ABPA HOLDINGS LIMITED AND SUBSIDIARIES

(Company Number 07847153)

ANNUAL REPORT AND ACCOUNTS 2019

ABPA HOLDINGS LIMITED

ANNUAL REPORT AND ACCOUNTS 2019

Contents	**Page**

Strategic report

The directors present their strategic report for the year ended 31 December 2019.

The company is an intermediate holding company within the group of companies owned by ABP (Jersey) Limited ("ABPJ"). This strategic report covers the group activities, strategy, performance and operations of the company and its subsidiaries ("the group").

1. Principal activities

The principal activity of the company is as an investment holding company.

The principal activities of the group comprise the ownership, operation and development of port facilities and the provision of related services in the United Kingdom ("UK"). The group also provides other transport facilities and related services including the Hams Hall rail freight terminal. The group's principal operating subsidiary is Associated British Ports ("ABP").

The group owns 21 general cargo ports around the UK and provides facilities (principally land, quays, storage sheds and warehouses, cargo handling equipment and access to open water) and services (including stevedoring, warehousing and bagging) to users of its ports.

2. Development and performance of the business

2.1 Health and Safety

The nature of the group's business means that the health and safety of its employees and other persons involved in its operations present a continuous challenge requiring proactive management. Effective management of health and safety matters can prevent loss of life or serious injury and damage to infrastructure.

The group manages this principal risk to the business through enforcement of rigorous policies and procedures that are backed by a strong commitment from the Board, and are designed to achieve continuous improvement through a rolling 5-year health & safety strategy.

Health and safety training has been revitalised across the group with employees embarking on an immersive training experience designed to promote behavioural and cultural change. With the addition of core media-based training, employees also have access to simple, high quality training modules.

The group continues to use a suite of KPIs to measure and improve its health & safety performance. Progress against the group's primary safety performance indicator is detailed below:

	Target	**2019**	**2018**	**Change from 2018**
Number of accidents resulting in lost working days per one thousand employees[1]	<6.00	10.68	9.62	+ 11.0%

[1] Includes the group's employees and agency staff.

In February 2019, ABP trading as UK Dredging ("UKD") were contracted by Babcock Marine (Rosyth) Ltd to dredge the Non Tidal Basin using the grab hopper dredger MV Cherry Sand at the Port of Rosyth (a non-ABP port). Tragically during the operation a member of the crew was fatally injured when stepping ashore from the vessel. ABP is supporting the relevant authorities in their investigation of the incident.

Strategic report (continued)

2. Development and performance of the business (continued)

2.1 Health and Safety (continued)

Whilst the number of accidents resulting in lost working days per one thousand employees increased to 10.68 in 2019 from 9.62 in 2018, with the exception of the fatality, the severity of accidents has decreased, resulting in fewer days off per injury.

2019 was a disappointing year from a safety perspective but it remains the number one priority and ABP is focussed on promoting a zero-harm safety culture across the organisation. Good progress has been made in behavioural safety, new and improved PPE for ABP's operatives and improvements to ABP's Safety Management System including an automated system to highlight defects; the ABP 'Spot It' system. 2020 will see the roll-out of the new behavioural safety programme, the Beyond Zero 2020 training programme and other positive initiatives to improve ABP's safety performance.

The group continues to work on delivering a secure environment for ABP to conduct its commercial business by ensuring it protects its people and its business, it safeguards its assets and the assets of its customers, and does not accept breaches of security anywhere on its estate.

2.2 Financial performance and KPIs

The following KPIs are considered by the Board to provide a good representation of the performance of the business:

- Tonnage indicates the level of cargo throughput at the group's ports which is a key driver of revenue;
- Revenue, consolidated EBITDA pre exceptional costs, underlying operating profit and operating profit indicate the financial performance of the business.

Performance against each of these KPIs is as follows:

- Tonnage handled by the group's ports (excluding Southampton conservancy only volumes) decreased by 7.6% to 80.9m tonnes in 2019 (2018: 87.6m tonnes) due to a reduction in coal imports used for electricity generation and weaker general trading conditions following the March 2019 Brexit deadline.
- Group revenue increased by 4.2% to £611.6m (2018: £587.0m) primarily driven by an increase in iron ore of 70.0% to £31.8m (2018: £18.7m), break bulks of 15.2% to £87.1m (2018: £75.6m) and biomass of 9.8% to £52.6m (2018: £47.9m). The increase in iron ore revenue is due to the group taking over direct operation of Immingham Bulk Terminal ("IBT"). The increase in break bulks revenue is predominantly driven by higher exports of wind turbines from Siemens and an additional dredging campaign for BAE in 2019. The increase in biomass revenue is due to an increase in guaranteed Drax biomass volumes.
- Consolidated EBITDA pre-exceptional costs decreased by 1.7% to £331.0m (2018: £336.8m) reflecting the weaker trading conditions.
- Underlying operating profit decreased by 7.5% to £242.0m (2018: £261.7m). This is due to higher operating costs largely relating to the group taking over the operations of IBT from British Steel.
- Operating profit decreased by 36.8% to £172.9m (2018: £273.7m). During 2019 the recoverable value of the costs capitalised in relation to the business transformation programme was reviewed and an impairment loss of £72.3m was recorded in profit or loss. The fair value of the group's investment property portfolio increased to £35.6m in 2019 compared to £35.1m in 2018. There were exceptional costs of £15.6m largely due to restructuring activities.

Strategic report (continued)

2. Development and performance of the business (continued)

2.3 Sustainability

Progress against the group's primary sustainability performance indicator is detailed below:

	Target	2019[3]	2018[2]	Change from 2018
CO_2e emissions (tonnes)[1]	< prior year	53,500	54,630	- 2.1%

[1] Calculated based on the group's consumption of electricity, gas, oil, petrol and diesel converted to CO_2e at rates published by the Department for Environment, Food and Rural Affairs, Scope 1 & 2.
[2] Restated to reflect actuals in Q4 2018.
[3] Based on partial estimates for Q4 2019.

In 2019 the group's carbon emissions decreased slightly by 2.1% on an absolute basis (i.e. not normalised) compared to 2018. These figures were achieved despite a full year of operating Immingham Bulk Terminal ("IBT"), which increased the group's carbon emissions. The increase in absolute emission due to IBT was more than offset by increased use of renewables and more energy efficiency projects.

The group's Energy Management System was successfully recertified to ISO 50001. The group monitors the effectiveness of its environmental policies via a group-wide internal audit programme undertaken by its environmental function. Furthermore, the group undertakes self-audits and inspections across the business through a network of environmental coordinators.

2.4 People

During 2019, the monthly average number of persons employed in the business was 2,503 (2018: 2,344).

The table below sets out the staff turnover rate as a percentage of headcount as at 31 December 2019:

	Target	2019 % of total	2018 % of total	pp change from 2018
Annual leavers as a percentage of headcount[1]	5-10%	16.6%	12.6%	+4.0%

[1] 2018 turnover has been restated from the 2018 report to reflect total turnover.

Annual leavers as a percentage of headcount increased to 16.6% in 2019, above the targeted range. It is important to note that 8.0% of the 16.6% were voluntary leavers. The remaining 8.6% of leavers were as a result of the restructuring and cost saving activity across the business at the end of 2019.

In 2019, the recruitment of key appointments to the ABP Executive leadership team was completed. This strengthened the leadership capability and broadened the diversity of the team, with three of the senior team being women.

Whilst there have been a number of leavers and joiners to ABP during the course of the year, the gender pay gap between men and women in the workforce has remained the same at 5%. Whilst the gender pay gap has remained consistent this year, in future years it could fluctuate depending on the make-up of the workforce at various levels.

Strategic report (continued)

2. Development and performance of the business (continued)

2.4 People (continued)

The Group wide employee engagement survey, My Voice, was launched successfully in November 2019 with 58% of ABP employees taking part. Following communication of the results, regions and functions will develop action plans to address the issues identified. Regular communication throughout the year will be provided to employees.

A major area of focus in 2019 was the review and update of all the safety training across the Group. A new suite of training courses will be rolled out in 2020, together with improved recording to increase visibility of attendance and ensure compliance with safety regulations. The new training includes a behavioural safety training day which will be rolled out over the next 18 months, initially to ABP's frontline workers.

A major achievement in 2019 was the development and approval of 4 new apprenticeship standards; the Harbour Master apprenticeship, the Port Marine Operations Officer apprenticeship, the Marine Pilot apprenticeship and the Port Operative apprenticeship. ABP has continued to grow its apprenticeship cadre across all areas of the business with 60 apprentices on the programme in September 2019 compared to 17 apprentices on programme in September 2018.

In 2019, ABP re-started its graduate trainee programme to strengthen its talent pipeline for the future; with 4 graduates from a range of disciplines joining in September 2019. They will carry out a number of placements over a two-year period in regional and Head Office roles before completing the programme.

2.5 Community and Stakeholder Engagement

ABP engaged closely with local and central government throughout 2019 to support the Government's preparations for leaving the European Union. As well as engaging closely with the Department for Transport, Border Delivery Group, Cabinet Office and leading government departments, ABP held regular meetings with industry and political stakeholders in EU member states and hosted a series of roadshow events for UK businesses. ABP continued to facilitate the UK Trade Resilience Forum, an ABP initiative which brought together key players from across the supply chain and relevant government departments to coordinate Brexit planning. The Secretary of State for Exiting the European Union, Rt. Hon Stephen Barclay MP, addressed the meeting in September during London International Shipping Week.

ABP sponsored several events during shipping week, including the Government's welcoming reception at the Banqueting House and the conference reception for the Women's International Shipping and Trade Association. ABP also hosted port visits and engagement events throughout the year, including the Women in Journalism reception, ABP's Summer Lunch in Parliament, and receptions and panel discussions at the political party conferences in Brighton and Manchester. In the 2019 Global Real Estate Sustainability Benchmark Survey ABP was ranked as the number one port infrastructure company globally, with a score of 86% for stakeholder engagement compared to a 65% peer average.

Strategic report (continued)

2. Development and performance of the business (continued)

2.5 Community and Stakeholder Engagement (continued)

In 2019, ABP continued its support for charities and local community initiatives around the group. It continued its sponsorship of regional marathons and running events including the ABP Southampton marathon, the ABP Newport Wales Marathon & 10K, and the ABP Humber Coastal Half Marathon. ABP supported several local and national charities, including Macmillan Cancer Support, Hull Children's University, Humber-based maritime charities Hornsea Inshore Rescue and Grimsby & Cleethorpes Sea Cadets, Hampshire and Isle of Wight Air Ambulance and the Royal National Lifeboat Institution. Teams from ABP Southampton took part in the 125-mile Devizes to Westminster Canoe Race to raise money for Different Strokes Southampton. ABP also organised beach cleans including one at Pipers Vale beach in Ipswich, which saw the participation of 40 people as part of the nationwide Great British Beach Clean initiative.

3. Risks and uncertainties

ABP's policy with respect to risk management is to direct resources to ensure that ABP, as far as possible, aligns its exposure to risk with defined risk appetite thresholds that are based on preventing adverse financial impacts and preventing harm to staff and other port users.

The principal risks and uncertainties facing the group, based on the residual risk to the business are recorded in the group's risk and control register. The top risks are grouped based on their potential to impact on health and safety or the group's financial results.

The group's top safety risk is centred around tenant operations as ABP's customers carry out a range of operations with the potential for adverse impacts on health and safety. Of primary significance, several tenanted sites operate under COMAH regulations due to the handling of ammonium nitrate. In response ABP adopts controls to ensure that only third-party occupiers, tenants and customers who can operate safely and who are of sufficient financial standing are allowed onto our ports.

The group's principal financial risk reflects the continued unfavourable trading conditions ABP operates within, demonstrated by softer volumes across the business. There is a risk Brexit and/or Covid-19 virus will put pressure on commercial contracts resulting in lost business which will adversely impact the group's EBITDA. The group's management carefully monitors the headroom against its covenants and a number of potential actions could be taken in the event that the headroom to lock-up reduces below the forecast levels. These include, inter alia, aggressive management of working capital, deferral of uncommitted capex, deferral of recruitment, and other cost reduction measures.

Non-compliance with the General Data Protection Regulation and Data Protection Act 2018 continues to be the most significant regulatory risk facing the group. As such, ABP continues to develop and embed the necessary policies and procedures (e.g. Privacy Policy, Data Subjects' Rights Policy, Data Protection Impact Assessments). This work is driven by the group's Data Protection Officer and Chief Information Officer, supported by Data Protection Champions.

The group's principal technological risk is that of cyber-attack. A steady increase in the number of phishing scams and malicious software creation means the group is now at risk of a cyber-attack that could compromise the company's corporate systems. In response the group has adopted a multi-layered defensive regime which includes the strengthening of e-mail and web filtering, end-point anti-virus protection and new patching controls.

Strategic report (continued)

3. Risks and uncertainties (continued)

In addition, ABP's risk management approach requires the identification and mitigation of longer-term strategic risks, which are concentrated around four key themes:

i. **Compliance**: The changing environment ABP operates in, particularly increasing societal and regulatory expectations.

ii. **Climate change**: Recognising the challenges that climate change will bring to the sector, including the UK government's ambition to "actively drive the transition to zero emission shipping" in its waters, and the effect that the predicted change in weather patterns could have on ABP's operations.

iii. **Technology and innovation**: Technology and innovation are expected to progress rapidly in the next 15 years. The handling and sharing of data will be at the centre of the way ports operate in the future. The industry is looking at how it provides better information to both customers and the supply chain to increase the predictability and efficiency of operations. Data and insight along with upgrading of operating systems is a key area of focus for ABP over the next 5 years.

iv. **Public policy**: Considers how change in policy may affect ABP.

ABP is continuing to liaise with all the relevant health authorities and statutory bodies to ensure we are delivering the most appropriate and effective response to the threat posed by the spread of the Covid-19 virus. ABP's actions include:

- Working closely with Local Port Health Authorities, Local Resilience Forums and other Government bodies to plan and implement the most effective response to the virus;
- Working in partnership with customers and suppliers to managed the impact of any disruption, consistent with ABP's mission of Keeping Britain Trading;
- Invoking business continuity plans;
- Splitting operational locations and segregating critical staff to limit the spread of the virus between business critical staff;
- Introducing widespread home working wherever practical, and;
- Regularly communicating with staff via videoconferencing, email, safety alerts, tool-box talks and other means.

3.1 Financial risk management

Treasury matters throughout the group are controlled centrally and carried out in compliance with policies approved by the Board of Associated British Ports Holdings Limited ("ABPH"), an intermediate subsidiary of the company. The Board of ABPH monitors treasury matters and approves significant decisions. The treasury function's purpose is to identify, mitigate and hedge financial risks inherent in the group's business operations and capital structure. The group's main financial risks are liquidity, interest rate, foreign exchange, capital and credit risk as described below. The group aims to manage these risks to an acceptable level.

The group does not use financial instruments for speculative purposes.

Strategic report (continued)

3. Risks and uncertainties (continued)

3.1 Financial risk management (continued)

Liquidity risk
Liquidity risk is principally managed by maintaining cash and borrowing facilities at a level that is forecast to provide reasonable headroom in excess of the expected future needs of the group. As at 31 December 2019, the group had access to £365m of committed and undrawn borrowing facilities, which are available for between two and four years. A further £115m has been drawn against these facilities in 2020 to provide additional liquidity as a buffer against the possible impacts of the Covid-19 virus. Debt maturities are spread over a range of dates, ensuring the group is not exposed to a material refinancing in any one year (see note 1 on going concern and note 18 on financial risk management). In addition, the group has in place £165m of debt service reserve liquidity facilities to cover annual interest costs. These are renewed annually and are drawn with a final maturity of 2042 if not renewed.

Management monitors rolling forecasts of the group's liquidity reserve (comprised of undrawn borrowing facilities and cash and cash equivalents) on the basis of expected cash flows.

Interest rate risk
Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Risks arising from changes in interest rates are managed by maintaining a balance between fixed and floating rate debt. The group uses derivative instruments, such as interest rate swaps, when appropriate to economically hedge against changes in interest rates and to adjust the balance between fixed and floating rate debt. As at 31 December 2019, with the exception of loans from the intermediate parent company, all of the group's external exposure to floating rate borrowings was fixed.

Foreign exchange risk
Foreign exchange risk is the risk that the fair value of future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The group principally invoices its customers and settles its expenses in sterling. Accordingly, currency exposure arising from transactions being settled in other currencies tends to arise infrequently. Where such exceptions are significant any related exposure is managed through forward currency contracts.

As at 31 December 2019, the group had financing in foreign currency comprising of USD 470.0m in private placements, USD 75.0m in public notes and EUR 140.0m in public notes and is therefore exposed to foreign exchange risk on these arrangements. This exposure is fully hedged through cross currency interest rate swaps.

Capital risk
The group's financing arrangements are set out in notes 16, 17, 18 and 25 to the financial statements. The group keeps its funding structure under review with the objective of maximising shareholder value and ensuring that it has the resources and the capacity to meet its operational requirements and to facilitate the execution of its strategy. The group's external loan covenants impose certain restrictions on the group relating to capital which are regularly monitored by management. The group was in compliance with these covenants during 2019 and 2018.

Strategic report (continued)

3. Risks and uncertainties (continued)

3.1 Financial risk management (continued)

Credit risk
In common with other companies, the group is exposed to credit-related losses in the event of non-performance by counterparties to financial transactions. The group mitigates this risk by ensuring that its counterparties do not represent excessive credit risk prior to entering into new agreements. Ongoing exposure to counterparties is also reviewed on a regular basis. The group's credit risk policies are discussed further in note 18 to the financial statements.

Credit risk principally arises from cash and cash equivalents, derivative financial instruments and accounts receivable. The group has no material concentrations of credit risk. The group's exposure to credit related losses, in the event of non-performance by counterparties to financial instruments,is mitigated by limiting exposure to any one party or instrument and ensuring transactions are only with counterparties within defined credit risk parameters.

Investment activity is reviewed on a regular basis and cash and cash equivalents are placed with approved counterparties, whose credit ratings are in accordance with internal treasury policies.

The group monitors the credit rating of derivative counterparties on a daily basis and ensures no positions are entered into with counterparties with credit ratings that are below assigned limits.

4. Outlook

The UK's departure from the European Union took place on the 31st January 2020. Events relating to a future trade deal will continue to unfold and the political situation remains uncertain in respect of this. ABP continues to monitor the potential impacts on trade flows through our ports as well as engaging with government departments, industry stakeholders and customers to ensure trade continues to flow between the UK and (EU) Member States.

The group is carefully monitoring the fast changing threat from the Covid-19 virus and is liaising with the relevant health authorities and statutory bodies to ensure the group is delivering the most appropriate and effective response. There is a risk that the Covid-19 virus will put pressure on commercial contracts resulting in lost business, and disrupt business operations, which will adversely impact the group's EBITDA. The group is proactively considering downside scenarios and monitoring headroom against its loan covenants. Based on currently available information the group does not expect the impact of the virus to cause it to breach its covenants or to otherwise threaten the viability of the group. Further information on the possible impact of the virus can be found in note 31.

In 2019 the recruitment of key appointments to the senior leadership team was completed. Further to this a comprehensive six month strategy review was completed in 2019 involving the senior leadership team as well as employees, customers and shareholders. In 2020 ABP will communicate the strategy to the wider organisation and customers, undertake more detailed implementation planning and commence delivery of the strategy.

Strategic Report (continued)

5. Section 172 Statement

The company is a wholly owned indirect subsidiary of ABPJ. The Board recognises the importance of stakeholder engagement in delivering the long-term and sustainable success of the company. When making decisions the directors have regard to the likely long-term impact of those decisions and also their responsibilities and duties to the company's sole shareholder and other stakeholders. The key stakeholders relevant to the group are employees, customers, local authorities and national government, suppliers, the communities in which it operates, the environment and its lenders. Directors receive training on their duties as part of their induction, which is refreshed on an ongoing basis as necessary. The following section outlines how the group engages with, and has regard to, each of our key stakeholder groups.

5.1 Stakeholder Engagement

The group places a great deal of emphasis on maintaining regular dialogue with stakeholders. We issue a number of external publications that detail our performance and activities, including the regular 'ABP Report' and 'Annual Review'. In addition, the group's website and social media accounts are used to ensure up to date information is shared and available for the wider stakeholder audience.

5.2 Employees

We recognise that our employees are fundamental to our success and that we cannot continue to grow without an engaged, safe, well trained workforce. Obtaining feedback and views from our employees enables us to continuously improve and develop, particularly in relation to our health and safety processes and practices.

We actively engage with our workforce in a number of ways, including regional briefings, use of the ABP intranet and regular newsletters to provide updates on activities around the business, and meeting with trade unions. Our communication includes updates on activities and developments across the business and information in respect of financial and economic factors affecting the performance of the group. The 'Spot-It!' health and safety portal provides a platform for employees to notify any near misses, incidents or concerns which are then followed up and addressed to ensure that a safe working environment is maintained for our workforce.

Employee engagement surveys are also carried out to obtain anonymous feedback from employees to understand their views on ABP, their positivity about the future of their careers and areas that could be improved. Further information on the 2019 engagement survey and our people can be found on pages 3 and 4.

5.3 Customers

Like all businesses, the group's future success is dependent on the maintenance and development of its relations with current and potential customers. The group works closely with its customers at port, regional and corporate level to understand their needs and develop facilities and services to meet their requirements. Regular dialogue with our customers enables the group to understand their current and future challenges and plan how we can work in partnership with them to deliver solutions which drive increased value and optimise their supply chain solutions.

The group also undertakes customer engagement surveys to obtain feedback on how we are performing, the services we deliver and where we can better support customers. The most recent survey was in 2019, when detailed customer interviews were also conducted by a third party as part of the work to formulate our strategic plan. The outcome and conclusions from this exercise were taken into account in the final development of our five-year business plan and strategy.

