (“MCA”) are both investigating the incident and the group is fully supporting their investigations. It is too early to make a reliable assessment of whether the incident will result in any legal action against the group. As the incident took place in Scotland, the MCA will make a recommendation to the Crown Office and Procurator Fiscal Service and the Procurator Fiscal will ultimately decide whether or not to commence any legal action.

The Health and Safety Executive (“HSE”) are investigating potential breaches of Health & Safety legislation that have occurred over the last five years. The group is fully supporting the HSE as they undertake their investigations. In March 2019 the HSE indicated that it would be bringing charges in relation to a breach which occurred in 2015 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 it is possible that uninsured financial penalties may be incurred by the group, however, at this stage it is too early to make a reliable assessment of the outcome of such prospective proceedings.