Strategic Report (continued)

5. Section 172 Statement (continued)

5.4 Local Authorities and National Government

The group has a unique position as the UK's largest port operator and is an essential part of the supply chain for key industries throughout the UK. Government policy in respect of matters such as trade and the environment impact the way that businesses operate and accordingly, engagement with local and national government helps the group to understand topical issues and to work with both government and our customers on areas of shared interest. Further information on the engagement activities with the government undertaken in the year can be found on page 4.

Strong relationships with local authorities in the regions we operate in are also crucial to the group, enabling effective planning and development within our estate. When planning development projects, we work closely with local authorities to ensure that an appropriate solution is delivered for our customers within planning requirements.

5.5 Suppliers

ABP relies on its suppliers to provide products and services that enable us to deliver our strategy. We seek to engage the best supply chain partners to sustainably deliver value and performance for the business and where possible we work with local and small businesses in our port communities. We recognise that strong relationships, regular communication and engagement with our suppliers are key to delivering our projects in a timely and cost efficient manner and ensuring that specifications are aligned with the needs of the business and our customers.

To support our suppliers, ABP utilises a supplier portal to enable organisations to register and tender for contracts, complete due diligence and correspond directly with ABP. The portal will be further developed to strengthen performance management, enable suppliers to measure their KPIs and complete contract evaluations with ABP.

Our shared services team also seek regular feedback from our suppliers in respect of payment processes as we look to obtain continuous improvement and strengthen relationships.

5.6 Communities

ABP recognises the importance of local communities to its continued success and the impact its decisions can have on those communities across its port estate. We seek to develop relationships based on mutual trust and respect and to understand the issues that matter locally. We do this through the facilitation of port user groups, engagement with Local Enterprise Partnerships and attendance at local resident associations.

These forums enable ABP to receive direct feedback from port users and local residents and to provide responses to matters or concerns raised, including actions being taken and improvements made. Further information on our engagement activities with local communities and charities can be found on pages 4 and 5.

Strategic Report (continued)

5.7 Environment

ABP is committed to developing its business to meet the needs of its customers in a sustainable way, with due regard for both its operations and the environment. ABP has implemented a number of renewable energy schemes to date, achieving its status as one of the UK's largest private corporate producers of renewable energy, with 12.2% of electricity used being generated from our own wind and solar projects (as at December 2019).

ABP also proactively engages with key environmental stakeholders, including national agencies such as the Environmental Agency, the Department for Environment, Food & Rural Affairs and the Marine Management Organisation. Engaging with these stakeholders is key to ensuring planning and licences are granted and we are able to meet legislative requirements. ABP also engages with key parties when planning projects and works with stakeholders to ensure sustainability and mitigate or reduce the impact of its projects on the environment where possible.

We are represented at the national Water Leaders Group alongside government agencies and non-governmental organisations, whose aim is to provide an integrated approach to the conservation, management and improvement of the water environment. Attendance at local port user groups also provides us with the opportunity to understand the key issues faced by port users and give direct feedback on the steps taken to address any environmental issues or concerns raised.

5.8 Lenders

The group raises debt and undertakes related hedging with a number of counterparties. Sources of debt and facilities include public capital markets issuances, loans and private placements. This borrowing is undertaken by ABP Acquisitions UK Limited (for unlisted debt) and ABP Finance Plc (for publicly listed debt), both immediate subsidiary undertakings. We recognise the importance of providing these stakeholders with information to ensure they are kept up to with the development, growth and strategy of the business and continue to recognise the benefits of investing in ABP.

Lenders are provided with regular information on the group, including the annual report and accounts, interim accounts and bi-annual investor reports, which outlines the performance of the group, major investments and certain forward looking financial information. In addition, the group directly engages with lenders through an annual update as well as regular calls and meetings as required.

This engagement enables the group to continue to develop positive relationships with Lenders and understand the main drivers behind investing in ABP. In addition, ongoing engagement allows the group to plan its long-term capital requirements and the financing methods available.

6. Important events after the reporting period

Since the balance sheet date the Covid-19 virus has spread around the world and many governments, including that of the UK, have introduced strict measures to limit social contact in order to slow the spread of the virus. ABP is likely to be impacted by the expected slowdown of the economy and by reduced trade flows caused by the measures to limit the spread of the virus. As these measures were not in place at the balance sheet date management have concluded that the economic impact of the Covid-19 virus is a non-adjusting post balance sheet event.

Strategic Report (continued)

6. Important events after the reporting period (continued)

The group is carefully monitoring the fast changing threat from the Covid-19 virus and is liaising with the relevant health authorities and statutory bodies to ensure the group is delivering the most appropriate and effective response. There is a risk that the Covid-19 virus will put pressure on commercial contracts resulting in lost business, and disrupt business operations, which will adversely impact the group's EBITDA. The group is proactively considering downside scenarios, re-forecasting and stress testing financial results, and monitoring headroom against its loan covenants. Based on currently available information the group does not expect the impact of the virus to cause it to default on its covenants or to otherwise threaten the viability of the group.

As described in note 1.3, management have made a number of critical estimates, judgements and assumptions in preparing these accounts. Management have considered the general impact of Covid-19 with regard to these critical estimates, judgements and assumptions which are set out in note 31. However given the fast moving nature of events and the unprecedented nature of the measures being taken to slow the spread of the virus it is not possible to accurately quantify the financial impact of these measures in the medium term.

By Order of the Board

MM Wyatt
Director
6 April 2020

Directors' report

The directors present their report and the audited accounts for the year ended 31 December 2019.

1. Registered office

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

2. Ownership

The group's ultimate parent company, ABP (Jersey) Limited ("ABPJ"), which is registered in Jersey, is owned (directly or through intermediaries, as set out in note 30 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).

3. Directors

The Board comprises 10 non-executive directors who have been appointed as representatives of the group's shareholders, together with PMG Nolan (Chairman), HL Pedersen (Chief Executive Officer) and MM Wyatt (Chief Financial Officer). Appointments to the Board are governed by a Shareholders' Agreement. The following table lists the directors of the company during the year and up to the date of these accounts, and states the group shareholders that the non-executive directors represent:

Director	Role/Appointor	
Executive		
Bull, GSM	Chief Financial Officer	(resigned 14 March 2019)
Pedersen, HL	Chief Executive Officer	
Wyatt, MM	Chief Financial Officer	(appointed 14 March 2019)
Non-executive		
Nolan, PMG	Chairman	
Barr, RN	Omers Administration Corporation	(appointed 13 March 2019)
Bryce, JA	Canada Pension Plan Investment Board	
Busslinger, PA	Omers Administration Corporation	(resigned 18 September 2019)
Coghlan, JB	Canada Pension Plan Investment Board and Hermes Infrastructure	
Drissi Kaitouni, H	Kuwait Investment Authority	
Hicks, SN	GIC (Ventures) Pte Limited	(resigned 13 March 2019)
Kay, GPR	GIC (Ventures) Pte Limited	(resigned 13 June 2019)
Machiels, EPM	Omers Administration Corporation	
Maheshwari, P	Omers Administration Corporation	(appointed 18 September 2019)
Morea, JV	Omers Administration Corporation	(resigned 31 January 2019)
Newell, HM	GIC (Ventures) Pte Limited	(appointed 13 March 2019)
Noergaard, B	Canada Pension Plan Investment Board	(appointed 18 September 2019)
Quinlan, AJ	GIC (Ventures) Pte Limited	(appointed 18 September 2019)
Rishton, J	Canada Pension Plan Investment Board	
Butcher, PG [1]	alternate to JA Bryce and B Noergaard	
Hofbauer, PF	alternate to JB Coghlan	(appointment ceased 26 November 2019)
Newell, HM [2]	alternate to SN Hicks	(appointed 25 January 2019 and ceased 13 March 2019)

1 Appointed as alternate to B Noergaard on 18 September 2019.
2 Appointment as alternate to SN Hicks ceased on 13 March 2019 on resignation of SN Hicks.

Directors' report (continued)

3. **Directors** (continued)

Director	Role/Appointor	
Non-executive (continued)		
Pestrak, G	alternate to H Drissi Kaitouni	
Yashnikov, D	alternate to R Barr	(appointed 13 March 2019)
Yashnikov, D	alternate to P Maheshwari	(appointed 18 September 2019)
Yashnikov, D [3,4]	alternate to EPM Machiels, PA Busslinger and JV Morea	

3 Appointment as alternate to JV Morea ceased on 31 January 2019 on resignation of JV Morea.
4 Appointment as alternate to PA Busslinger ceased on 18 September 2019 on resignation of PA Busslinger.

4. Directors' indemnities

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

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

5. Dividends

The directors do not recommend the payment of a dividend (2018: £nil).

6. Human resources policies

The group's personnel resources strategy includes commitments to the highest possible standards of health and safety, equal opportunities, employee development, clear and fair terms of employment, access to information, provision of market-competitive salaries, incentive schemes and benefits, as well as the maintenance of effective relationships with unions and contractors. The group monitors a range of indicators to assist it with the management of its employees.

The group also monitors the gender and ethnic diversity of its employees and is committed to ensuring that all segments of its communities have the opportunity to participate in and contribute towards the success of its business.

The group is committed to giving full and fair consideration to applicants for employment who are disabled and to provide disabled employees with opportunities for training, career development and promotion. If an employee becomes disabled during their employment every effort is made to ensure that, wherever possible, the person can either continue in their present role or a different role by arranging appropriate training and making reasonable adjustments.

7. Corporate Governance Statement

The group recognises the importance of robust governance in meeting its strategic objectives and delivering shareholder value. In 2019, the group voluntarily adopted the Wates Corporate Governance Principles for Large Private Companies ('Wates Principles') as its corporate governance code. Details of how the group has applied the Wates Principles throughout the year and the group's governance framework, which follows best practice and is considered suitable for its ownership, size, structure and complexity of operations, are explained below.

Directors' Report (continued)

7. Corporate Governance Statement (continued)

Management and oversight of the ABPJ group, including principal and strategic decisions which affect the group, are undertaken by the Board of Associated British Ports Holdings Limited ("ABPH"), an indirect subsidiary of ABPJ and the parent company of the operating group, which includes Associated British Ports, the group's principal operating subsidiary. Further information on the principal and strategic decisions taken in 2019 can be found within the Annual Report and Accounts of ABPH. In this Corporate Governance Statement, references to the Board are to the Board of ABPH, unless otherwise stated.

The group's governance practices and rules are set out in a number of key documents, including: a Shareholders' Agreement between the group and its shareholders (as set out in note 30) which details certain reserved matters; Board Committees' terms of reference; the group risk management framework; and various group policies which inform the business on how to conduct its activities in line with our risk appetite and values.

7.1 Principle One – Purpose and Leadership

The group's ports are an integral part of supply chains within multiple sectors of the UK economy and our purpose is to support our customers in "Keeping Britain Trading". We seek to accomplish this by being recognised as the best port operator in the UK. Our purpose is aligned with, and built upon a foundation of, five core values: Health & Safety; Openness & Honesty; Teamwork & Respect; Making a Difference; and Exceeding Expectations. In 2019, the group completed a comprehensive strategic review during which its purpose was reconfirmed, along with a commitment to continuing to develop the group's culture in-line with our values.

The group is committed to a pro-active safety culture, ensuring a safe working environment and looking after the welfare of all our employees and port users. Safety culture is monitored through KPIs and also our 'Spot-It!' feedback system, which is designed to capture any safety, marine or environmental incident, near miss or observations that could cause injury or impact the environment, and to share best practice throughout the organisation. Other methods used by the group to monitor culture include: feedback at regular regional staff briefings undertaken by the Group Chief Executive Officer ("CEO") and other ABP Board members; employee engagement surveys; reviewing whistleblowing disclosures; and trade union engagement.

7.2 Principle Two – Board Composition

The Board of ABPH (which mirrors the Board of the company) comprises an independent Chairman, the CEO, the Chief Financial Officer ("CFO"), and ten Non-Executive Directors ("NEDs"), who are nominated by the group's shareholders. The appointment of the Chairman, the CEO and the CFO are made by the Board on the recommendation of the group Remuneration and Nomination Committee ("RemCo"). A list of directors and their alternates can be found on pages 12 and 13.

The Board benefits from directors with a broad range of skills, backgrounds and knowledge, who have held roles in a number of different sectors and industries. Biographies of the Directors, which detail their backgrounds and experience, can be found on the group's website at www.abports.co.uk. The group recognises the benefits of diversity on the Board and throughout the organisation and has continued to support efforts to increase gender diversity across the Maritime Industry, remaining a signatory of the Women in Maritime Taskforce Charter.

There is a clear division between the roles of the Chairman and CEO. The Chairman is responsible for overseeing the working of the Board and for setting the Board's agenda. The CEO has responsibility for strategy implementation, putting into effect decisions and policies made by the Board and for the day to day management of the group.

Directors' Report (continued)

7. Corporate Governance Statement (continued)

7.2 Principle Two – Board Composition (continued)

On appointment, directors receive a thorough tailored induction programme which includes port visits, meetings with members of senior management, and meetings with the group's internal and external auditors. In addition, directors receive training on their duties and other key legislation/regulation, as required. Board meetings are held at different ports twice a year, so directors have the opportunity to tour locations and meet local staff. Customer visits and meetings are also organised from time to time to enable the Board to engage with this key stakeholder group.

7.3 Principle Three – Director Responsibilities

The Board is responsible for the governance framework within which the group operates. It sets the strategy and direction of the group, reviews performance, ensures that appropriate controls and standards are applied and that the group has adequate funding. Each director has a clear understanding of their accountability and responsibilities.

The Board formally meets five times a year, with ad hoc meetings held as necessary, to ensure matters are considered and progressed in a timely manner. To enable the Board to discharge its duties effectively, directors receive appropriate and timely information on the group's business and financial performance. The group's finance function is staffed by appropriately qualified individuals who ensure the integrity of financial information provided to the Board. The group is externally audited by EY, with internal audit services provided by KPMG and other industry specialists to assess financial and other internal controls and health and safety processes. Procedures are in place to deal with any director conflicts of interest. Where actual or potential conflicts are identified appropriate safeguards are put in place, which may include excluding directors from discussion and papers in respect of certain matters.

The Board has a schedule of matters reserved for its consideration and certain matters require the approval of the group's shareholders. The Company Secretary maintains an annual calendar to ensure that matters, including strategy, business planning, operational deep dives, treasury, risk and governance are considered by the Board at appropriate times in the business cycle. Papers for Board meetings are circulated in advance to ensure sufficient time for directors' review and consideration.

During 2019, an internal Board evaluation exercise was conducted to obtain directors' feedback on how the Board was operating. Whilst it was felt that the Board was working effectively, some areas for improvement were suggested and specific actions agreed, which are being progressed.

Board Committees

The Board has delegated certain matters to the Audit and Risk Committee and RemCo, which consider specific items and recommend matters to the Board for approval. Both committees have their own terms of reference and their membership is comprised entirely of NEDs who are able to provide appropriate challenge and are independent of management. A review of the committees' effectiveness is undertaken annually.

Directors' Report (continued)

7. Corporate Governance Statement (continued)

7.4 Principle Four – Opportunity and Risk

The Board is committed to the long-term sustainable growth of the group and to seeking opportunities whilst ensuring effective oversight and mitigation of risk. Longer term and strategic initiatives to create value are identified through the strategic review, annual five-year planning exercises and the Port Master Planning process. This also enables the business to determine the level of long-term infrastructure investment that may be required to secure and achieve growth. Other opportunities may be identified by the Executive Team during quarterly business reviews and day to day activities.

The Board recognises the importance of effective risk management to preserve value. The group's risk appetite is set by the Board and, together with the risk management policy, is reviewed at least annually. Processes are in place within the group to ensure that inherent and emerging risks are identified in a timely manner and are then appropriately managed. The group maintains risk registers covering key operational and strategic risks and regular reports are provided to the Audit and Risk Committee, as part of their oversight of risk management and controls. Proposals for Board approval, including for material capital expenditure, are always required to detail risk considerations and mitigation. Further information on the company's principal and financial risks can be found in the Strategic Report on page 5.

7.5 Principle Five – Remuneration

The group is committed to executive remuneration structures which are aligned to our culture and values and promote the long-term sustainable success of the business and the interests of the group's shareholders. The group's policy is to provide appropriate and fair levels of remuneration and incentives at a level which attracts and retains high-quality directors, senior management and staff.

The remuneration of the Chairman, CEO and CFO is determined by the Board, on the recommendation of the RemCo. In line with its terms of reference, RemCo seeks to provide responsible incentives that encourage enhanced performance and reward individual contributions to the long-term strategic goals of the group. When considering the remuneration of the Chairman, CEO and CFO, and annual salary increases, the RemCo takes into account the pay and conditions across the group. No director is present during discussion of their own remuneration.

The group annually approves and publishes the ABP Gender Pay Gap Report, which details the steps taken to reduce the pay gap between men and women. This has included the implementation of flexible working options, new fixed shift patterns and focusing on increasing female recruitment into management roles.

7.6 Principle Six – Stakeholder Relationships and Engagement

The group recognises the impact its decisions can have on its internal and external stakeholders and understands the importance of engagement with stakeholders to achieving its long-term strategy. Further information on the group's stakeholders and engagement methods can be found in the Strategic Report on page 8.

8. Auditor re-appointment

In accordance with s.487 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)

9. Matters disclosed in the strategic report

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

- Financial risk management objectives and policies and details of the group's exposure to liquidity, interest rate, foreign exchange, credit and capital risk and other risk disclosures;
- Employee involvement and engagement and how the directors have had regard to employee interests and the need to foster business relationships with stakeholders; and
- Important events after the reporting period and likely future developments in the business.

10. Audit information

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

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

By Order of the Board

ABP Secretariat Services Limited
Secretary
25 Bedford Street, London, WC2E 9ES
6 April 2020

Company number: 07847153

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 group and parent 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 and financial position of the company and of the group and of the profit or loss of the group. In preparing those accounts, the directors are required to:

- present fairly the financial position, financial performance and cash flows of the group and 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 group and company's financial position and financial performance; and
- state that the group and 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 group's and the company's transactions, to disclose with reasonable accuracy, at any time, the financial position of the group and company at that time, and to enable them to ensure that the group and company accounts comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and 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 ABPA HOLDINGS LIMITED

Opinion

We have audited the financial statements of ABPA Holdings Limited ('the parent company') and its subsidiaries (the 'group') for the year ended 31 December 2019 which comprise the Group Income Statement, the Group Statement of Comprehensive Income, the Group and Parent Company Balance Sheets, the Group and Parent Company Statements of Cash Flows, the Group and Parent Company Statements of Changes in Equity and the related notes 1 to 31 for the Group and 1 to 14 for the Parent Company, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the group's and of the parent company's affairs as at 31 December 2019 and of the group's loss for the year then ended;
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Emphasis of Matter – Covid-19

We draw attention to note 1.1 "Going Concern" and note 31 "Events after the reporting period" of the financial statements, which describes the impacts the company is facing as a result of COVID-19. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ABPA HOLDINGS LIMITED (continued)

Other information

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

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ABPA HOLDINGS LIMITED (continued)

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 18, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

Ernst & Young LLP

Lloyd Brown (Senior statutory auditor)
for and on behalf of Ernst & Young LLP
London
6 April 2020

Group income statement for the year ended 31 December

	Note	2019 £m	2018* £m
Revenue**[**]**	2	**611.6**	587.0
Cost of sales		**(278.5)**	(248.7)
Gross profit		**333.1**	338.3
Administrative expenses		**(195.8)**	(99.7)
Increase in fair value of investment properties	12	**35.6**	35.1
Operating profit	3	**172.9**	273.7
Analysed between:			
Underlying operating profit before the following items:		**242.0**	261.7
Depreciation and amortisation of fair value uplift of assets acquired in a business combination	3	**(16.8)**	(17.1)
Impairment of fixed assets	9, 10	**(72.3)**	-
Increase in fair value of investment properties	12	**35.6**	35.1
Net unrealised loss on fuel derivatives		**-**	(0.7)
Exceptional items	3	**(15.6)**	(5.3)
		172.9	273.7
Finance costs	6	**(417.9)**	(452.0)
Net unrealised (loss)/gain on derivatives at fair value through profit and loss	6	**(124.0)**	95.1
Finance income	6	**46.2**	29.4
Loss before taxation		**(322.8)**	(53.8)
Taxation credit/(charge)	7	**22.2**	(41.0)
Loss for the year attributable to equity shareholder		**(300.6)**	(94.8)

[*] 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 year the Group restated Utilities revenue that had been erroneously presented net of associated costs. Refer to Note 1.6 for further detail

The exceptional items relate to restructuring costs initiated as part of Associated British Ports' ("ABP") change programme and part of a provision made for expected credit losses following a customer entering insolvency. The costs relating to the change programme are disclosed separately as management considers them to be material and they relate to the restructuring of ABP's activities.

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

Group statement of comprehensive income for the year ended 31 December

	Note	2019 £m	2018* £m
Loss for the year attributable to equity shareholder		**(300.6)**	(94.8)
Other comprehensive income/(expense):			
Other comprehensive income/(expense) not to be reclassified to profit and loss in subsequent periods:			
Surplus arising on revaluation of investment property	12	**19.5**	3.9
Deferred tax on revaluation of investment property	22	**(4.8)**	5.4
Remeasurement (loss)/gain relating to net retirement benefit liabilities	15	**(32.0)**	36.4
Deferred tax associated with the remeasurement gain/ (loss) relating to net retirement benefit liabilities	22	**3.6**	(6.5)
Other comprehensive (expense)/income for the year, net of tax		**(13.7)**	39.2
Total comprehensive expense for the year, net of tax, attributable to equity shareholder		**(314.3)**	(55.6)

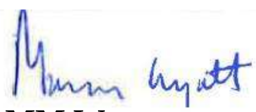
* At 1 January 2019, the group adopted IFRS 16 using the modified retrospective method. Under this method the 2018 comparative is not restated. Further details are set out in note 1.2.

Group balance sheet as at 31 December

	Note	2019 £m	2018* £m
Assets			
Non-current assets			
Goodwill	8	**1,051.9**	1,051.9
Intangible assets	9	**122.1**	194.4
Property, plant and equipment	10	**1,805.1**	1,754.8
Right of use assets	11	**8.3**	-
Investment property	12	**2,042.6**	1,957.5
Retirement benefit assets	15	**21.3**	43.3
Derivative financial instruments	17	**181.3**	176.9
Trade and other receivables	13	**7.1**	6.8
		5,239.7	5,185.6
Current assets			
Property and land held for sale	14	**0.9**	3.7
Derivative financial instruments	17	**11.5**	12.3
Trade and other receivables	13	**288.2**	272.2
Cash and cash equivalents		**38.3**	37.8
		338.9	326.0
Total assets		**5,578.6**	5,511.6
Liabilities			
Current liabilities			
Borrowings	16	**(20.8)**	(18.9)
Derivative financial instruments	17	**(52.6)**	(52.2)
Trade and other payables	19	**(82.9)**	(90.1)
Deferred revenue	20	**(24.0)**	(23.4)
Provisions	21	**(15.5)**	(15.7)
		(195.8)	(200.3)
Non-current liabilities			
Borrowings	16	**(5,549.9)**	(5,274.4)
Derivative financial instruments	17	**(938.1)**	(810.6)
Retirement benefit liabilities	15	**(60.7)**	(61.7)
Deferred revenue	20	**(62.7)**	(68.3)
Provisions	21	**(13.8)**	(14.0)
Deferred tax liabilities	22	**(77.1)**	(85.4)
Other non-current liabilities		**(0.4)**	(2.1)
		(6,702.7)	(6,316.5)
Total liabilities		**(6,898.5)**	(6,516.8)
Net liabilities		**(1,319.9)**	(1,005.2)
Shareholder’s deficit			
Share capital	23	**-**	-
Revaluation reserve		**904.0**	849.5
Other reserve		**1,000.0**	1,000.0
Accumulated losses		**(3,223.9)**	(2,854.7)
Total shareholder’s deficit		**(1,319.9)**	(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 but has been reanalysed to conform to current presentation. Further details are set out in note 1.2.

The financial statements were approved by the Board on 6 April 2020 and signed on its behalf by:



MM Wyatt
Director

Group statement of cash flows for the year ended 31 December

	Note	2019 £m	2018* £m
Cash flows from operating activities			
Cash generated by operations	24	**295.1**	314.4
Interest paid		**(164.2)**	(222.6)
Interest received		**16.8**	21.8
Lease interest paid		**(0.8)**	-
Income tax paid		**(14.7)**	(8.2)
Net cash inflow from operating activities		**132.2**	105.4
Cash flows from investing activities			
Acquisition of subsidiary undertaking		**-**	(7.8)
Proceeds from sale of property, plant and equipment		**1.4**	1.1
Proceeds from sale of investment property		**0.1**	-
Proceeds from sale of property and land held for sale		**6.5**	4.7
Purchase of intangible assets		**(28.0)**	(37.4)
Purchase of property, plant and equipment		**(122.2)**	(79.8)
Purchase of investment property		**(21.6)**	(31.8)
Net cash outflow from investing activities		**(163.8)**	(151.0)
Cash flows from financing activities			
New borrowings		**35.0**	-
Payment of transaction costs on issue of borrowings		**(0.7)**	(1.0)
Repayment of obligations under finance leases		**-**	(0.6)
Payment of principal portion of lease liabilities		**(2.2)**	-
Net cash outflow from financing activities		**32.1**	(1.6)
Change in cash and cash equivalents during the year		**0.5**	(47.2)
Cash and cash equivalents at 1 January		**37.8**	85.0
Cash and cash equivalents at 31 December		**38.3**	37.8

* 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.

Group statement of changes in equity for the year ended 31 December

	Share capital £m	Revaluation reserve[1] £m	Other reserve[2] £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*	-	(0.6)	-	0.2	(0.4)
At 1 January 2019	-	848.9	1,000.0	(2,854.5)	(1,005.6)
(Loss)/profit for the year	-	35.6	-	(336.2)	(300.6)
Other comprehensive (expense)/income	-	19.5	-	(33.2)	(13.7)
Total comprehensive (expense)/income	-	55.1	-	(369.4)	(314.3)
At 31 December 2019	**-**	**904.0**	**1,000.0**	**(3,223.9)**	**(1,319.9)**

	Share capital £m	Revaluation reserve[1] £m	Other reserve[2] £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)/profit for the year	-	35.1	-	(129.9)	(94.8)
Other comprehensive income	-	3.9	-	35.3	39.2
Total comprehensive (expense)/income	-	39.0	-	(94.6)	(55.6)
Transfer from reserve	-	(0.5)	-	0.5	-
At 31 December 2018*	**-**	**849.5**	**1,000.0**	**(2,854.7)**	**(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.

1 The revaluation reserve is used to record unrealised increases in the fair value of fixed assets, primarily investment properties.

2 The other reserve represents amounts forgiven by the parent undertaking for no consideration where the group de-recognised the amounts forgiven by the parent undertaking and recognised an equivalent amount in other reserve.

Notes to the financial statements

1. Accounting policies

1.1 Basis of preparation

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

The consolidated 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 directors have carried out a review 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 year ended 31 December 2019 the group generated cash from operations of £295.1m and the group expects to maintain strong cashflow generation;
- The group had net liabilities of £1,319.9m, these include:
  - external senior long term borrowings of £2,273.0m that are not due until between the second half of 2021 and 2042;
  - subordinated long-term loans, including accrued interest, due to its immediate parent undertaking ABP SubHoldings UK Limited (“ABPS”) of £3,269.8m; and
  - long dated derivative financial instrument liabilities classified as non-current of £938.1m 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 18.

The Group’s business plan was developed before the spread of the Covid19 virus. Management are monitoring the impact of the virus and do not expect it to adversely impact the going concern assumption; based on the significant proportion of revenue that is contractually guaranteed, limited impact from the virus to date, and the group’s ability to take effective mitigating actions to counter downside scenarios. The group has already instigated certain costs saving and capex reduction initiatives. Management have re-forecast the group’s results and have modelled different scenarios including a severe downside scenario where headroom against the leverage covenant becomes limited within the going concern period, before further mitigating actions. If the actual results are significantly worse than forecast, the group has the option of pursuing further mitigating measures that are under its own control to cut costs and preserve cash. These include further reductions in variable staff and other variable costs to match reduced activity, delaying or freezing EBITDA enhancing capex projects and if the downside period persists then reviewing costs for further savings. As a result of the actions already taken to date and further contingency plans to react to a more adverse scenario, management have concluded that the group should generate sufficient cash and EBITDA to continue as a going concern and to avoid breaching its loan covenants.

Liquidity risk is principally managed by maintaining cash and borrowing facilities at a level that is forecast to provide reasonable headroom in excess of the expected future needs of the group. As at 31 December 2019, the group had access to £365m of committed and undrawn borrowing facilities, which are available for between two and four years. A further £115m has been drawn against these facilities in 2020 to provide additional liquidity as a buffer against the possible impacts of the Covid-19 virus. Debt maturities are spread over a range of dates, ensuring the group is not exposed to a material refinancing in any one year (see note 1 on going concern and note 18 on financial risk

Notes to the financial statements

1. **Accounting policies** (continued)

1.1 **Basis of preparation** (continued)

Going concern basis (continued)
management). In addition, the group has in place £165m of debt service reserve liquidity facilities to cover annual interest costs. These are renewed annually and are drawn with a final maturity of 2042 if not renewed.

Given the nature, maturity dates and counterparties of the group's liabilities (as set out in notes 16, 17 and 18), as well as the group's track record of its ability to refinance debt and generate cash flows, notwithstanding the impact of the Covid-19 virus, 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.

Statement of compliance
These consolidated 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.

Basis of consolidation
The consolidated financial statements include the accounts of the company and all its subsidiary undertakings (fully consolidated). The group's subsidiary undertakings prepare their financial statements under IFRSs as adopted by the European Union and for the same reporting period as the parent company using consistent accounting policies, except the Dowds group and RPM Industrial Site Services Limited ("RPM") both of which report under Financial Reporting Standard 102, applicable in the United Kingdom and Republic of Ireland.

For consolidation purposes, the financial statements of the Dowds group and RPM are converted to IFRS, which did not have a material impact on the Dowds group's or RPM's financial statements. All intra-group balances and transactions are eliminated in full.
The results of subsidiary undertakings acquired are included from the date of acquisition (being the date control is obtained), using the acquisition method of accounting.

1.2 **Changes in accounting policies**

Changes in accounting policy

New standards and amendments adopted
In preparing these consolidated financial statements the group has implemented the following new standard effective for the first time for the annual reporting period commencing 1 January 2019:

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 most 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.

Notes to the financial statements

1. **Accounting policies** (continued)

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

New standards and amendments adopted (continued)
The group adopted the new standard on 1 January 2019 using the modified retrospective approach 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 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 relevant leases previously classified as operating leases. 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.

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.

Notes to the financial statements

1. **Accounting policies** (continued)

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

New standards and amendments adopted (continued)

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	9.9
Investment property	1.3
Trade and other receivables	0.4
Total non-current assets	**10.3**
Current assets	
Trade and other receivables	(0.3)
Total current assets	**(0.3)**
Total assets	**10.0**

	(Increase)/decrease £m
Liabilities	
Current liabilities	
Borrowings	(1.4)
Trade and other payables	0.1
Total current liabilities	**(1.3)**
Non-current liabilities	
Borrowings	(9.8)
Trade and other payables	0.7
Total non-current liabilities	**(9.1)**
Total liabilities	**(10.4)**

	(Increase)/decrease £m
Shareholder's deficit	
Revaluation reserve	0.6
Accumulated losses	(0.2)
Total shareholder's deficit	**0.4**

Notes to the financial statements

1. **Accounting policies** (continued)

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

New standards and amendments adopted (continued)

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	(3.1)
Add:	
Commitments relating to leases previously classified as finance leases	19.2
Additional commitments due to change in definition of lease payments	1.1
	42.8
Weighted average incremental borrowing rate as at 1 January 2019	7.0%
Discounted operating lease commitments as at 1 January 2019	13.0
Lease liabilities as at 1 January 2019	**13.0**

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

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 group's current financial year. The directors do not anticipate that the adoption of the new standards, amendments and interpretations 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, interpretation or amendment that has been issued but is not yet effective.

1.3 **Critical estimates, judgements and assumptions**

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

Estimates
The critical estimates in applying these policies are as follows:
- Goodwill impairment – note 8
- Intangible assets impairment – note 9
- Valuation of investment property – note 12
- Valuation of defined benefit pension scheme liabilities – note 15
- Valuation of derivatives – notes 17 and 18
- Provisions for retrospective industrial diseases – note 21

Notes to the financial statements

1. **Accounting policies** (continued)

1.3 **Critical estimates, judgements and assumptions** (continued)

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

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

1.4 **Significant accounting policies**

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

Revenue recognition
Revenue comprises the amounts receivable in respect of contracts with customers and rental income from investment properties.

Revenue from contracts with customers
Revenue from contracts with customers is recognised when the performance obligations under the contract have been satisfied. The allocation of the transaction price to the performance obligations depends on the type of service being provided.

- Call revenue is related directly to the visit of a vessel to the port and includes fees for pilotage, conservancy, environmental charges, dues for accessing the port, and mooring fees. Each service is a performance obligation and revenue is recognised once provision of the service is complete. All call related performance obligations are completed once a vessel has docked at the port.
- Traffic revenue is related to the volumes of cargo crossing the quay and primarily consists of consolidated rate charges covering multiple services including cargo dues, passenger dues, carriage and the loading and unloading of cargo from vessels. Each service is an individual performance obligation. Revenue is allocated to each service based on the estimated standalone selling price of that service, usually based on a tariff rate. Revenue is recognised once provision of the service is complete.
- Cargo operations revenue relates to the handling, processing and storage of cargo before or after it has been loaded to a vessel. Each process or service is a performance obligation and usually has an identifiable selling price. Revenue is recognised when the process or service is complete. Storage revenue is recognised over the period that the cargo is stored.
- Shortfall revenue relates to contracts with customers that have minimum volume guarantees which, if not achieved by the customer result in additional revenue to the group to cover the shortfall in volumes. These shortfall revenues, are assessed both over the life of the contract as well as each reporting period end, and subsequently recognised over the remaining term of the contract when it is highly probable a significant reversal will not occur.

Notes to the financial statements

1. **Accounting policies** (continued)

1.4 **Significant accounting policies** (continued)

Revenue recognition (continued)

- Fixed revenue does not vary with the number of vessel visits, volumes of cargo or any other measure of customer activity, and primarily consists of fixed payments to compensate the group for investments in capital infrastructure for specific customers. Fixed revenue is largely recognised over time, spread over the term of the underlying contract.
- Utilities revenue relates to the supply of electricity and other services to tenants. Revenue is recognised as utilities are supplied.
- Dredging revenue relates to dredging services both for specific customers at our own ports and by ABP's dredging operations working in non-ABP locations. Revenue is recognised when the dredging work is completed.
- Other revenue consists of individual services provided to customers, primarily sales of environmental consultancy services and provision of marina facilities. Each service is a performance obligation and revenue is recognised at a point in time when the performance obligation is complete or, where appropriate, over time as the service is provided. Where revenue is recognised over time the transaction price is allocated based on the time spent on the performance obligation in the period of recognition against the time the performance obligation will take to complete.

If a customer pays consideration before the performance obligations under the contract are completed, a contract liability is recognised at the earlier of the date payment is made or is due. Contract liabilities are recognised as revenue when the performance obligations are complete.

Agent versus principal relationships
When a third party is involved in providing goods or services to the group's customers, management determines whether the group is a principal or an agent in these transactions by evaluating the nature of the promise to the customer. The group is a principal and records revenue on a gross basis if it controls the promised goods or services before transferring them to the customer. If the group's role is only to arrange for a third party to provide the goods or services then the group is an agent and will record revenue at the net amount that it retains for its agency services.

Lease income from investment properties
Lease payments from operating leases are recognised as lease income over the lease term on a straight line basis. Variable lease income is recognised as lease income in the period in which it is earned.

Impairment of non-financial assets
The group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or a cash-generating unit's fair value less costs of disposal and its value in use, and is determined for an individual asset unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Notes to the financial statements

1. **Accounting policies** (continued)

1.4 **Significant accounting policies** (continued)

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

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

Impairment of non-financial assets (continued)
For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the group estimates the asset's recoverable amount.

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

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

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

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

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the group's CGUs that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

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

Notes to the financial statements

1. **Accounting policies** (continued)

1.4 **Significant accounting policies** (continued)

Investment property

Property (including land held for development and property held by the group as a right of use asset under a lease) is classified as investment property if:

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

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

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

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

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

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

Notes to the financial statements

1. **Accounting policies** (continued)

1.4 **Significant accounting policies** (continued)

Property, plant and equipment

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

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

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

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

Retirement benefits

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

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

The group participates in a number of multi-employer defined benefit pension schemes. Where the group is able to determine its share of the assets and liabilities on a consistent and reliable basis it accounts for these schemes as defined benefit schemes; where it is unable, it accounts for these schemes as defined contribution schemes. Further information on these schemes is contained within note 15.

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

Notes to the financial statements

1. **Accounting policies** (continued)

1.4 **Significant accounting policies** (continued)

Financial instruments

The group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. A trade receivable represents the group’s right to an amount of consideration that is billed and unconditional (i.e. only the passage of time is required before payment of the consideration is due). Accrued income is revenue that has been earned but not yet billed due to the timing of revenue recognition being different from contract payment schedules. Accrued income is considered as a contract asset when revenue is being recognised under IFRS 15 and consideration is conditional (i.e. meeting a condition other than the passage of time is required before payment of the consideration is due).

Finance lease receivables are recorded in the balance sheet at the present value of lease payments to be made over the lease term discounted using the interest rate implicit in the lease. The lease payments include fixed payments less any lease incentives payable, variable lease payments that depend on an index or a rate, and amounts expected to be received under residual value guarantees. Variable lease income that does not depend on an index or a rate is recognised as revenue in the period in which it is earned.

After the commencement date, finance income is recognised over the lease term based on a pattern reflecting a constant periodic rate of return and increases the finance lease receivable. The finance lease receivable is reduced for the lease payments received. In addition, the carrying amount of finance lease receivables 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 sell the underlying asset. The amount of the remeasurement of the finance lease receivable is recognised as a modification gain or loss in profit or loss.

At each reporting date, the group performs an impairment analysis for all trade and other receivables to measure the allowance for expected credit losses (“ECLs”). ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for default events that are possible within the next 12 months. For credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is calculated for credit losses expected over the remaining life of the exposure, irrespective of the expected timing of the default. For trade receivables and contract assets, the group applies a simplified approach in calculating ECLs whereby the group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Movements in the provision for expected credit losses of receivables are recorded within administrative expenses.

Notes to the financial statements

1. **Accounting policies** (continued)

1.4 **Significant accounting policies** (continued)

Financial instruments (continued)

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

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

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

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

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 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 this increases the amount of lease liabilities. The lease liabilities are reduced by the capital and interest 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 of an option 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.

Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the group income statement.

Notes to the financial statements

1. **Accounting policies** (continued)

1.4 **Significant accounting policies** (continued)

Financial instruments (continued)
When the contractual cash flows are renegotiated or modified but do not result in the derecognition of the financial liability, the difference between the net present value of the modified contractual cash flows discounted at the financial liability's original effective interest rate and the present value of the existing financial liability is recognised in profit or loss.

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

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

Financial assets and financial liabilities are offset and the net amount is reported in the group balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis and to realise the assets and settle the liabilities simultaneously.

1.5 **Other accounting policies**

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

Interest income
Interest income is calculated and recorded using the effective interest method. Interest income is included in finance income in the income statement.

Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets, including qualifying assets within investment properties measured at fair value. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that the group incurs in connection with the borrowing of funds. Interest expense is calculated and recorded using the effective interest method.

Leases
From 1 January 2019 leases were recognised under IFRS 16.

Group as lessee
The group applies a single recognition and measurement approach for all leases except for short term leases and leases of low value assets. The group applies the short term lease recognition exemption to its leases with a lease term of 12 months or less and also applies the lease of low value assets recognition exemption to leases that are considered of low value.

Notes to the financial statements

1. **Accounting policies** (continued)

1.5 **Other accounting policies** (continued)

Leases (continued)

Lease payments on short term leases and leases of low value assets are recognised as expenses on a straight-line basis over the lease term.

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 classified as investment property and subsequently measured at fair value. Refer to the investment property accounting policy set out in note 1.4 under Investment Property.

The accounting policies for lease liabilities are set out in note 1.4 under Financial Instruments.

Group as lessor
Leases where the group does not transfer substantially all the risks and rewards incidental to ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as lease income. Variable lease income is recognised as lease income in the period in which it is earned.

Leases where the group does transfer substantially all the risks and rewards incidental to ownership of the asset are classified as finance leases. Finance leases are recorded in the balance sheet as a receivable, at an amount equal to the net investment in the lease. The accounting policies for finance lease receivables are set out in note 1.4 under Financial Instruments.

Until the adoption of IFRS 16 on 1 January 2019, leases were recognised under IAS 17 and related Interpretations:

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

Notes to the financial statements

1. **Accounting policies** (continued)

1.5 **Other accounting policies** (continued)

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

Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the group will obtain ownership by the end of the lease term the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

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

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

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

Customer relationships are amortised over periods of between 2 years and 30 years from acquisition on a straight-line basis.

Software is amortised over periods of between 2 years and 15 years on a straight-line basis from the time the asset is available for use.

Other intangible assets are amortised over periods of between 2 years and 25 years from acquisition on a straight-line basis.

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

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

Notes to the financial statements

1. **Accounting policies** (continued)

1.5 Other accounting policies (continued)

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

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

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

Provisions
Provisions are recognised when the group has an obligation in respect of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount. Provisions are discounted when the time value of money is considered material.

Business combination
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 *Financial Instruments*, is measured at fair value with the changes in fair value recognised in the group income statement in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

Goodwill
Goodwill arising on a business combination, representing the excess of the cost of acquisition over the fair value of the identifiable assets less liabilities and contingent liabilities acquired, is capitalised in the year in which it arises and is thereafter subject to impairment reviews annually and when there are indications that the carrying value may not be recoverable.

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

Notes to the financial statements

1. **Accounting policies** (continued)

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

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

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

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

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

1.6 ***Prior year error***
Principal versus agent consideration
During the year the Group identified that it had erroneously presented revenue from the sale of utilities to customers net of associated costs, i.e. on an agency basis, instead of on the principal basis. The Group has assessed that it is acting as principal as it controlled the utilities before they were transferred to the customer. In particular the Group is primarily responsible for fulfilling the promise to provide utilities, and the Group has discretion in setting the price for the utilities. Revenue and Cost of sales have therefore been restated on the gross basis for the period ended 31 December 2018.

The impact on the Group Income Statement is as follows:

Group income statement for the year ended 31 December 2018

	Note	**Reported 2018 £m**	**Restatement £m**	**Restated 2018 £m**
Revenue	2	577.6	9.4	**587.0**
Cost of sales		(239.3)	(9.4)	**(248.7)**
Gross profit		338.3	**-**	**338.3**

There is no impact on the Group Balance sheet and Group statement of Cash Flows for the period ended 31 December 2018.

Notes to the financial statements

2. Revenue

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

	2019 £m	Restated** 2018* £m
Revenue		
Call	**97.7**	96.6
Traffic	**262.1**	250.5
Cargo operations	**47.3**	40.0
Shortfall	**13.2**	8.2
Utilities	**18.0**	17.3
Dredging	**12.6**	9.2
Fixed	**11.0**	11.6
Other	**20.8**	22.1
Total revenue from contracts with customers	**482.7**	455.5
Rental income from investment properties	**128.9**	131.5
Total lease income	**128.9**	131.5
Total revenue	**611.6**	587.0

* At 1 January 2019, the group adopted IFRS 16 using the modified retrospective method. Under this method the 2018 comparative is not restated but has been reanalysed to conform to current analysis. Further details are set out in note 1.2.
** During the year the Group restated Utilities revenue that had been erroneously presented net of associated costs. Refer to Note 1.6 for further detail

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. Invoiced revenue should be received in accordance with the terms agreed within the revenue contract.

During 2019 lease income excluding variable lease income amounted to £128.9m and variable lease income amounted to £nil. Income from subleasing right of use assets amounted to £nil.

Revenue from contracts with customers

The transaction price allocated to performance obligations that are unsatisfied or partially satisfied as at 31 December is as follows:

	2019 £m	2018 £m
Not later than one year	**2.3**	3.5
More than one year	**-**	0.1
Total	**2.3**	3.6

The remaining performance obligations expected to be recognised not later than one year primarily relate to the residual value of fixed price projects which are in progress and consolidated rate charges covering multiple performance obligations where the unsatisfied performance obligations are expected to be completed not later than one year from 31 December 2019.

Notes to the financial statements

3. Operating profit

Operating profit is stated after charging/(crediting):

	2019 £m	2018* £m
Depreciation		
Property, plant and equipment – included in cost of sales	**76.4**	72.4
Property, plant and equipment – included in administrative expenses	**1.0**	2.5
Property, plant and equipment – acquisition related adjustments included in cost of sales	**4.1**	4.4
Right of use assets – included in cost of sales	**1.4**	-
Right of use assets – included in administrative expenses	**0.8**	-
Amortisation and write off		
Intangible assets – included in cost of sales	**1.1**	1.1
Intangible assets – included in administrative expenses	**9.3**	1.8
Intangible assets – acquisition related adjustments included in administrative expenses	**12.7**	12.7
Impairment of fixed assets		
Property, plant and equipment – included in administrative expenses	**1.6**	-
Intangible assets – included in administrative expenses	**70.7**	-
Profit on write off of intangibles and disposal of property, plant and equipment, investment property, property and land held for sale and right of use assets	**(1.0)**	(2.9)
Operating lease rentals payable		
Property, plant and equipment	**-**	3.8
Expense relating to short term leases	**3.0**	-
Expense relating to leases of low value assets	**0.4**	-
Variable lease expense	**0.2**	-
Repairs and maintenance expenditure on investment property and property, plant and equipment	**21.2**	17.6
Third party labour and sub-contractor haulage	**41.0**	27.9
Utilities and fuel	**30.6**	18.6
Expected credit losses of trade and other receivables	**5.3**	0.4
Exceptional items		
Associated British Ports' change programme		
Staff costs provided (note 5)	**0.8**	1.4
Other costs provided	**0.6**	0.3
Staff costs charged directly to the income statement (note 5)	**8.3**	1.6
Other costs charged directly to the income statement	**3.1**	2.0
Other	**2.8**	-

* 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.

Other exceptional item of £2.8m (2018: £nil) includes part of the provision made for expected credit losses not expected to be recovered through increase revenue from ongoing services provided to the administrator following a customer entering insolvency.

Notes to the financial statements

4. Audit fees

Remuneration received by Ernst & Young LLP is detailed below and has been borne by a subsidiary undertaking.

	2019 £'000	2018 £'000
Fees payable to the group's auditor for the audit of the company's annual accounts	**285.4**	235.0
Fees payable to the group's auditor in respect of:		
Audit of the accounts of the group companies	**359.6**	320.0
Other services	**10.0**	9.0

In addition to the above services, Ernst & Young LLP acted as auditor to the group's main defined benefits pension scheme – The Associated British Ports Group Pension Scheme. The appointment of auditors to the group's pension schemes and the fees paid in respect of those audits are agreed by the trustees of each scheme, who act independently from the management of the group. The aggregate fees paid to the group's auditor for audit services to the pension schemes during the year were £26,950 (2018: £16,977).

5. Directors and employees

Staff costs are analysed as follows:

Staff costs	2019 £m	2018 £m
Wages and salaries	**104.9**	97.1
Social security costs	**11.4**	10.6
Pension costs (note 15)	**12.2**	12.1
	128.5	119.8
Exceptional items	**9.1**	3.0
Total staff costs	**137.6**	122.8

During 2019 exceptional staff costs of £9.1m (2018: £3.0m) were recognised as part of the £12.8m (2018: £5.3m) restructuring costs in relation to Associated British Ports' change programme.

The monthly average number of people employed during the year was 2,503 (2018: 2,344).

Directors emoluments are analysed as follows:

Emoluments paid to directors of the company	2019 £m	2018 £m
Short-term employee benefits	**3.2**	2.6
Post-employment benefits	**0.1**	0.1
Other long-term benefits	**-**	0.7
Total directors emoluments	**3.3**	3.4

Emoluments comprise amounts paid to the directors of the company who served during the year, by the company and its subsidiary undertakings.

Notes to the financial statements

5. **Directors and employees** (continued)

Key management compensation is analysed as follows:

Key management compensation	2019 £m	2018 £m
Short-term employee benefits	**5.2**	5.4
Post-employment benefits	**0.4**	0.4
Other long-term benefits	**0.3**	1.6
Termination benefits	**0.4**	0.2
Total key management compensation	**6.3**	7.6

Key management comprises the directors of the company and of the group's principal subsidiary undertakings, Associated British Ports Holdings Limited and Associated British Ports, who served during the year.

Four (2018: four) directors of the company are eligible to join the defined contribution section of the Associated British Ports Group Pension Scheme. At 31 December 2019, no (2018: nil) director is a member of the defined contribution scheme and three (2018: three) directors received an allowance for contributions towards pension schemes unconnected with the group.

Highest paid director	2019 £m	2018 £m
Short-term employee benefits	**1.5**	0.9
Other long-term benefits	**0.1**	0.4
Total highest paid director	**1.6**	1.3

For further disclosure of amounts paid to the shareholders for the directors of the group refer to note 25.

Notes to the financial statements

6. Finance costs/(income)

	2019 £m	2018* £m
Interest on term and revolving facilities	**5.4**	5.0
Interest on private placement notes	**46.7**	44.8
Interest on public loan notes	**44.9**	44.4
Interest on amounts due to parent undertaking	**251.9**	255.8
Interest on lease liabilities	**0.9**	-
Foreign exchange losses	**-**	28.4
Amortisation of borrowing costs and discount on issue	**2.0**	2.6
Net interest charge on net defined benefit liabilities	**0.4**	1.3
Other finance costs	**2.7**	3.3
Less: interest capitalised on non-current assets under construction	**(2.0)**	(4.9)
Finance costs on financial assets and liabilities held at amortised cost	**352.9**	380.7
Interest cost on derivatives at fair value through profit and loss	**65.0**	71.3
Finance costs	**417.9**	452.0
Interest on amounts due from parent undertaking	**(9.8)**	(9.8)
Foreign exchange gains	**(20.0)**	(0.6)
Other finance income	**(0.8)**	(0.5)
Finance income on financial assets and liabilities held at amortised cost	**(30.6)**	(10.9)
Interest income on derivatives at fair value through profit and loss	**(15.6)**	(18.5)
Finance income	**(46.2)**	(29.4)
Net unrealised loss/(gain) on derivatives at fair value through profit and loss	**124.0**	(95.1)
Net finance costs	**495.7**	327.5

* 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.

During the year finance income recognised on the net investment in the finance lease receivable included within other finance income totalled £nil and variable lease income from finance leases totalled £nil.

Notes to the financial statements

7. Taxation **Analysis of (credit)/charge for the year**	**2019** **£m**	**2018*** **£m**
Current tax	**(12.7)**	12.8
Deferred tax (note 22)	**(9.5)**	28.2
Taxation	**(22.2)**	41.0

Current taxation in 2019 represents tax on losses remaining after offset of group relief between subsidiary undertakings.

The deferred tax credit (2018: charge) results from the fair value movements on swaps disregarded for tax purposes, fair value movements on investment property and pensions and movements resulting from qualifying additions to capital allowances pools.

Tax on items (charged)/credited to other comprehensive income	**2019** **£m**	**2018*** **£m**
Deferred tax associated with remeasurement gain/ loss relating to net retirement benefit liabilities	**3.6**	(6.5)
Deferred tax on revaluation of investment property	**(4.8)**	5.4

The taxation charge (2018: charge) for the year is higher (2018: higher) than the standard rate of taxation in the UK of 19.0% (2018: 19.0%). The differences are explained below:

	2019 **£m**	**2018*** **£m**
Loss before taxation	**(322.8)**	(53.8)
Loss before taxation multiplied by standard rate of corporation tax in the UK of 19.0% (2018: 19.0%)	**(61.3)**	(10.2)
Effects of:		
Expenses not deductible for tax	**36.0**	45.8
Increase/(decrease) in deferred taxes due to reduction in tax rate	**1.8**	(1.7)
Tax on acquisition related adjustments		-
Tax in respect of prior years	**1.3**	7.1
Total tax (credit)/charge for the group	**(22.2)**	41.0

Effective tax rate	**6.9%**	(76.2%)
Total tax (credit)/charge for the group	**(22.2)**	41.0
Effects of permanent differences:		
Related party debt - disregarded	**(35.3)**	(45.8)
UK transfer pricing adjustments	**-**	-
Depreciation on non-qualifying assets	**-**	-
Other non-qualifying	**(0.7)**	-
Prior year adjustment	**(1.3)**	(7.1)
Rate change adjustment	**(1.8)**	1.7
Tax (credit)/charge for the group after removing permanent differences	**(61.3)**	(10.2)
Tax rate after permanent differences	**19.0%**	19.0%

* 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.

Tax in respect of prior years relates predominantly to revised allocation of capital expenditure in the filed corporation tax returns.

Notes to the financial statements

8. Goodwill

	2019 £m	2018 £m
Cost and net book value		
At 1 January	**1,051.9**	1,045.9
Additions	**-**	6.0
At 31 December	**1,051.9**	1,051.9

The group's goodwill balance is allocated to the UK-wide ports and transport group of cash-generating units ("CGUs").

The group undertakes a detailed annual strategic planning process. The five year plan is developed in September, is subjected to central review in October and is formally presented to the Board in November. Group wide assumptions are set centrally for general and specific cost inflation (e.g. fuel, utilities) with guidance provided to ensure a consistent approach to forecasting. Throughput volume assumptions are developed by each business unit based on market knowledge, new business prospects and customer expectations/requirements. Key contractual terms (e.g. pricing, volume guarantees) are built into the projections on an individual contract basis. As a result of this process the assumptions underlying the cash flows are largely contract specific and no individual assumption has a significant impact on the total cash flows.

The recoverable amount of the UK-wide ports and transport group of CGUs has been determined based on a value in use calculation using the projected cash flows from the strategic planning process, adjusted to exclude the impact of significant capital expenditure which is not contracted or near completion that would enhance the scale of the business. These cash flows represent pre-tax projections covering a five-year period, based on financial budgets approved by senior management. Cash flows beyond the five-year period are projected forward using an estimated growth rate. This growth rate does not exceed the long-term historical and projected growth rate for the UK-wide ports and transport group of CGUs. As at 31 December 2019 the recoverable amount exceeded the carrying value of the group of CGUs' assets, including goodwill, by £1,070.2m (2018: £2,095.5m).

The Group's strategic plan was developed before the spread of the Covid-19 virus. Management are monitoring the impact of the virus and don't expect it to adversely impact the goodwill impairment assessment.

The calculation of the value in use for goodwill is most sensitive to the discount rate and the growth rate used to extrapolate cash flows beyond the budget period.

Discount rate – The discount rate was estimated based on a market derived weighted average cost of capital as at 31 December 2019, calculated based on the market projected average cost of debt over the next five years and a market cost of equity derived using the capital asset pricing model assuming a long term equity risk premium and an appropriate equity beta. The pre-tax discount rate applied to future cash flows was 6.9% (2018: 7.0%) reflecting the specific risks relevant to the UK-wide ports and transport group of CGUs.

Notes to the financial statements

8. **Goodwill** (continued)

An increase in the pre-tax discount rate of 0.1% has the impact of reducing the present value of future cash flows at 31 December 2019 by £133.9m. An increase in the pre-tax discount rate of 1.0% or higher would result in an impairment of goodwill.

Growth rate – Rates are linked to the long term average retail price index growth and are representative of the long term average revenue per tonne growth of the group's UK-wide ports and transport group of CGUs. The growth rate used was 2.4% (2018: 3.0%).

A decrease in the long-term industry growth expectation of 0.1% has the impact of reducing the present value of future cash flows at 31 December 2019 by £115.3m. A decrease in the long-term industry growth expectation of 1.1% or higher would result in an impairment of goodwill.

9. Intangible assets

Acquired intangible assets	**Customer relationships £m**	**Software £m**	**Other £m**	**Total £m**
2019				
Cost				
At 1 January	338.9	104.5	16.1	459.5
Additions	-	24.7	0.7	25.4
Transfers	-	9.3	(9.3)	-
Write off	(23.4)	-	-	(23.4)
At 31 December	**315.5**	**138.5**	**7.5**	**461.5**
Accumulated amortisation				
At 1 January	(248.6)	(6.5)	(10.0)	(265.1)
Charge for the year	(12.7)	(8.5)	(1.9)	(23.1)
Transfers	-	(7.7)	7.7	-
Write off	19.5	-	-	19.5
Impairment	-	(70.7)	-	(70.7)
At 31 December	**(241.8)**	**(93.4)**	**(4.2)**	**(339.4)**
Net book value				
At 1 January	90.3	98.0	6.1	194.4
At 31 December	**73.7**	**45.1**	**3.3**	**122.1**

Notes to the financial statements

9. **Intangible assets** (continued)

Acquired intangible assets	Customer relationships £m	Software £m	Other £m	Total £m
2018				
Cost				
At 1 January	338.9	67.2	14.1	420.2
Additions	-	37.3	2.1	39.4
Write off	-	-	(0.1)	(0.1)
At 31 December	**338.9**	**104.5**	**16.1**	**459.5**
Accumulated amortisation				
At 1 January	(235.9)	(5.8)	(7.8)	(249.5)
Charge for the year	(12.7)	(0.7)	(2.2)	(15.6)
At 31 December	**(248.6)**	**(6.5)**	**(10.0)**	**(265.1)**
Net book value				
At 1 January	103.0	61.4	6.3	170.7
At 31 December	**90.3**	**98.0**	**6.1**	**194.4**

The value of customer relationships is assessed for indications of impairment at least annually by considering the magnitude and incidence of any customer losses and the impact of any other changes in contractual and commercial relationships. Where there are indications of impairment, this is reviewed by comparing the recoverable value of the customer relationships as at 31 December 2019 to the net book value as at 31 December 2019. Amortisation assumptions are also reassessed annually. During 2019 two customer contracts with the group effectively came to an end at which point the cost and amortisation related to the customer contracts were subsequently written off. During 2018 there was no write off of customer relationships.

Software comprise IT software acquisition and subsequent development costs primarily relating to the group’s business transformation programme. During 2019 the group decided not to progress with the “front office” aspects of its business transformation programme. The expected future benefits from the front office implementation justified a significant amount of the investment in the project. Consequently the decision not to proceed with the front office led to a review of the recoverable value of the costs capitalised in relation to the programme. An impairment loss of £70.7m was recorded in profits and loss.

Other intangible assets cost at 31 December 2019 included a 2011 payment in relation to the Transport Infrastructure Fund in connection with the expansion of rail infrastructure at Southampton of £5.9m (2018: £5.9m).

The amount of borrowing costs capitalised during the year ended 31 December 2019 was £nil (2018: £4.7m). The weighted average rate used to determine the amount of borrowing costs eligible for capitalisation was 6.2% (2018: 7.0%).

Notes to the financial statements

10. Property, plant and equipment

	Operational land £m	Buildings £m	Dock structures, quays and dredging £m	Floating craft £m	Plant and equipment £m	Assets in the course of construction £m	Total £m
2019							
Cost							
At 31 December 2018*	827.2	276.1	763.4	59.6	406.1	52.9	2,385.3
Impact of adopting IFRS 16*	-	-	-	-	(3.2)	-	(3.2)
At 1 January 2019	827.2	276.1	763.4	59.6	402.9	52.9	2,382.1
Additions	8.7	4.4	30.5	1.4	17.0	78.9	140.9
Transfers within property, plant and equipment	(0.1)	0.8	11.0	1.4	10.1	(23.2)	-
Transfers (to)/from investment property	(6.8)	(0.5)	-	-	0.3	0.6	(6.4)
Disposals and write off	-	-	-	(1.8)	(1.5)	-	(3.3)
At 31 December 2019	**829.0**	**280.8**	**804.9**	**60.6**	**428.8**	**109.2**	**2,513.3**
Accumulated depreciation							
At 31 December 2018*	-	(102.0)	(290.5)	(37.0)	(201.0)	-	(630.5)
Impact of adopting IFRS 16*	-	-	-	-	1.9	-	1.9
At 1 January 2019	-	(102.0)	(290.5)	(37.0)	(199.1)	-	(628.6)
Charge for year	-	(14.6)	(36.7)	(4.2)	(26.0)	-	(81.5)
Transfers to/(from) investment property	-	0.4	0.2	-	(0.3)	-	0.3
Disposals and write off	-	-	-	1.8	1.4	-	3.2
Impairment	-	-	(1.6)	-	-	-	(1.6)
At 31 December 2019	**-**	**(116.2)**	**(328.6)**	**(39.4)**	**(224.0)**	**-**	**(708.2)**
Net book value							
At 31 December 2018*	827.2	174.1	472.9	22.6	205.1	52.9	1,754.8
Impact of adopting IFRS 16*	-	-	-	-	(1.3)	-	(1.3)
At 1 January 2019	827.2	174.1	472.9	22.6	203.8	52.9	1,753.5
At 31 December 2019	**829.0**	**164.6**	**476.3**	**21.2**	**204.8**	**109.2**	**1,805.1**

* 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.

Notes to the financial statements

10. Property, plant and equipment (continued)

	Operational land £m	Buildings £m	Dock structures, quays and dredging £m	Floating craft £m	Plant and equipment £m	Assets in the course of construction £m	Total £m
2018							
Cost							
At 1 January	810.7	258.5	682.7	65.9	361.9	54.9	2,234.6
Additions	3.5	7.5	19.5	2.5	22.7	32.8	88.5
Acquisition of subsidiary undertaking	0.3	-	-	-	0.8	-	1.1
Transfers within property, plant and equipment	(0.6)	2.8	11.8	(0.8)	21.5	(34.7)	-
Transfers from/(to) investment property	13.2	7.5	49.0	-	1.0	(0.1)	70.6
Transfers from property and land held for sale	0.1	-	-	-	-	-	0.1
Disposals and write off	-	(0.2)	0.4	(8.0)	(1.8)	-	(9.6)
At 31 December*	**827.2**	**276.1**	**763.4**	**59.6**	**406.1**	**52.9**	**2,385.3**
Accumulated depreciation							
At 1 January	-	(89.2)	(253.4)	(40.5)	(176.5)	-	(559.6)
Charge for year	-	(12.8)	(36.1)	(4.5)	(25.9)	-	(79.3)
Transfers (from)/to investment property	-	0.1	(0.7)	-	(0.1)	-	(0.7)
Disposals and write off	-	(0.1)	(0.3)	8.0	1.5	-	9.1
At 31 December*	**-**	**(102.0)**	**(290.5)**	**(37.0)**	**(201.0)**	**-**	**(630.5)**
Net book value							
At 1 January	810.7	169.3	429.3	25.4	185.4	54.9	1,675.0
At 31 December*	**827.2**	**174.1**	**472.9**	**22.6**	**205.1**	**52.9**	**1,754.8**

* 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.

In 2018 plant and equipment held under finance leases included marine vessels operated by the group's ports and transport business. The finance lease assets had a book cost and accumulated depreciation at 31 December 2018 totalling £3.2m and £1.9m respectively. At 1 January 2019 on adoption of IFRS 16 the finance lease assets were transferred into right of use assets as part of the transition adjustment. Further details are set out in notes 1.2 and 11.

The amount of borrowing costs capitalised during the year ended 31 December 2019 was £1.6m (2018: £0.2m). The weighted average rate used to determine the amount of borrowing costs eligible for capitalisation was 6.2% (2018: 7.0%).

The net book values for property, plant and equipment are reported net of amortised government grants received of £4.7m (2018: £5.4m).

Notes to the financial statements

11. Right of use assets

	Operational land £m	Buildings £m	Plant and equipment £m	Total £m
2019				
Cost				
At 31 December 2018*	-	-	-	-
Impact of adopting IFRS 16*	3.1	4.0	4.7	11.8
At 1 January 2019	3.1	4.0	4.7	11.8
Additions	-	0.1	1.5	1.6
Disposals	(1.0)	(0.1)	-	(1.1)
At 31 December 2019	**2.1**	**4.0**	**6.2**	**12.3**
Accumulated depreciation				
At 31 December 2018*	-	-	-	-
Impact of adopting IFRS 16*	-	-	(1.9)	(1.9)
At 1 January 2019	-	-	(1.9)	(1.9)
Charge for year	(0.2)	(0.5)	(1.5)	(2.2)
Disposals	0.1	-	-	0.1
At 31 December 2019	**(0.1)**	**(0.5)**	**(3.4)**	**(4.0)**
Net book value				
At 31 December 2018*	-	-	-	-
Impact of adopting IFRS 16*	3.1	4.0	2.8	9.9
At 1 January 2019	**3.1**	**4.0**	**2.8**	**9.9**
At 31 December 2019	**2.0**	**3.5**	**2.8**	**8.3**

* 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.

The group as the lessee leases various operational land, buildings and plant and equipment under non-cancellable lease agreements. The lease terms vary and range from 1 to 999 years for operational land, 10 to 15 years for buildings and 2 to 16 years for plant and equipment. These leases have various escalation clauses and renewal rights and there are no financial restrictions placed upon the lessee by entering into these leases.

Notes to the financial statements

12. Investment property

	Port-related investment properties £m	Other investment properties £m	Land at ports held for development £m	Total £m
2019				
At valuation				
At 31 December 2018*	1,731.0	194.6	31.9	1,957.5
Impact of adopting IFRS 16*	1.3	-	-	1.3
At 1 January 2019	1,732.3	194.6	31.9	1,958.8
Additions	19.0	2.2	1.7	22.9
Disposals	-	(0.1)	-	(0.1)
Transfers within investment property	(4.1)	(2.1)	6.2	-
Transfers (to)/from property and land held for sale	(0.1)	(0.1)	-	(0.2)
Transfers from/(to) property, plant and equipment	(0.5)	0.5	6.1	6.1
	1,746.6	**195.0**	**45.9**	**1,987.5**
Surplus on revaluation	13.1	4.7	1.7	19.5
Increase in fair value of investment properties	23.5	10.9	1.2	35.6
At 31 December 2019	**1,783.2**	**210.6**	**48.8**	**2,042.6**

	Port-related investment properties £m	Other investment properties £m	Land at ports held for development £m	Total* £m
2018				
At valuation				
At 1 January	1,750.6	169.5	34.6	1,954.7
Additions	18.9	15.2	0.1	34.2
Transfers within investment property	0.2	0.6	(0.8)	-
Transfers (to)/from property and land held for sale	0.6	(0.2)	(0.9)	(0.5)
Transfers (to)/from property, plant and equipment	(69.9)	-	-	(69.9)
	1,700.4	**185.1**	**33.0**	**1,918.5**
Surplus on revaluation	3.8	0.1	-	3.9
Increase/(decrease) in fair value of investment properties	26.8	9.4	(1.1)	35.1
At 31 December*	**1,731.0**	**194.6**	**31.9**	**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.

During the year £19.5m (2018: £3.9m) was credited directly to the revaluation reserve reflecting the increase to fair value of the properties transferred from property, plant and equipment and right of use assets to investment property (previously recorded at cost). An increase of £35.6m (2018: £35.1m) in the fair value of investment properties was recognised directly in the income statement.

Notes to the financial statements

12. **Investment property** (continued)

Dowds Group
On 1 February 2018, the group acquired 100% of the issued share capital of W.E. Dowds (Shipping) Limited. The company and its wholly owned subsidiary undertaking, W.E.D. (Services) Limited ("Dowds group") is a tenant at the port of Newport and the properties occupied by the Dowds Group were treated as investment property in the financial statements of Associated British Ports before and after the acquisition. However, these properties no longer represent investment property to the ABPA Holdings Limited ("ABPAH") group, but instead are owner occupied, and have been transferred from investment property into property, plant and equipment in the ABPAH consolidated financial statements.

Immingham Bulk Terminal Limited
On 1 December 2018, the operation of the Immingham Bulk Terminal ("IBT") was transferred to the ABPAH group, via a separate legal entity, Immingham Bulk Terminal Limited ("IBTL"). IBTL is an intermediate subsidiary undertaking of ABPAH.

IBTL became the lessee of the investment property associated with IBT, after taking over from the previous lessee, British Steel Limited. IBTL also took over responsibility for the operation of the terminal from British Steel Limited. As a result of this transaction, the properties at IBT no longer represent investment property to the ABPAH group, but instead are owner occupied, and have been transferred from investment property into property, plant and equipment in the ABPAH consolidated financial statements.

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

The amount of borrowing costs capitalised within investment property during the year ended 31 December 2019 was £0.4m (2018: £nil). The weighted average rate used to determine the amount of borrowing costs eligible for capitalisation was 6.2% (2018: 7.0%).

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

Basis of valuation
Investment properties fair value has been estimated on the basis of market value in accordance with the Appraisal and Valuation Standards issued by The Royal Institution of Chartered Surveyors ("RICS"), which is consistent with fair value as defined by IFRS 13. Investment property valuations are conducted annually by the group's internal valuation team and are reviewed by external valuers at least once every five years, the most recent being as at 31 December 2018. The valuation of investment property as at 31 December 2018 was reviewed by independent valuers, Savills (UK) Limited, Chartered Surveyors regulated by RICS. The group's internal valuation team comprises regionally based Chartered Surveyors, including RICS Registered Valuers, led by the Group Head of Property.

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

Notes to the financial statements

12. **Investment property** (continued)

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

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

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

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

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

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

2019	**Port-related investment properties**	**Other investment properties and land held for development**	**Total**
Observable			
Average income per acre £'000	93.1	7.9	45.4
Income range per acre £'000	0 – 512	0 – 162.7	0 – 512
Unobservable			
Yield – average %	11.4	12.3	11.7
Yield – range %	6.0 – 33.3	6.0 – 17.5	6.0 – 33.3
Other assumptions			
Other purchasers' costs %	1.8	1.8	1.8

Notes to the financial statements

12. **Investment property** (continued)

2018	Port-related investment properties	Other investment properties and land held for development	Total*
Observable			
Average income per acre £'000	80.9	7.3	42.4
Income range per acre £'000	0 – 493	0 – 116	0 – 493
Unobservable			
Yield – average %	11.7	12.2	11.9
Yield – range %	6.0 – 33.3	6.0 – 17.5	6.0 – 33.3
Other assumptions			
Other purchasers' costs %	1.8	1.8	1.8

* 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.

The most sensitive input to the valuation of investment property is the yield, which for 2019 averages 11.7% (2018: 11.9%). A decrease in the average yield of 0.5% would result in an increase in the aggregate valuation of £91.6m (2018: £85.8m) and an increase in the average yield of 0.5% would result in a decrease in the aggregate valuation of £84.1m (2018: £78.9m). Valuations are not dependent on any other significant unobservable inputs used in the valuations.

Rental income

Rental income, excluding other income, generated from the group's investment property portfolio amounted to £128.9m (2018: £131.5m) and related operating expenses amounted to £2.3m (2018: £2.3m). Direct operating expenses relating to vacant property are considered to be immaterial.

13. **Trade and other receivables**

	2019 £m	**2018* £m**
Non-current		
Accrued income	**1.3**	1.4
Other receivables	**5.8**	5.4
Total non-current trade and other receivables	**7.1**	6.8
Current		
Gross trade receivables	**80.7**	76.7
Allowance for expected credit losses	**(8.9)**	(1.5)
Net trade receivables	**71.8**	75.2
Amounts due from parent undertakings	**157.8**	137.4
Amounts due from group undertaking	**0.8**	0.3
Prepayments	**8.1**	7.2
Accrued income	**19.6**	28.3
Other receivables	**24.3**	17.5
Interest receivable on derivatives	**5.8**	6.3
Total current trade and other receivables	**288.2**	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.

Notes to the financial statements

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

In December 2016 the group entered into an invoice receivable sale facility, which allows the sale of receivables of up to £25.0m to the counterparty bank. The counterparty bank has no recourse to the group in respect of unpaid amounts. At 31 December 2019, invoices totalling £13.7m (2018: £16.1m) were sold as part of this facility and derecognised from the group balance sheet.

Amounts due from parent undertakings and amounts due from group undertaking are not overdue for repayment and are not considered impaired. Details of amounts due from related parties are disclosed in note 25. With the exception of amounts due from parent undertakings and amounts due from group undertaking, all trade and other receivables are non-interest bearing. Disclosure of the financial risks related to these financial instruments is in note 18.

As at 31 December 2019, contract assets of £0.7m (2018: £1.0m) were included in current accrued income net of an allowance for expected credit losses of £nil (2018: £nil).

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

Movements in the group's loss allowance measured at an amount equal to the lifetime expected credit losses are as follows:

	2019 £m	**2018 £m**
At 1 January	**1.5**	1.8
Provision for expected credit losses	**8.4**	0.8
Expected credit losses reversed	**(0.8)**	(0.4)
Receivables written off as uncollectable	**(0.2)**	(0.7)
At 31 December	**8.9**	1.5

The provision for loss allowance measured at an amount equal to the 12-month expected credit losses for the year ended 31 December 2019 was £nil (2018: £nil).

The provision for expected credit losses relates to gross trade receivables and accrued income and is based on the expected credit loss by age, plus an adjustment for material current observable data. The ageing of gross trade receivables and accrued income, and the expected credit loss by age, is as follows:

	2019 £m	**2018 £m**	**2019 %**	**2018 %**
Not yet overdue	**76.8**	**86.9**	**0.5**	0.3
Up to 3 months	**14.4**	**14.8**	**1.5**	1.1
3 to 6 months	**2.2**	**1.6**	**12.5**	12.2
Over 6 months	**7.0**	**1.7**	**55.0**	53.3

For the year ended 31 December 2019 the provision for expected credit losses was increased disproportionally due to observed risks and uncertainties that are currently impacting the steel production sector in the UK.

Notes to the financial statements

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

As at 31 December 2019 the group held trade receivables that were past due but not impaired, as set out in the table below. These relate to a number of independent customers for whom there is no recent history of default and where terms and amounts have not been renegotiated in the last year.

The ageing of these trade receivables is as follows:

	2019 £m	**2018 £m**
Up to 3 months	**13.3**	14.8
3 to 6 months	**1.6**	1.6
Over 6 months	**1.7**	1.7
Total past due but not impaired receivables	**16.6**	18.1

With the exception of part of the interest receivable on derivatives which is denominated in USD and EUR, there are no significant receivables of the group that are denominated in foreign currencies. The group does not hold any collateral as security.

14. **Property and land held for sale**

	2019 £m	**2018 £m**
At 1 January	**3.7**	5.6
Disposals	**(3.0)**	(2.3)
Transfers from investment property	**0.2**	0.5
Transfers to property, plant and equipment	**-**	(0.1)
At 31 December	**0.9**	3.7

The historical cost of property and land held for sale is £0.2m (2018: £2.6m).

15. **Pension commitments**

The group participates in a number of pension schemes:

- A funded defined benefits scheme – The Associated British Ports Group Pension Scheme (“ABPGPS”);
- Defined contribution arrangements as a section of the ABPGPS until 1 March 2019, and subsequently in the Legal & General Mastertrust (“MyPension Plan”);
- Two industry-wide defined benefit schemes – the Pilots National Pension Fund (“PNPF”) and the Merchant Navy Officers Pension Fund (“MNOPF”). The group also participated in the Former Registered Dock Workers Pension Fund (“FRDWPF”) until September 2019 when the FRDWPF was wound up;
- One industry-wide defined contribution plan – The Ensign Retirement Plan (“ERP”); and
- Unfunded retirement benefit arrangements in respect of former employees.

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

Notes to the financial statements

15. **Pension commitments** (continued)

Summary

Income statement

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

	2019 £m	2018 £m
ABPGPS and unfunded retirement benefit arrangements	**2.5**	3.8
Industry wide schemes	**(0.1)**	0.2
Defined contribution arrangements	**9.8**	8.1
Net pension charge recognised within operating profit	**12.2**	12.1
Net interest charge on net defined benefit liabilities	**0.4**	1.3
Net pension charge recognised in loss before taxation	**12.6**	13.4

Balance sheet

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

	2019 £m	2018 £m
ABPGPS – net funded pension assets	**21.3**	43.3
ABPGPS – net unfunded pension liability	**(2.1)**	(2.2)
	19.2	41.1
PNPF	**(58.6)**	(59.5)
Net retirement benefit liabilities	**(39.4)**	(18.4)
Net retirement benefit assets total	**21.3**	43.3
Net retirement benefit obligations total	**(60.7)**	(61.7)
Net retirement benefit liabilities	**(39.4)**	(18.4)

Changes in discount rates and lower investment returns have led to an actuarial loss during the year and as a result the scheme's surplus has fallen to £19.2m (2018: £41.1m surplus).

The Pilots National Pension Fund scheme recorded an actuarial loss during the year mainly due to changes in financial assumptions and experience losses.

Schemes accounted for on a defined benefit basis

ABPGPS and unfunded retirement benefit arrangements

The defined benefits section of the ABPGPS is closed to new members. The defined contribution section of the ABPGPS was closed to future contributions with effect from 1 March 2019 and assets transferred in bulk to Legal & General's Mastertrust in May 2019.

The most recent formal valuation of the ABPGPS was carried out as at 31 December 2017 and finalised on 7 March 2019. The valuation of the liabilities as at 31 December 2019 has been derived by projecting forward the position as at 31 December 2017. This exercise was performed by an independent actuary, Willis Towers Watson. The present value of the defined benefit obligations and the related current service cost were measured using the Projected Unit Credit method. The present value of pension liabilities has been determined by discounting pension commitments (including an allowance for salary growth) using a high quality corporate bond yield.

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

Notes to the financial statements

15. **Pension commitments** (continued)

Schemes accounted for on a defined benefit basis (continued)
Based on summary membership data, and taking a simplified approach to determine an estimate, with no explicit margins for prudence, it has been estimated by the actuary, Willis Towers Watson, that the financial effect of equalizing benefits due to the Guaranteed Minimum Pensions in the ABPGPS would be an approximate 0.1% increase in the Scheme's liabilities as at 31 December 2018.

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

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

Other risks associated with the group's share of the net liabilities of the scheme include potential challenges from participating bodies to the allocation of liabilities in relation to self employed members to sponsoring employers and the impact of participating bodies leaving the scheme (e.g. under Section 75 of the Pensions Act). The PNPF Trustee determined the group's share of the liabilities in the PNPF to be 35.5% as at 31 December 2010. The results of the last actuarial valuation as at 31 December 2016 revealed a deficit broadly in line with that anticipated by the Recovery Plan put in place following completion of the 2010 valuation. With no extra deficit contributions required, the Recovery Plan put in place for the 2010 valuation deficit remains the current Recovery Plan, restated with no changes. Consequently, the group's share of the relevant liabilities remains the same as that disclosed as at 31 December 2010.

The valuation of the liabilities as at 31 December 2019 has been derived by projecting forward the position as at 31 December 2016, taking account of experience over the period since that date, changes in market conditions and differences in the financial and demographic assumptions. This exercise was performed by an independent actuary, Aon Hewitt. The present value of the defined benefit obligation was measured using the Projected Unit Credit method.

Under the scheme deficit recovery plan, the group will be required to make payments towards the funding of the deficit with payments of £5.8m in 2020 and £6.0m in 2021, with contributions thereafter rising by 3.4% each year until 2028.

Notes to the financial statements

15. **Pension commitments** (continued)

Schemes accounted for on a defined benefit basis (continued)

Assumptions

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

	ABPGPS		PNPF	
	2019	**2018**	**2019**	**2018**
	%	**%**	**%**	**%**
Inflation CPI	**2.10**	2.10	**2.00**	2.20
Inflation RPI (short term/long term)	**2.85**	3.10	**3.00/2.70**	3.20
Rate of increase in pensionable salaries	**2.00**	2.00	**3.00**	3.20
Rate of increase for pensions in payment[1]	**2.75**	2.90	**2.70**	3.10
Rate of increase for pensions in payment[2]	**2.10**	2.20	**3.40**	3.60
Rate of increase for pensions in payment[3]	**2.10**	2.10	**2.00**	2.20
Discount rate	**2.00**	2.85	**2.00**	2.90

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

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

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

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

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

	ABPGPS		PNPF	
	2019	**2018**	**2019**	**2018**
	Years	**Years**	**Years**	**Years**
Male life expectancy retiring at age 60 in 15 years	**27.3**	27.2	**26.6**	27.3
Female life expectancy retiring at age 60 in 15 years	**29.8**	29.7	**28.7**	29.4

Sensitivities

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

	ABPGPS		PNPF	
	2019	**2018**	**2019**	**2018**
Increase in liabilities	**£m**	**£m**	**£m**	**£m**
Decrease in discount factor by 0.5%	**52.8**	43.0	**12.0**	12.0
Increase in inflation rate by 0.5%	**34.4**	28.1	**3.0**	3.0
Increase in rate of mortality of a 60 year old by 1 year	**23.4**	22.7	**8.0**	8.0

Notes to the financial statements

15. **Pension commitments** (continued)

Schemes accounted for on a defined benefit basis (continued)

Balance sheet

Changes in fair value of scheme assets were as follows:

	ABPGPS		PNPF	
	2019	**2018**	**2019**	**2018**
	£m	**£m**	**£m**	**£m**
Fair value of scheme assets at 1 January	**591.3**	627.8	**108.3**	117.5
Amounts recognised in income statement:				
Interest income	**16.5**	16.3	**3.0**	2.7
Remeasurement gain/(loss) in OCI:				
Return on assets, excluding amounts in net interest	**40.4**	(24.6)	**10.2**	(5.1)
Contributions by employees	**0.2**	0.2	**-**	-
Contributions by employer	**8.3**	4.2	**5.6**	5.5
Benefits paid	**(31.9)**	(31.3)	**(12.4)**	(11.6)
Administrative expenses paid	**(1.5)**	(1.3)	**(0.7)**	(0.7)
Fair value of scheme assets at 31 December	**623.3**	591.3	**114.0**	108.3

Changes in fair value of scheme obligations were as follows:

	ABPGPS		PNPF	
	2019	**2018**	**2019**	**2018**
	£m	**£m**	**£m**	**£m**
Fair value of scheme obligations at 1 January	**(550.2)**	(620.5)	**(167.8)**	(183.7)
Amounts recognised in income statement:				
Current and past service costs	**(2.5)**	(4.3)	**-**	(0.1)
Interest cost	**(15.3)**	(16.1)	**(4.7)**	(4.3)
Remeasurement (loss)/gain in OCI:				
Remeasurement gain from changes in demographic assumptions	**-**	28.6	**3.4**	1.2
Remeasurement (loss)/gain from changes in financial assumptions	**(65.9)**	14.5	**(14.1)**	9.2
Experience (loss)/gain	**(3.6)**	15.0	**(2.4)**	(2.4)
Contributions by employees	**(0.2)**	(0.2)	**-**	-
Benefits paid directly by the group	**0.2**	0.2	**-**	-
Benefits paid	**31.9**	31.3	**12.4**	11.6
Administrative expenses paid	**1.5**	1.3	**0.7**	0.7
Fair value of scheme obligations at 31 December	**(604.1)**	(550.2)	**(172.6)**	(167.8)

The current service cost represented 28.0% (2018: 43.0%) for the ABPGPS and unfunded retirement benefit arrangements and 20.9% (2018: 27.0%) for the PNPF, of the applicable pensionable payroll. Interest cost for the ABPGPS includes £nil (2018: £nil) relating to the unfunded retirement benefit obligation.

Returns on assets and interest on liabilities are determined by reference to the actuarial assumptions adopted at the beginning of each financial period. The actual return on assets for 2019 was a gain of £56.9m (2018: loss of £8.3m) for the ABPGPS and unfunded retirement benefit arrangements and a gain of £13.2m (2018: loss of £2.4m) for the PNPF.

Notes to the financial statements

15. **Pension commitments** (continued)

Schemes accounted for on a defined benefit basis (continued)

As at 31 December 2019, the cumulative remeasurement result recognised in the group's other comprehensive income amounted to a loss of £86.0m (2018: loss of £56.9m) for the ABPGPS and unfunded retirement benefit arrangements and a gain of £3.5m (2018: gain of £6.4m) for the PNPF.

The scheme's assets were represented by investments in:

ABPGPS	2019 %	2018 %
Liability matching and hedging investments or assets*	**33.3**	29.2
Bond funds	**22.7**	24.4
Diversified growth funds	**13.4**	20.4
Private credit funds	**13.4**	12.4
Emerging market funds	**5.6**	5.2
Property	**10.7**	7.9
Cash	**0.9**	0.5

* The group and Trustee have developed a 'flight plan' for the scheme which incorporates a long-term funding target and corresponding investment strategy. In line with this strategy, a proportion of the scheme's assets are held in LDI funds in order to hedge a proportion of the interest rate and inflation risk.

PNPF	2019 %	2018 %
Partners Growth fund	**31.9**	-
Global equities	**-**	16.9
Corporate bonds	**10.1**	33.3
Risk Hedge	**1.3**	-
Fund of hedge funds	**17.6**	17.9
Diversified growth funds	**5.1**	10.8
Liquidity fund	**18.1**	-
Gilts	**13.1**	13.7
Cash	**2.8**	7.4

Historical record – ABPGPS and unfunded retirement benefit arrangements

Amounts for the current and previous years are as follows:	2019 £m	2018 £m	2017 £m	2016 £m	2015 £m
Fair value of scheme assets	**623.3**	591.3	627.8	621.9	586.7
Present value of funded scheme obligations	**(602.0)**	(548.0)	(618.0)	(652.9)	(537.4)
Present value of unfunded obligations	**(2.1)**	(2.2)	(2.5)	(2.8)	(2.5)
Net assets/(liabilities) recognised in the balance sheet	**19.2**	41.1	7.3	(33.8)	46.8
Remeasurement (loss)/gain due to changes in assumptions	**(65.9)**	43.1	19.3	(128.9)	17.0
Experience (loss)/gain on scheme obligations	**(3.6)**	15.0	3.1	4.9	10.6
Experience gain/(loss) on scheme assets	**40.4**	(24.6)	19.3	40.4	(9.8)
Remeasurement (loss)/gain relating to net retirement benefit (liabilities)/assets recognised in other comprehensive income	**(29.1)**	33.5	41.7	(83.6)	17.8

Notes to the financial statements

15. **Pension commitments** (continued)

Schemes accounted for on a defined benefit basis (continued)

Historical record – PNPF

Amounts for the current and previous years are as follows:	2019 £m	2018 £m	2017 £m	2016 £m	2015 £m
Fair value of scheme assets	**114.0**	108.3	117.5	115.3	106.4
Present value of funded scheme obligations	**(172.6)**	(167.8)	(183.7)	(194.5)	(174.7)
Net liabilities recognised in the balance sheet	**(58.6)**	(59.5)	(66.2)	(79.2)	(68.3)
Remeasurement (loss)/gain due to changes in assumptions	**(10.7)**	10.4	8.6	(23.6)	4.2
Experience loss on scheme obligations	**(2.4)**	(2.4)	(4.9)	(2.0)	(0.6)
Experience gain/(loss) on scheme assets	**10.2**	(5.1)	6.0	11.9	(1.2)
Remeasurement (loss)/gain relating to net retirement benefit liabilities recognised in other comprehensive income	**(2.9)**	2.9	9.7	(13.7)	2.4

Schemes accounted for on a defined contribution basis

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

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

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

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

In October 2017 the Trustee to the FRDWPF secured an annuity contract to cover all remaining liabilities of the Fund. As a result the contributions agreement detailed above was ceased with effect from 31 August 2017, once notice had been served that the policy would proceed. Both the Trust and the FRDWPF were formally wound up in September 2019.

The Merchant Navy Officers Pension Fund ("MNOPF")

In previous years the group provided for an impending s75 debt, which would be payable upon the retirement of the group's last remaining member of the scheme. Following the introduction of The Ensign Retirement Plan the risk associated with this obligation no longer exists and consequently the provision was reduced to £nil.

In 2019 and 2018 the group had no contributions to this scheme.

Notes to the financial statements

15. **Pension commitments** (continued)

Schemes accounted for on a defined contribution basis (continued)

The Ensign Retirement Plan ("ERP")
The ERP is an industry-wide pension arrangement available to all employers and employees associated with the maritime industry. The plan falls under the governance of the Trustee of the MNOPF and sits alongside the defined benefit arrangement within the framework of the MNOPF. The ERP is a defined contribution pension arrangement and the group enrols apprentices into the plan.

In 2019 the group expensed as defined contribution pension costs a total of £8,000 (2018: £79,000) of contributions to this plan.

Defined contribution arrangements
Following a statutory consultation with all employees in the last quarter of 2018 the group agreed to provide future pension provision to employees via Legal & General's Mastertrust ("MyPension Plan" or "Mastertrust") from 1 March 2019. As a result the defined contribution section of the ABPGPS was closed to new contributions from 1 March 2019. A bulk transfer of the assets held for employees in the defined contribution section was transferred to the Mastertrust in May 2019.

The defined contribution pension cost represents the actual contributions payable by the group to the arrangements provided by the ABPGPS and Mastertrust. At 31 December 2019, there were no amounts outstanding as being due to these arrangements from the group (2018: £nil).

Notes to the financial statements

16. Borrowings

	2019 £m	2018* £m
Current		
Interest due on term and revolving facilities	**0.4**	0.3
Interest due on private placement notes	**11.4**	11.6
Interest due on public loan notes	**3.7**	3.9
Interest due on derivatives	**0.9**	0.7
Interest on amounts due to parent undertaking	**2.0**	2.0
Obligations under finance leases	**-**	0.4
Lease liabilities	**2.4**	-
Total current borrowings	**20.8**	18.9
Non-current		
Term and revolving facilities	**236.5**	201.1
Private placement notes	**1,179.5**	1,190.7
Public loan notes	**857.0**	865.3
Amounts due to parent undertaking	**1,138.8**	1,138.8
Interest on amounts due to parent undertaking	**2,129.0**	1,877.1
Obligations under finance leases	**-**	1.4
Lease liabilities	**9.1**	-
Total non-current borrowings	**5,549.9**	5,274.4

* 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.

Total external borrowings (excluding accrued interest and leases liabilities) are as follows:

Facility type	Due date	Rate per annum	2019 £m	2018 £m
Term and revolving facilities				
GBP floating rate note	2029	1m LIBOR plus margin	**80.0**	80.0
EIB loan	2024	3m LIBOR plus margin	**74.0**	74.0
EIB loan	2023	3m LIBOR plus margin	**55.0**	55.0
Bilateral revolving facility	2024	SONIA plus margin	**25.0**	-
Syndicated revolving facility	2022	LIBOR plus margin	**10.0**	-
Deferred borrowing costs			**(7.5)**	(7.9)
			236.5	201.1

Notes to the financial statements

16. **Borrowings** (continued)

Facility type	**Due date**	**Rate per annum**	**2019 £m**	**2018 £m**
Private placement notes				
GBP private placement	2029-2033	6m LIBOR plus margin	**200.0**	200.0
GBP private placement	2024-2030	6m LIBOR plus margin	**130.0**	130.0
GBP private placement	2033	6m LIBOR plus margin	**80.0**	80.0
GBP private placement	2028-2030	6m LIBOR plus margin	**50.0**	50.0
GBP private placement	2030	3.61%	**120.0**	120.0
GBP private placement	2035	3.92%	**100.0**	100.0
GBP private placement	2023	4.08%	**50.0**	50.0
GBP private placement	2029	4.38%	**50.0**	50.0
GBP private placement	2025	3.43%	**30.0**	30.0
GBP private placement	2029	4.38%	**15.0**	15.0
USD private placement	2024	4.62%	**118.2**	122.0
USD private placement	2029	4.41%	**66.7**	68.9
USD private placement	2023	4.35%	**61.0**	63.0
USD private placement	2024	4.11%	**57.2**	59.0
USD private placement	2023	3.96%	**30.5**	31.4
USD private placement	2022	3.82%	**24.8**	25.6
Deferred borrowing costs			**(3.9)**	(4.2)
			1,179.5	1,190.7
Public loan notes				
GBP note	2026	6.25%	**500.0**	500.0
GBP note	2033	3m LIBOR plus margin	**70.0**	70.0
GBP note	2022	3m LIBOR plus margin; 3m compounded SONIA plus margin	**64.6**	65.0
GBP note	2042	5.25%	**50.0**	50.0
EUR note	2023	3.22%	**59.8**	63.1
EUR note	2023	3.50%	**59.8**	63.1
USD note	2021	3m USD LIBOR plus margin	**57.2**	59.0
Deferred borrowing costs and discount on issue			**(4.4)**	(4.9)
			857.0	865.3

Net accumulated foreign exchange losses of £81.7m (2018: £101.7m) have been allocated against the relevant borrowings in the tables above to show the carrying value of the borrowings.

In June 2019 the £65.0m floating rate public loan note 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. However, a modification gain of £0.4m was recognised in profit and loss and the carrying amount of the loan adjusted by the same amount. This amount is amortised over the remaining term of the modified liability until 2022 and recognised in finance costs.

Notes to the financial statements

16. **Borrowings** (continued)

Amounts due to parent undertaking represent two loans from ABP SubHoldings UK Limited ("ABPS"), 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. More detail on the group's related party borrowings is set out in note 25.

Interest on the loan amount due to parent undertaking due in 2027, accruing interest at 9.0% per annum, accrues annually in arrears and can be settled in cash at any time or deferred until maturity of the facility.

With effect from 1 December 2018 the group's immediate parent undertaking, ABPS, agreed to change the interest rate on the intercompany loan accruing interest at 10.0% per annum and the associated accrued interest thereon from 10.0% per annum to 3.95% per annum plus 6 month sterling LIBOR and to extend the maturity date on the intercompany loan from 16 December 2018 to 15 December 2028. Consequently, on 1 December 2018, the amounts due to parent undertaking due in 2018 were de-recognised and the new amounts due to parent undertaking due in 2028 were recognised at fair value with £nil recorded in profit or loss. In all other regards the terms of the loan agreements remained the same.

Interest on the amounts due to parent undertaking due in 2028, accruing interest at 3.95% per annum plus 6 month sterling LIBOR, is accrued and payable in cash semi-annually. In line with the terms of the borrowing agreement the group is permitted, at its discretion, to defer payment until a subsequent interest payment date or the final redemption date. Interest charged in 2019 of £nil was paid and accrued interest payable in 2019 of £24.0m was deferred in line with the agreement. The total outstanding interest accrued as at 31 December 2019 was £92.1m (2018: £68.1m).

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

The group, through its wholly owned subsidiary undertaking, ABP Acquisitions UK Limited ("ABPA"), has borrowing agreements which restrict the amounts that can be paid by certain subsidiaries 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, ABPH, ABP and any other material subsidiaries as defined in the agreement.

Notes to the financial statements

16. **Borrowings** (continued)

The carrying amounts of lease liabilities and the movements during the year are set out below:

	Lease liabilities £m
At 31 December 2018*	-
Impact of adopting IFRS 16*	**13.0**
At 1 January 2019	**13.0**
Additions	**1.6**
Interest expense	**0.9**
Payments	**(3.0)**
Remeasurement	**0.1**
Disposals	**(1.1)**
At 31 December 2019	**11.5**

* 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.

Lease liabilities are secured on the related leased assets. Disclosure of the financial risks related to these financial instruments is disclosed in note 18. Details of contingent liabilities in relation to the ultimate parent undertaking's group borrowings are set out in note 27.

17. **Derivative financial instruments**

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

The terms and fair value of derivative financial assets and liabilities held by the group at the balance sheet date were:

2019	**Expiry**	**Notional £m/litres**	**Net amounts of financial assets presented in the balance sheet £m**	**Net amounts of financial liabilities presented in the balance sheet £m**
At fair value through profit and loss				
Interest rate swaps – pay fixed, receive floating	2036-2046	1,650.0	-	(989.6)
Interest rate swaps – pay floating, receive fixed	2036	335.8	83.8	-
Basis rate swaps – pay floating, receive floating	2020	205.0	0.1	-
Cross currency interest rate swaps – pay floating, receive floating (GBP/USD)	2021	48.9	7.8	-
Cross currency interest rate swaps – pay floating, receive fixed (GBP/USD)	2022-2029	285.8	91.6	-
Cross currency interest rate swaps – pay floating, receive fixed (GBP/EUR)	2023	118.6	9.4	(0.6)
Forward foreign exchange contracts	2020	3.7	-	(0.2)
Fuel swaps and caps	2020-2023	24.0m litres	0.1	(0.3)
Fair value of derivative financial instruments			**192.8**	**(990.7)**
Derivatives not offset in the balance sheet*			(184.0)	184.0
Net amount			**8.8**	**(806.7)**

*Right to offset under master netting arrangements.

Notes to the financial statements

17. **Derivative financial instruments** (continued)

2018	Expiry	Notional £m/litres	Net amounts of financial assets presented in the balance sheet £m	Net amounts of financial liabilities presented in the balance sheet £m
At fair value through profit and loss				
Interest rate swaps – pay fixed, receive floating	2036-2046	1,650.0	-	(862.4)
Interest rate swaps – pay floating, receive fixed	2036	335.8	63.7	-
Basis rate swaps – pay floating, receive floating	2020	205.0	0.1	-
Cross currency interest rate swaps – pay floating, receive floating (GBP/USD)	2021	48.9	10.4	-
Cross currency interest rate swaps – pay floating, receive fixed (GBP/USD)	2022-2029	285.8	96.7	-
Cross currency interest rate swaps – pay floating, receive fixed (GBP/EUR)	2023	118.6	18.2	(0.2)
Fuel swaps and caps	2019-2020	15.6m litres	0.1	(0.2)
Fair value of derivative financial instruments			**189.2**	**(862.8)**
Derivatives not offset in the balance sheet*			(171.1)	171.1
Net amount			**18.1**	**(691.7)**

*Right to offset under master netting arrangements.

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

	2019 £m	2018 £m
Current assets	**11.5**	12.3
Non-current assets	**181.3**	176.9
Total assets	**192.8**	189.2
Current liabilities	**(52.6)**	(52.2)
Non-current liabilities	**(938.1)**	(810.6)
Total liabilities	**(990.7)**	(862.8)

The floating rate on the cross currency interest rate swaps is linked to LIBOR or SONIA. The effective fixed interest rate receivable by the group on the cross currency interest rate swaps notional amount matches the fixed rates set out in note 16.

To date a number of the derivative financial instruments were restructured from LIBOR to SONIA interest rate basis including £613.9m of the interest rate swaps pay fixed and receive floating, all £285.8m cross currency interest rate swaps pay floating and receive fixed (GBP/USD) and one £59.3m cross currency interest rate swap pay floating and receive fixed (GBP/EUR).

Disclosure of the financial risks related to these financial instruments is set out in note 18.

Notes to the financial statements

18. Financial instruments

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

Fair value of financial instruments

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

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:

	2019		2018	
	Book value £m	Fair value £m	Book value £m	Fair value £m
Financial liabilities				
At amortised cost				
Fixed rate public loan notes	**669.6**	**804.6**	676.2	803.1
Fixed rate private placement notes	**723.4**	**764.6**	734.9	729.1

The terms of the fixed rate notes are set out in note 16.

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, floating rate public loan notes and floating rate intercompany loans approximates to their carrying value as they bear interest at a rate linked to LIBOR or SONIA 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 fixed rate amounts due to parent undertaking has been based on a cash flow projection with reference to observed market returns and accords to Level 2 in the fair value hierarchy. As the fixed rate at 31 December 2019 and 2018 approximates market rate, the book value approximates fair value;
- 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

Notes to the financial statements

18. **Financial instruments** (continued)

Fair value of financial instruments (continued)

- The fair value of foreign exchange contracts is based on market price, corresponding to Level 1 in the fair value hierarchy.

Financial risk management

Treasury matters throughout the group are controlled centrally and carried out in compliance with policies approved by the Board of Associated British Ports Holdings Limited ("ABPH"), the group's intermediate subsidiary undertaking. The Board of ABPH monitors treasury matters and approves significant decisions. The treasury function's purpose is to identify, mitigate and hedge financial risks inherent in the group's business operations and capital structure. The group's main financial risks are liquidity, market, credit and capital risk. The group aims to manage these risks to an acceptable level.

The group does not use financial instruments for speculative purposes.

Liquidity risk

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

The table below analyses the group's financial liabilities and related accrued interest, excluding finance leases (only applicable to 2018) and gross settled derivative financial instruments and the associated interest receivable/payable, which are disclosed further below, based on undiscounted contractual payments:

	Borrowings (excluding lease liabilities) £m	Lease liabilities £m	Derivative financial instruments* £m	Trade and other payables and other non-current liabilities £m	Total £m
2019					
Not later than one year	120.6	3.0	60.0	82.9	266.5
More than one year but not more than two years	176.1	2.4	60.6	0.2	239.3
More than two years but not more than five years	1,013.5	4.9	175.4	-	1,193.8
More than five years	7,565.1	68.3	863.6	0.2	8,497.2
Total payments	**8,875.3**	**78.6**	**1,159.6**	**83.3**	**10,196.8**

* Interest on derivatives is included within derivative financial instruments and not borrowings. These balances also include financial assets on net settled derivative financial instruments.

Notes to the financial statements

18. **Financial instruments** (continued)

Financial risk management (continued)

	Borrowings £m	**Derivative financial instruments* £m**	**Trade and other payables and other non-current liabilities £m**	**Total** ** **£m**
2018				
Not later than one year	123.7	58.5	90.1	272.3
More than one year but not more than two years	125.7	56.9	1.9	184.5
More than two years but not more than five years	844.5	162.5	-	1,007.0
More than five years	7,972.0	792.8	0.2	8,765.0
Total payments	**9,065.9**	**1,070.7**	**92.2**	**10,228.8**

* Interest on derivatives is included within derivative financial instruments and not borrowings. These balances also include financial assets on net settled derivative financial instruments.

** 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.

Borrowings disclosures in the tables above are based on contractual payments as they existed as at 31 December 2019 and 31 December 2018.

Interest on the loan due to parent undertaking due in 2028, accruing interest at 3.95% per annum plus 6 month sterling LIBOR, can at the group's discretion be deferred until a subsequent interest payment date or the final redemption date. As interest, which was deferred in 2019, can be deferred until the final redemption date it has been included in the same category as the principal repayment in 2028. Subsequent interest is calculated on the principal as well as any deferred interest. Future interest payable has been included in the maturity analysis in line with expected payments, as this is considered a more accurate reflection of the future cash outflows of the group.

As interest payments in 2019 and 2018, on the loan due to parent undertaking due in 2027, accruing interest at 9.0% per annum, can be deferred, they have been included in the maturity analysis in the same category as the principal repayment.

The principal repayments of the loans due to parent undertaking are expected to be at the respective maturity dates.

Interest on all other borrowings is settled in cash and has been included in the table in the relevant category based on cash payment each year.

The table below analyses the group's derivative financial instruments and interest receivable/payable on derivatives, which will be settled on a gross basis, into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. Interest on the USD cross currency interest rate swaps pay floating and receive floating is payable semi-annually and receivable quarterly. Interest on the USD cross currency interest rate swaps pay floating and receive fixed is payable semi-annually and receivable semi-annually. Interest on the EUR cross currency interest rate swaps pay floating and receive fixed is payable semi-annually and receivable annually. The amounts disclosed in the table are the contractual undiscounted cash flows:

Notes to the financial statements

18. **Financial instruments** (continued)

Financial risk management (continued)

	2019		2018	
	Total outflows £m	**Total inflows £m**	**Total outflows £m**	**Total inflows £m**
Cross currency interest rate swaps				
Not later than one year	**(11.3)**	**21.3**	(12.1)	22.7
More than one year but not more than two years	**(60.0)**	**76.4**	(13.0)	22.5
More than two years but not more than five years	**(373.9)**	**447.0**	(295.4)	362.7
More than five years	**(57.8)**	**74.5**	(203.7)	250.2
Total cross currency interest rate swaps	**(503.0)**	**619.2**	(524.2)	658.1

Forward foreign exchange contracts				
Not later than one year	**(3.7)**	**3.5**	**-**	-
Total forward foreign exchange contracts	**(3.7)**	**3.5**	**-**	-

The group leases a marina over a 999 year lease term which expires in March 2987. The group as the intermediate lessor subleases the marina to a third party under a finance lease arrangement over the same term as the head lease. The sublease also provides the group with a contribution from the subtenants over the same period as the head lease based on the number of berths at the marina.

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

Future minimum lease payments receivable under finance leases	**2019 £m**	**2018* £m**
Not later than one year	-	-
More than one year but not more than two years	-	-
More than two years but not more than three years	-	-
More than three years but not more than four years	0.1	0.1
More than four years but not more than five years	0.1	0.1
More than five years	**39.2**	38.9
	39.4	39.1
Less: unearned finance income	**(38.8)**	(38.9)
Net investment in the finance leases	**0.6**	0.2

* At 1 January 2019, the group adopted IFRS 16 using the modified retrospective method. Under this method the 2018 comparative is not restated but has been reanalysed to conform to current presentation. Further details are set out in note 1.2.

Notes to the financial statements

18. **Financial instruments** (continued)

Financial risk management (continued)

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

	2019 £m	**2018 £m**
Expiring in:		
Not later than one year	**165.0**	165.0
More than one year but not more than two years	**-**	300.0
More than two years but not more than five years	**365.0**	100.0
Undrawn borrowing facilities	**530.0**	565.0

Market risk
Some of the group’s borrowings have been financed through floating rate and foreign currency debt and are therefore subject to interest rate and foreign exchange risk.

Interest rate risk
Risks arising from changes in interest rates are managed by maintaining an appropriate balance between fixed and floating rate debt. The group also uses derivative instruments such as interest rate swaps when appropriate to hedge against changes in interest rates and to adjust the balance between fixed and floating rate debt. At 31 December 2019 the group’s hedge ratio for external third party debt was 103%. Interest rate exposure in relation to all of the group’s external borrowings was fixed.

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

The group has undertaken financing in foreign currency and is therefore exposed to foreign exchange risk. This exposure is managed through cross currency interest rate swaps.

Notes to the financial statements

18. **Financial instruments** (continued)

Financial risk management (continued)

The table below illustrates the effect on the income statement and deficit of changes in interest rates and foreign currency exchange rates:

	2019		2018*	
	Loss before tax £m	Deficit £m	Loss before tax £m	Deficit £m
Interest rate sensitivities				
1% increase in interest rates – GBP	**279.0**	**279.0**	253.7	253.7
1% decrease in interest rates – GBP	**(341.0)**	**(341.0)**	(307.9)	(307.9)
1% increase in interest rates – USD	**(14.0)**	**(14.0)**	(20.8)	(20.8)
1% decrease in interest rates – USD	**18.0**	**18.0**	22.7	22.7
1% increase in interest rates – EUR	**(3.9)**	**(3.9)**	(6.0)	(6.0)
1% decrease in interest rates – EUR	**4.1**	**4.1**	6.5	6.5
Foreign exchange rate sensitivities				
10% increase in Sterling to EUR	**(1.6)**	**(1.6)**	(1.8)	(1.8)
10% decrease in Sterling to EUR	**1.9**	**1.9**	2.2	2.2
10% increase in Sterling to USD	**(4.1)**	**(4.1)**	(4.0)	(4.0)
10% decrease in Sterling to USD	**5.0**	**5.0**	4.9	4.9

* The comparative has been amended to conform to current presentation.

Credit risk

Credit risk with banks and financial institutions is managed by the wider group. The group monitors the credit risk of banking counterparts, tracking credit default swap rates and credit ratings of actual and potential counterparties. Cash deposits of the group at the year-end were all with counterparties with a credit rating of A3 or better and the weighted average maturity of deposits was 1 day from 31 December 2019.

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

An impairment analysis is performed at each reporting date to determine the expected credit losses. The analysis reflects the time value of money and reasonable and supportable information that is available at the reporting date about past events, current condition and forecasts of future economic conditions. Based on the impairment analysis the group ensures that the allowance for expected credit losses is at least 0.5% of the amount of trade receivables held on the balance sheet at the reporting date.

Given the counterparties of group receivables, as set out in note 13, management considers the group's exposure to credit risk to be minimal. The maximum exposure to credit risk at 31 December 2019 is the carrying amount of each class of receivable.

Notes to the financial statements

18. **Financial instruments** (continued)

Financial risk management (continued)

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

Capital risk
The group finances itself with a mixture of senior debt facilities £2,273.0m (2018: £2,257.1m), subordinated debt £1,138.8m (2018: £1,138.8m) and lease liabilities £11.5m (2018: obligations under finance leases of £1.8m). The group also has committed but unutilised facilities totalling £530.0m (2018: £565.0m). The group keeps its funding structure under review with a view to maximising shareholder value and to ensure that it has the resources and the capacity to meet its operational requirements and to facilitate the execution of its strategy.

The group's external loan covenants impose certain restrictions on the group relating to capital which are regularly monitored by management. The group was in compliance with these covenants during 2019 and 2018. Further details on the covenants requirements can be found in the strategic report.

19. **Trade and other payables - current**

	2019 **£m**	**2018*** **£m**
Trade payables**	**17.2**	34.1
Accruals**	**57.5**	35.2
Other creditors	**4.0**	8.6
Taxation	**4.2**	12.1
Property completions payable	**-**	0.1
Total trade and other payables - current	**82.9**	90.1

* 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.
** The comparatives for "Trade and other payables" and "Accruals" have been changed in the current year. The Group has reclassified £14.7m to align "Accruals" to the current year presentation.

All trade and other payables are non-interest bearing.

Disclosure of the financial risks related to these financial instruments is disclosed in note 18.

Notes to the financial statements

20. Deferred revenue

	Contract liability £m	Deferred property income £m	Total £m
At 1 January 2018	15.6	81.9	**97.5**
Credited to income statement during the year	(7.0)	(14.5)	**(21.5)**
Amounts received in advance and deferred	4.2	11.5	**15.7**
At 31 December 2018	**12.8**	**78.9**	**91.7**
Credited to income statement during the year	(12.8)	(10.8)	**(23.6)**
Amounts received in advance and deferred	5.4	13.2	**18.6**
At 31 December 2019	**5.4**	**81.3**	**86.7**

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

	2019 £m	2018 £m
Current	**24.0**	23.4
Non-current	**62.7**	68.3
Total deferred revenue	**86.7**	91.7

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

21. Provisions

		Self insurance			
	Restructuring £m	Retrospective employer's liabilities £m	General third party liabilities £m	Other £m	Total £m
At 1 January 2019	3.7	17.5	7.7	0.8	29.7
Charged/(credited) to income statement during the year	1.7	(2.4)	1.3	2.3	2.9
Utilised in the year	(2.9)	(0.1)	(1.0)	-	(4.0)
Amortisation of discounting	-	0.7	-	-	0.7
At 31 December 2019	**2.5**	**15.7**	**8.0**	**3.1**	**29.3**
Expected utilisation within one year	2.5	1.9	8.0	3.1	15.5

Notes to the financial statements

21. **Provisions** (continued)

		Self insurance*			
	Restructuring £m	Retrospective employer's liabilities £m	General third party liabilities £m	Other £m	Total £m
At 1 January 2018	4.3	18.7	7.5	0.7	31.2
Charged/(credited) to income statement during the year	0.8	(1.4)	0.4	0.8	0.6
Utilised in the year	(1.4)	(0.4)	(0.2)	(0.7)	(2.7)
Amortisation of discounting	-	0.6	-	-	0.6
At 31 December 2018	**3.7**	**17.5**	**7.7**	**0.8**	**29.7**
Expected utilisation within one year	3.7	3.5	7.7	0.8	15.7

* The comparative has been reanalysed to conform to current presentation.

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

	2019 £m	2018 £m
Current	**15.5**	15.7
Non-current	**13.8**	14.0
Total provisions	**29.3**	29.7

Restructuring

During 2019 a restructuring programme was initiated amalgamating two regions, Short Sea Ports and South Wales, into a single region. In conjunction with this the remaining regions undertook efficiency programmes. A provision has been raised for restructuring in relation to these programmes, which primarily includes staff and consultancy related costs. These are ongoing in 2020 and the provision is expected to be utilised within one year.

Self insurance

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

The group's exposure in relation to retrospective industrial diseases have been subject to a full review in 2019 and an updated model constructed by an independent actuary. Potential liabilities have been projected forward until 2074 using information on incidence type, number of claims, life expectancy of claimants, value of claims and the group's share of the exposure. Cash flows, where appropriate, have been projected and discounted on a pre-tax basis using a discount rate of 2.6% (2018: 2.9%). The actuarial assessment identified a reasonable discounted estimate of the reserves to be £11m with an estimated range of liabilities between £5m and £25m (£5m - £17m discounted). In the light of uncertainty associated with asbestos related claims, the group continues to provide at towards the top end of the range.

The remaining parts of the provision are reviewed by the group's internal insurance department and updated in line with insurance claims expectations.

Notes to the financial statements

21. **Provisions** (continued)

Other

In 2014 a case was brought to court regarding holiday pay, in particular a ruling that the calculation of holiday pay should be based on "normal earnings" which was deemed to include overtime. The group does not include overtime when paying holiday pay to its employees and consequently the group has recognised a £1m provision for past under-payments of holiday pay.

In January 2020, the Health and Safety Executive commenced legal action against the group in relation to an accident which occurred in 2015 and the group has made a provision for this.

22. **Deferred tax**

The UK corporation tax rate change from 19% to 17% (effective 1 April 2020) was enacted 15 September 2016. On 11 March 2020 the Chancellor of the Exchequer announced that the UK corporation rate change would no longer go ahead. However, as this announcement took place after the balance sheet date, the deferred tax balances are remeasured at 19% or 17% as appropriate for the period in which they are expected to crystalise.

The movement on the deferred tax is shown below:

	2018 £m	Adjustments in respect of previous periods charged/ (credited) to income statement £m	Charged/ (credited) to income statement £m	Charged/ (credited) to OCI £m	Business combination £m	2019 £m
Accelerated tax depreciation	81.7	3.6	(0.2)	-	-	**85.1**
Revaluation of operational land and investment properties	164.0	-	4.4	4.8	-	**173.2**
Capital losses	(42.8)	(0.2)	(0.3)	-	-	**(43.3)**
Retirement benefit obligations	(4.9)	-	1.7	(3.6)	-	**(6.8)**
Derivative financial instruments	(110.5)	-	(19.4)	-	-	**(129.9)**
Other	(2.1)	-	0.9	-	-	**(1.2)**
Net deferred tax liability	85.4	3.4	(12.9)	1.2	-	**77.1**

Notes to the financial statements

22. **Deferred tax** (continued)

	2017 £m	Adjustments in respect of previous periods charged to income statement £m	Charged to income statement £m	Charged/ (credited) to OCI £m	Business combination £m	2018 £m
Accelerated tax depreciation	70.9	7.0	3.7	-	0.1	**81.7**
Revaluation of operational land and investment properties	164.1	0.1	5.2	(5.4)	-	**164.0**
Capital losses	(43.1)	-	0.3	-	-	**(42.8)**
Retirement benefit obligations	(11.8)	-	0.4	6.5	-	**(4.9)**
Derivative financial instruments	(121.7)	-	11.2	-	-	**(110.5)**
Other	(2.5)	-	0.4	-	-	**(2.1)**
Net deferred tax liability	55.9	7.1	21.2	1.1	0.1	**85.4**

The group has unrecognised capital losses of £314.1m (2018: £314.1m) that are only available for offset against gains from future sales of land and buildings from the port estates. These have not been recognised as gains from future property sales cannot be projected with sufficient certainty.

23. **Share capital**

Issued and fully paid	2019 £m	2018 £m
1,000 (2018: 1,000) ordinary shares of £1.00 each	**-**	-

Notes to the financial statements

24. Cash generated by operations

Reconciliation of loss before taxation to cash generated by operations:	**2019 £m**	**2018* £m**
Loss before taxation	**(322.8)**	(53.8)
Finance costs	**417.9**	452.0
Net unrealised loss/(gain) on derivatives at fair value through profit and loss	**124.0**	(95.1)
Finance income	**(46.2)**	(29.4)
Net unrealised loss on operating derivatives	**-**	0.7
Depreciation of property, plant and equipment	**83.7**	79.3
Amortisation of intangible assets	**23.1**	15.6
Impairment of property, plant and equipment	**1.6**	-
Impairment of intangible assets	**70.7**	-
Profit on write off of intangibles and disposal of property, plant and equipment, investment property, property and land held for sale and right of use assets	**(0.9)**	(2.9)
(Gain) on disposal of leases and right of use assets	**(0.1)**	-
(Decrease) in provisions	**(1.1)**	(0.5)
Increase in fair value of investment properties	**(35.6)**	(35.1)
Difference between pension contributions paid and defined benefit pension charge through profit and loss	**(11.6)**	(5.4)
Operating cash flows before movements in working capital	**302.7**	325.4
Increase in trade and other receivables	**13.5**	(14.7)
Increase in trade and other payables	**(21.1)**	3.7
Cash generated by operations	**295.1**	314.4

* 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.

Notes to the financial statements

24. **Cash generated by operations** (continued)

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

2019	At 31 December 2018 (liability)/ asset* £m	Impact of adopting IFRS 16* £m	At 1 January 2019 (liability)/ asset £m	Cash flows £m	Non-cash changes: Foreign exchange (loss)/gain £m	Non-cash changes: Fair value decreases £m	Non-cash changes: Other changes £m	At 31 December 2019 (liability)/ asset £m
Cross currency interest rate swaps	125.1	-	125.1		(20.0)	3.1	-	**108.2**
Non-current external borrowings	(2,257.1)	-	(2,257.1)	(35.0)	20.0	0.4	(1.3)	**(2,273.0)**
Non-current amounts due to parent undertaking	(3,015.9)	-	(3,015.9)	-	-	-	(251.9)	**(3,267.8)**
Obligations under finance leases	(1.8)	1.8	-	-	-	-	-	.
Lease liabilities	-	(14.8)	(14.8)	3.0	-	-	0.3	**(11.5)**
Total	**(5,149.7)**	**(13.0)**	**(5,162.7)**	**(32.0)**	**-**	**3.5**	**(252.9)**	**(5,444.1)**

2018	At 1 January (liability)/ asset £m	Cash flows £m	Non-cash changes: Foreign exchange (loss)/gain £m	Non-cash changes: Fair value decreases £m	Non-cash changes: Other changes £m	At 31 December (liability)/ asset* £m
Cross currency interest rate swaps	100.3	-	27.8	(3.0)	-	**125.1**
Non-current external borrowings	(2,228.1)	1.0	(27.8)	-	(2.2)	**(2,257.1)**
Non-current amounts due to parent undertaking	(2,324.5)	-	-	-	(691.4)	**(3,015.9)**
Current amounts due to parent undertaking	(484.9)	-	-	-	484.9	**-**
Obligations under finance leases	(2.0)	0.6	-	-	(0.4)	**(1.8)**
Total	**(4,939.2)**	**1.6**	**-**	**(3.0)**	**(209.1)**	**(5,149.7)**

* 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.

Notes to the financial statements

25. Related party transactions

The group has multiple pension arrangements, predominantly defined contribution, and also operates a defined benefit scheme managed by the Trustee of the Associated British Ports Group Pension Scheme ("ABPGPS") (see note 15). During the year, the group charged ABPGPS £0.2m (2018: £0.2m) in respect of administrative services. At 31 December 2019, £nil (2018: £nil) remained owing to the group by ABPGPS in respect of these charges.

Transactions with key management personnel
Details of compensation of key management personnel are set out in note 5.

During the year 14 (2018: 11) of the directors of Associated British Ports Holdings Limited, an intermediate subsidiary undertaking of the company, were representatives of the shareholders of the ultimate parent undertaking, ABP (Jersey) Limited. Each shareholder is entitled to receive fees for the services of these directors and the fees earned during the year were as follows:

	2019 £	**2018 £**
OMERS Infrastructure (on behalf of Borealis ABP Holdings B.V. and Borealis Ark Holdings B.V.)	**101,365**	105,000
Cheyne Walk Investment Pte Limited	**60,981**	70,000
Kuwait Investment Authority	**35,000**	35,000
Canada Pension Plan Investment Board (on behalf of itself and 9348654 Canada Inc.)	**64,615**	140,000
CPPIB (Hong Kong) Limited (on behalf of itself and 9348654 Canada Inc.)[1]	**50,481**	-

1 All share classes held by Canada Pension Plan Investment Board were transferred to CPPIB (Hong Kong) Limited on 14 August 2019.

Further details of the shareholders' share ownership are set out in note 29.

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

Name	**Relationship**
ABP (Jersey) Limited	Ultimate parent
ABP Bonds UK Limited	Intermediate parent
ABP SubHoldings UK Limited	Immediate parent
ABP Mezzanine Holdco UK Limited	Fellow group undertaking

The group has the following borrowings with the related party:

Entity/item	**Due date**	**Interest rate per annum**	**2019 £m**	**2018 £m**
ABP SubHoldings UK Limited	2028	3.95% per annum plus 6 month sterling LIBOR	**(416.0)**	(416.0)
ABP SubHoldings UK Limited	2027	9.0%	**(722.8)**	(722.8)
Accrued interest			**(2,131.0)**	(1,879.1)
			(3,269.8)	(3,017.9)

Notes to the financial statements

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

The following table shows the borrowing transactions that have been entered into by the group with related parties, together with period end balances, for the relevant financial year:

ABP SubHoldings UK Limited	**2019 £m**	**2018 £m**
Intercompany borrowing at start of the year	**(3,017.9)**	(2,813.6)
Interest charged	**(251.9)**	(255.8)
Non-cash interest paid	**-**	51.5
Intercompany borrowing at end of the year	**(3,269.8)**	(3,017.9)

The group also has current accounts with related parties. The following tables show the transactions that have been entered into by the group with related parties, together with period end balances, for the relevant financial year:

ABP (Jersey) Limited	**2019 £m**	**2018 £m**
Intercompany receivable at start of the year	**0.8**	0.6
Interest charged – 12.0% per annum (2018: 12.0%)	**0.1**	0.1
Increase in receivable	**-**	0.1
Intercompany receivable at end of the year	**0.9**	0.8

ABP Bonds UK Limited	**2019 £m**	**2018 £m**
Intercompany receivable at start of the year	**109.9**	99.9
Interest charged – 7.0% per annum (2018: 7.6%)	**7.8**	7.7
Increase in receivable	**11.0**	2.3
Intercompany receivable at end of the year	**128.7**	109.9

ABP SubHoldings UK Limited	**2019 £m**	**2018 £m**
Intercompany receivable at start of the year	**26.7**	25.2
Interest charged – 7.0% per annum (2018: 7.6%)	**1.9**	2.0
Decrease in receivable	**(0.4)**	(0.5)
Intercompany receivable at end of the year	**28.2**	26.7

ABP Mezzanine Holdco UK Limited	**2019 £m**	**2018 £m**
Intercompany receivable/(payable) at start of the year	**0.3**	(0.5)
Interest charged – 7.0% per annum (2018: 7.6%)	**-**	(0.1)
Increase in receivable	**0.5**	0.9
Intercompany receivable at end of the year	**0.8**	0.3

Notes to the financial statements

26. Financial commitments

Capital commitments

	2019 £m	2018 £m
Group capital expenditure contracted but not provided for	**62.0**	55.7

27. Contingent liabilities

Contingent liabilities under claims, indemnities and guarantees:	2019 £m	2018 £m
Guarantees in respect of subsidiary undertaking's undrawn borrowings	**530.0**	565.0
Total cross guarantees by group companies	**530.0**	565.0
Group's guaranteed borrowings as set out in note 16	**2,288.7**	2,274.1
Total borrowings and undrawn facilities of group of which company is a member	**2,818.7**	2,839.1

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

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 Accident Investigation Branch and Maritime and 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 group makes contributions to three industry-wide defined benefit pension schemes, which have various funding levels. The group's ability to control these schemes is limited and therefore the impact on the group's future cash flows and cost base from these schemes is uncertain. Further details on these schemes are set out in note 15.

The group self-insures and certain potential liabilities retained by the group are covered by letters of credit totalling £1.1m (2018: £1.1m). The group is not required to secure any cash reserves against these letters of credit.

The company has agreed that the following subsidiaries of the company may take advantage of the exemption provided under s479A of the Companies Act 2006, in respect of the requirement for audit. Furthermore, the company has given guarantees for the financial year ending 31 December 2019 in accordance with section 479C to the following subsidiary undertakings to enable them to take advantage of the exemption from audit:

UK Dredging Management Limited	Company No. (77980)
RPM Industrial Site Services Limited	Company No. (05918088)

Notes to the financial statements

28. **Leases**

Group as lessee

Expenses relating to short term leases, leases of low value assets and variable lease expense are set out in note 3.

The nature of the group's leasing activities, the carrying amounts of right of use assets recognised and the movements during the year are set out in note 11.

Right of use assets that meet the definition of investment property are included in note 12.

The carrying amounts of lease liabilities and the movements during the year are set out in note 16. The maturity analysis of lease liabilities is set out in note 18.

During the year the group had total cash outflows for leases of £6.6m. Lease committed but not yet commenced is £nil.

Group as lessor

The group's lease income is set out in note 2.

The nature of the group's finance lease activities and the maturity analysis of the group's future minimum lease payments receivable under finance leases are set out in note 18.

Operating lease receivables

The group leases various areas of land, buildings and other operational assets across its port facilities to its customers. The lease terms vary depending on the nature of the property and are unique to each property. The length of lease for properties contributing to the lease income receivable below ranges from less than one year to 119 years. Where renewal rights exist these rights are either contractual or statutory in nature.

Maturity analysis of future minimum lease income receivable under non-cancellable operating leases is as follows:	**2019 £m**	**2018* £m**
Not later than one year	**106.6**	107.8
More than one year but not more than two years	**77.7**	83.6
More than two years but not more than three years	**72.5**	76.0
More than three years but not more than four years	**65.1**	69.6
More than four years but not more than five years	**59.9**	65.0
More than five years	**969.4**	1,003.7
Total	**1,351.2**	1,405.7

* At 1 January 2019, the group adopted IFRS 16 using the modified retrospective method. Under this method the 2018 comparative is not restated but has been reanalysed to conform to current presentation. Further details are set out in note 1.2.

29. **Subsidiary undertakings**

All subsidiaries have a registered address of 25 Bedford Street, London, WC2E 9ES and operate in England and Wales, unless otherwise stated. The group's controlling interest in subsidiary undertakings is represented by ordinary shares (with the exception of Associated British Ports, which is governed by the Transport Act 1981 and Southampton Port Security Authority Limited, which is limited by guarantee). All ordinary shares have voting rights in the same proportion to the shareholding.

Notes to the financial statements

29. **Subsidiary undertakings** (continued)

	% held by Group
Subsidiary undertakings: Holding/financing	
ABP Acquisitions UK Limited	100
ABP Finance Plc	100
Subsidiary undertakings: Ports and transport	
ABP Security Limited	100
Associated British Ports	(see below)[1]
Associated British Ports Holdings Limited	100
Immingham Bulk Terminal Limited	100
W.E. Dowds (Shipping) Limited	100
Subsidiary undertakings: Property	
ABP Property Development Company Limited	100
Grosvenor Waterside Investments Limited	100
Millbay Development Company Limited	100
RPM Industrial Site Services Limited	100
Subsidiary undertakings: Group services	
ABP Marine Environmental Research Limited	100
ABPH Marine (Guernsey) Limited[2] (domiciled in Guernsey)	100
UK Dredging Management Limited	100
W.E.D. (Services) Limited	100
Subsidiary undertakings: Dormant	
ABP (Aldwych) Limited	100
ABP (No. 1) Limited	100
ABP (Pension Trustees) Limited	100
ABP Connect Limited	100
ABP Marchwood Limited	100
ABP Nominees Limited	100
ABP Quest Trustees Limited	100
ABP Safeguard Limited	100
ABP Secretariat Services Limited	100
ABP Southampton Properties Limited	100
Aldwych Logistics Investments Limited	100
Amports Cargo Services Limited	100
Amports Contract Personnel Limited	100
Amports Holdings Limited	100
Amports Vehicle Terminals Limited	100
American Port Services Holdings Limited	100
Associated British Ports Investments Limited	100
Auto Shipping Limited	100
Colchester Dock Transit Company Limited	100
Exxtor Shipping Services Limited	100

[1]*Under the Transport Act 1981, Associated British Ports Holdings Limited, the company's intermediate subsidiary undertaking, has powers over Associated British Ports ("ABP") corresponding to the powers of a holding company over a wholly owned subsidiary undertaking. ABP's registered office is 25 Bedford Street, London, WC2E 9ES.*
[2]*Registered address is Frances House, Sir William Place, St. Peter Port, Guernsey, GY1 4HQ.*

Notes to the financial statements

29. **Subsidiary undertakings** (continued)

	% held by Group
Subsidiary undertakings: Dormant (continued)	
Grosvenor Buchanan Properties Limited[1] (domiciled in Scotland)	100
Grosvenor Waterside (Cardiff Bay) Limited	100
Grosvenor Waterside (Holdings) Limited	100
Grosvenor Waterside Asset Management Limited	100
Grosvenor Waterside Developments Limited	100
Grosvenor Waterside Group Limited	100
Humber Pilotage (C.H.A.) Limited	100
Ipswich Port Limited	100
Marine Environmental Research Limited	100
Northern Cargo Services Limited	100
Slater's Transport Limited	100
Southampton Free Trade Zone Limited	100
Southampton Port Security Authority Limited	(see below)[2]
The Teignmouth Quay Company Limited	100
Whitby Port Services Limited	100

[1]*Registered address is Associated British Ports, Port Office, Ayr, Ayrshire, KA8 8AH.*
[2]*This company is a subsidiary undertaking limited by guarantee.*

30. **Ultimate parent undertaking and controlling parties**

The company is a private company limited by shares registered in England and Wales. Its immediate parent undertaking is ABP SubHoldings UK Limited.

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

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

2019	**% of A Ordinary shares**	**% of B Ordinary shares**	**% of Preference shares**
Borealis ABP Holdings B.V. (owned by OMERS Administration Corporation)	22.10	22.10	22.09
Borealis Ark Holdings B.V. (owned by OMERS Administration Corporation)	7.90	7.90	7.91
CPPIB (Hong Kong) Limited (owned by Canada Pension Plan Investment Board)	30.00	33.88	33.88
9348654 Canada Inc.	3.88	-	-
Cheyne Walk Investment Pte Limited (owned by GIC (Ventures) Pte Limited)	20.00	20.00	20.00
Kuwait Investment Authority	10.00	10.00	10.00
Anchorage Ports LLP (owned by Hermes GPE Infrastructure Fund LP, Hermes Infrastructure (SAP I) LP and Hermes Infrastructure (Alaska) LP)	6.12	6.12	6.12
	100.00	**100.00**	**100.00**

Notes to the financial statements

30. **Ultimate parent undertaking and controlling parties** (continued)

2018	% of A Ordinary shares	% of B Ordinary shares	% of Preference shares
Borealis ABP Holdings B.V. (owned by OMERS Administration Corporation)	22.10	22.10	22.09
Borealis Ark Holdings B.V. (owned by OMERS Administration Corporation)	7.90	7.90	7.91
Canada Pension Plan Investment Board	30.00	33.88	33.88
9348654 Canada Inc.	3.88	-	-
Cheyne Walk Investment Pte Limited (owned by GIC (Ventures) Pte Limited)	20.00	20.00	20.00
Kuwait Investment Authority	10.00	10.00	10.00
Anchorage Ports LLP (owned by Hermes GPE Infrastructure Fund LP, Hermes Infrastructure (SAP I) LP and Hermes Infrastructure (Alaska) LP)	6.12	6.12	6.12
	100.00	**100.00**	**100.00**

All share classes held by Canada Pension Plan Investment Board were transferred to CPPIB (Hong Kong) Limited, a Hong Kong registered wholly owned subsidiary undertaking of Canada Pension Plan Investment Board on 14 August 2019. This transaction did not impact the percentage holdings of any other shareholder.

31. **Events after the reporting period**

Since the balance sheet date the Covid-19 virus has spread around the world and many governments, including that of the UK, have introduced strict measures to limit social contact in order to slow the spread of the virus. ABP is likely to be impacted by the expected slowdown of the economy and by reduced trade flows caused by the measures to limit the spread of the virus. As these measures were not in place at the balance sheet date management have concluded that the economic impact of the Covid-19 virus is a non-adjusting post balance sheet event.

The group is carefully monitoring the fast changing threat from the Covid-19 virus and is liaising with the relevant health authorities and statutory bodies to ensure the group is delivering the most appropriate and effective response. There is a risk that the Covid-19 virus will put pressure on commercial contracts resulting in lost business, and disrupt business operations, which will adversely impact the group's EBITDA. The group is proactively considering downside scenarios, re-forecasting and stress testing financial results, and monitoring headroom against its loan covenants. Based on currently available information the group does not expect the impact of the virus to cause it to default on its covenants or to otherwise threaten the viability of the group.

As described in note 1.3, management have made a number of critical estimates, judgements and assumptions in preparing these accounts. Given the fast moving nature of events and the unprecedented nature of the measures being taken to slow the spread of the virus it is not possible to accurately quantify the financial impact of these measures on the critical estimates, judgements and assumptions. However the general impact is explained further below:

- Goodwill impairment (note 8). The measures to slow the spread of the virus are likely to cause the UK economy to enter recession, reducing trade flows and so reducing the group's profitability in the short-term. This will, until the economy recovers, reduce the headroom of discounted future cash-flows over the carrying value of goodwill.

Notes to the financial statements

31. **Events after the reporting period** (continued)

At the balance sheet date the headroom was £1,070.2m and management do not expect the impact of the virus to result in an impairment of goodwill.

- Intangible assets impairment (note 9). The value of customer relationships is assessed for indications of impairment at least annually by considering the magnitude and incidence of any customer losses and the impact of any other changes in contractual and commercial relationships. Since the balance sheet date there have been no material customer losses or other material changes in contractual and commercial relationships, but if these were to occur as a result of a recession then an impairment of the value of customer relationships may be necessary.
- Valuation of investment property (note 12). The valuations adopt conventional investment valuation methodology by assessing the income from the investment assets and then capitalising against a property investment yield. A recession in the UK economy caused by the measures to slow the spread of the Covid-19 virus could cause both income from investment assets to fall, and property investment yields to increase, reducing the valuation of investment properties in the short-term.
- Valuation of defined benefit pension scheme liabilities (note 15). The measures to slow the spread of the virus have led to volatility in investment markets which has affected both the valuation of pension scheme assets and the assessment of liabilities. The overall impact on the ABP Group Pension Scheme will be mitigated to some extent by the hedging of a significant proportion of the Scheme's interest rate and inflation exposure. Based on current market conditions asset values are likely to have decreased since the end of 2019 due to falls in return-seeking assets, together with changes in the values of bond and inflation-linked assets. However, liabilities are also likely to have decreased on account of lower expectations for inflation and increases in AA corporate bond yields.
- Valuation of derivatives – notes 17 and 18. Since the balance sheet date there has been a reduction in long term LIBOR and SONIA swap rates leading to a net increase in the adverse mark to market of the group's derivatives.

Parent company balance sheet as at 31 December

	Note	2019 £m	2018 £m
Assets			
Non-current assets			
Investments	6	**1,000.1**	1,000.1
Group receivables	7	**3,274.7**	3,022.2
		4,274.8	4,022.3
Current assets			
Group receivables	7	**9.2**	8.9
		9.2	8.9
Total assets		**4,284.0**	4,031.2
Liabilities			
Current liabilities			
Borrowings	8	**(2.0)**	(2.0)
		(2.0)	(2.0)
Non-current liabilities			
Borrowings	8	**(3,267.8)**	(3,015.9)
		(3,267.8)	(3,015.9)
Total liabilities		**(3,269.8)**	(3,017.9)
Net assets		**1,014.2**	1,013.3
Shareholder's equity			
Share capital	10	**-**	-
Other reserve		**1,000.0**	1,000.0
Retained earnings		**14.2**	13.3
Total shareholder's equity		**1,014.2**	1,013.3

The financial statements were approved by the Board on 6 April 2020 and signed on its behalf by:

Murray Wyatt

MM Wyatt
Director

Parent company statement of cash flows for the year ended 31 December

The company had no cash flows during the years ended 31 December 2019 and 2018; consequently no statement of cash flows has been presented.

Parent company statement of changes in equity for the year ended 31 December

	Share capital £m	Other reserve[1] £m	Retained earnings £m	Total £m
At 1 January 2018	-	1,000.0	12.3	1,012.3
Profit for the year	-	-	1.0	1.0
At 31 December 2018	**-**	**1,000.0**	**13.3**	**1,013.3**
Profit for the year	-	-	0.9	0.9
At 31 December 2019	**-**	**1,000.0**	**14.2**	**1,014.2**

[1] The other reserve represents amounts forgiven by the parent undertaking for no consideration where the company de-recognised the amounts forgiven by the parent undertaking and recognised an equivalent amount in other reserve.

Notes to the financial statements

1. Accounting policies

1.1 Basis of preparation

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

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

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.

1.2 Changes in accounting policies

There were no new accounting standards, amendments and interpretations effective for the first time for the annual reporting period commencing 1 January 2019 that had an impact on the company.

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

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

1.3 Critical estimates, judgements and assumptions

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

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

Recoverability of financial assets
Group receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. The company's main transactions each year, which are controlled in conjunction with the rest of the group, relate to interest accrual, receipt and payment. Ultimate realisation of principal balances depends on the performance of the group owned by the company and the ability of the UK-wide ports and transport operations to generate cash flows. For the year ended 31 December 2019 the group had consolidated EBITDA pre-exceptional costs, calculated in accordance with the group's credit facilities of £315.4m and cash generated by operations of £295.1m. The group's strategic plan indicates that a strong performance is forecast to continue in the future. Further attention is drawn to the group's approach to risk and capital management which is set out in the group's strategic report.

Notes to the financial statements

1. **Accounting policies** (continued)

1.3 **Critical estimates, judgements and assumptions** (continued)

The directors believe that there are no other areas of the company's accounting policies involving a high degree of judgement or complexity nor are there any areas where assumptions and estimates are significant to the financial statements.

1.4 **Other accounting policies**

The principal accounting policies applied in the preparation of these financial statements are set out in note 1 to the consolidated financial statements with the addition of the following:

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

On forgiveness of amounts due from subsidiary undertaking with no consideration the company derecognises the carrying value of amounts due from subsidiary undertaking on the balance sheet and recognises an equivalent amount as an additional cost of investment in subsidiaries.

2. **Company result**

The company has not presented its own income statement as permitted by s408 of the Companies Act 2006. The company made a profit of £0.9m (2018: £1.0m) attributable to equity shareholder during the year. The company did not pay any dividends during the current or prior year.

3. **Auditor's remuneration**

Remuneration received by Ernst & Young LLP is detailed below and has been borne by a subsidiary undertaking.

	2019 £'000	**2018 £'000**
Fees payable to the company's auditor for the audit of the company's annual accounts	**285.4**	235.0

Details of fees for other services are provided in note 4 to the consolidated financial statements.

4. **Directors and employees**

Details of director emoluments are provided in note 5 to the consolidated financial statements.

The company had no employees during the year (2018: nil).

Notes to the financial statements

5. Taxation

Analysis of credit for the year	2019 £m	2018 £m
Current tax	**0.1**	-
Taxation	**0.1**	-

The taxation charge of £0.1m (2018: nil) for the year is lower (2018: lower) than the standard rate of taxation in the UK of 19.0% (2018: 19.0%). The differences are explained below:

	2019 £m	2018 £m
Profit before taxation	**0.9**	1.0
Profit before taxation multiplied by standard rate of corporation tax in the UK of 19.0% (2018: 19.0%)	**0.2**	0.2
Effects of:		
Expenses not deductible for tax	**(0.1)**	(0.2)
Total tax credit for the company	**0.1**	-

Current taxation in 2019 represents a charge for group relief surrendered to subsidiary undertakings, with the amount being added to amounts due from subsidiary undertaking.

6. Investments

	Interest in subsidiary undertakings	
	2019 £m	2018 £m
At 1 January	**1,000.1**	1,000.1
At 31 December	**1,000.1**	1,000.1

Details of subsidiary undertakings are provided in note 29 of the consolidated financial statements. The company has direct investments in ABP Acquisitions UK Limited and ABP Finance Plc.

7. Group receivables

	2019 £m	2018 £m
Non-current		
Amounts due from subsidiary undertaking	**1,140.7**	1,140.8
Accrued interest on amounts due from subsidiary undertaking	**2,134.0**	1,881.4
Total non-current group receivables	**3,274.7**	3,022.2
Current		
Amounts due from subsidiary undertaking	**7.2**	6.9
Accrued interest on amounts due from subsidiary undertaking	**2.0**	2.0
Total current group receivables	**9.2**	8.9

Notes to the financial statements

7. **Group receivables** (continued)

Amounts due from subsidiary undertaking represents loans to the company's immediate, wholly owned subsidiary undertaking, ABP Acquisitions UK Limited ("ABPA"), and interest accrued thereon. Amounts are not overdue for repayment and are not considered to be impaired. Amounts have been included in current and non-current based on the expected realisation of the asset.

ABPA has borrowing agreements which restrict the amounts that it can pay in cash in respect of interest due on its intra-group indebtedness.

With effect from 1 December 2018 the company agreed to change the interest rate on the intercompany loan due from APBA accruing interest at 10.0% per annum and the associated accrued interest thereon from 10.0% per annum to 3.95% per annum plus 6 month sterling LIBOR and to extend the maturity date on the intercompany loan from 16 December 2018 to 15 December 2028. Consequently, on 1 December 2018, the amounts due from subsidiary undertaking due in 2018 were de-recognised and the new amounts due from subsidiary undertaking due in 2028 were recognised at fair value with £nil recorded in profit or loss. In all other regards the terms of the loan agreements remained the same.

Amounts due from parent undertaking represents a balance with ABP SubHoldings UK Limited.

Further details of the amounts due from subsidiary undertaking and amount due from parent undertaking are disclosed in note 12.

Disclosure of the financial risks related to these financial instruments is disclosed in note 9.

The company does not hold any collateral as security. The company's receivables are denominated in sterling.

8. **Borrowings**

	2019	**2018**
	£m	**£m**
Current		
Interest on amounts due to parent undertaking	**2.0**	2.0
Total current borrowings	**2.0**	2.0
Non-current		
Amounts due to parent undertaking	**1,138.8**	1,138.8
Interest on amounts due to parent undertaking	**2,129.0**	1,877.1
Total non-current borrowings	**3,267.8**	3,015.9

Amounts due to parent undertaking represent two loans from ABP SubHoldings UK Limited, the company's immediate parent undertaking, which largely match borrowings from the shareholders of the company's ultimate parent undertaking held by the company's intermediate parent undertaking, ABP Bonds UK Limited, and fellow group undertaking, ABP Mezzanine Holdco UK Limited. Interest on amounts due to parent undertaking due in 2027, accruing interest at 9.0% per annum, accrues annually in arrears and can be settled in cash at any time or deferred until maturity of the facility. More details on the company's related party borrowings are set out in note 12.

Notes to the financial statements

8. **Borrowings** (continued)

With effect from 1 December 2018 the company's immediate parent undertaking, ABP SubHoldings UK Limited, agreed to change the interest rate on the intercompany loan accruing interest at 10.0% per annum and the associated accrued interest thereon from 10.0% per annum to 3.95% per annum plus 6 month sterling LIBOR and to extend the maturity date on the intercompany loan from 16 December 2018 to 15 December 2028. Consequently, on 1 December 2018, the amounts due to parent undertaking due in 2018 were de-recognised and the new amounts due to parent undertaking due in 2028 were recognised at fair value with £nil recorded in profit or loss. In all other regards the terms of the loan agreements remained the same.

Interest on the amounts due to parent undertaking due in 2028, accruing interest at 3.95% per annum plus 6 month sterling LIBOR, is accrued and payable semi-annually. Amounts of interest settled is dependent on amounts of interest income the company receives from its immediate subsidiary undertaking, ABP Acquisitions UK Limited, which is dependent on the lending agreements of that company. In line with the terms of the borrowing agreement the company is permitted, at its discretion, to defer payment until a subsequent interest payment date or the final redemption date.

Disclosure of the financial risks related to these financial instruments is disclosed in note 9. More details on the company's related party borrowings are set out in note 12.

There is no collateral held as security. The company's borrowings are denominated in sterling.

9. **Financial instruments**

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

Fair value of financial instruments

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

The carrying amounts of financial assets and financial liabilities in the financial statements approximate to their fair value.

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

- The fair value of current group receivables and borrowings approximates to their carrying amounts due to the short-term maturities of these instruments;
- The fair value of non-current fixed rate group receivables and borrowings has been based on a cash flow projection with reference to observed market returns and accords to Level 2 in the fair value hierarchy; and
- The fair value of non-current floating rate group receivables and borrowings 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.

Notes to the financial statements

9. Financial instruments (continued)

Financial risk management
Treasury matters throughout the group of which the company is a member are controlled centrally and carried out in compliance with policies approved by the Board of Associated British Ports Holdings Limited ("ABPH"), the company's intermediate subsidiary undertaking. The Board of ABPH monitors treasury matters and approves significant decisions. The treasury function's purpose is to identify, mitigate and hedge financial risks inherent in the group's business operations and capital structure. The company's main financial risks are liquidity, credit and capital risk. The wider group, owned by ABP (Jersey) Limited ("ABPJ"), aims to manage these risks to an acceptable level.

The group's risks are disclosed in note 18 to the consolidated financial statements. Company specific risks are set out below:

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

The table below analyses the company's financial liabilities carried at amortised cost, based on undiscounted contractual payments:

	2019 £m	**2018 £m**
Not later than one year	24.1	24.2
More than one year but not more than two years	23.9	25.0
More than two years but not more than five years	74.3	77.3
More than five years	5,695.1	5,725.4
Total payments	**5,817.4**	**5,851.9**

Borrowings disclosure in the table above is based on contractual payments as they existed as at 31 December 2019 and 31 December 2018.

Interest on the loan due to parent undertaking due in 2028, accruing interest at 3.95% per annum plus 6 month sterling LIBOR, can at the company's discretion be deferred until a subsequent interest payment date or the final redemption date. As interest, which was deferred in 2019, was deferred until the final redemption date it has been included in the same category as the principal repayment in 2028. Subsequent interest is calculated on the principal as well as any deferred interest. Future interest payable has been included in the maturity analysis in line with expected payments, as this is considered a more accurate reflection of the future cash outflows of the company.

As interest payments on the loan due to parent undertaking due in 2027, accruing interest at 9.0% per annum can be deferred (as described in note 8) they have been included in the maturity analysis in the same category as the principal repayment.

The principal repayments of the loans due to parent undertaking are expected to be at the respective maturity dates.

Notes to the financial statements

9. **Financial instruments** (continued)

Financial risk management (continued)

Credit risk
Given the counterparties of group receivables, as set out in note 7, and the security provided under intra-group borrowing arrangements, the directors consider the company's exposure to credit risk to be minimal. The maximum exposure to credit risk at the reporting date for group receivables is the carrying amount of each class of receivable.

Capital risk
The company keeps its funding structure under review in order to fulfil its principal activity of financing the acquisition and subsequent funding of Associated British Ports Holdings Limited ("ABPH").

The company holds a limited number of long term loan balances with its immediate subsidiary undertaking, ABP Acquisitions UK Limited, and its immediate parent undertaking, ABP SubHoldings UK Limited. These balances were created as part of the acquisition of ABPH and subsequent refinancing of the ABP (Jersey) Limited group. The company's main transactions each year, which are controlled in conjunction with the rest of the group, relate to interest accrual, receipt and payment.

Ultimate realisation of principal balances depends on the performance of the group owned by the company and the ability of the UK-wide ports and transport operation to generate cash flows.

Further attention is drawn to the group's approach to risk and capital management, which is set out in the group's strategic report.

10. **Share capital**

Issued and fully paid	**2019 £m**	**2018 £m**
1,000 (2018: 1,000) ordinary shares of £1.00 each	-	-

11. **Cash flows from operations**

Reconciliation of profit before taxation to cash flows from operations:	**2019 £m**	**2018 £m**
Profit before taxation	**1.1**	1.0
Finance costs	**251.9**	255.8
Finance income	**(253.0)**	(256.8)
Operating cash flows before movements in working capital	**-**	-
Cash flows from operations	**-**	-

Notes to the financial statements

11. **Cash flows from operations** (continued)

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

2019	At 1 January liability £m	Cash flows £m	Non-cash changes: Other changes £m	At 31 December liability £m
Non-current amounts due to parent undertaking	(3,015.9)	-	(251.9)	3,267.8
Total	**(3,015.9)**	**-**	**(251.9)**	**3,267.8**

2018	At 1 January liability £m	Cash flows £m	Non-cash changes: Other changes £m	At 31 December liability £m
Non-current amounts due to parent undertaking	(2,324.5)	-	(691.4)	(3,015.9)
Current amounts due to parent undertaking	(484.9)	-	484.9	-
Total	**(2,809.4)**	**-**	**(206.5)**	**(3,015.9)**

12. **Related party transactions**

During the year 14 (2018: 11) of the directors of Associated British Ports Holdings Limited, an intermediate subsidiary undertaking of the company, were representatives of the shareholders of the ultimate parent undertaking, ABP (Jersey) Limited. Each shareholder is entitled to receive fees for the services of these directors. The fees earned during the year are set out in note 25 to the consolidated financial statements.

Further details of the shareholders' share ownership are set out in note 30 to the consolidated financial statements.

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

Name	Relationship
ABP SubHoldings UK Limited	Immediate parent
ABP Acquisitions UK Limited	Wholly owned immediate subsidiary

Notes to the financial statements

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

The company has loans receivable and borrowings with the following related parties:

Name	Due date	Interest rate per annum	2019 £m	2018 £m
ABP Acquisitions UK Limited	2027	9.0%	**724.8**	724.8
ABP Acquisitions UK Limited	2028	3.95% per annum plus 6 month sterling LIBOR	**416.0**	416.0
Interest accrued			**2,135.9**	1,883.4
			3,276.7	3,024.2
ABP SubHoldings UK Limited	2027	9.0%	**(722.8)**	(722.8)
ABP SubHoldings UK Limited	2028	3.95% per annum plus 6 month sterling LIBOR	**(416.0)**	(416.0)
Interest accrued			**(2,131.0)**	(1,879.1)
			(3,269.8)	(3,017.9)

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

ABP Acquisitions UK Limited	2019 £m	2018 £m
Intercompany receivable at start of the year	**3,024.2**	2,819.4
Interest charged	**252.5**	256.3
Non-cash interest received	**-**	(51.5)
Intercompany receivable at end of the year	**3,276.7**	3,024.2

ABP SubHoldings UK Limited	2019 £m	2018 £m
Intercompany borrowing at start of the year	**(3,017.9)**	(2,813.6)
Interest charged	**(251.9)**	(255.8)
Non-cash interest paid	**-**	51.5
Intercompany borrowing at end of the year	**(3,269.8)**	(3,017.9)

The company also has a current account with the following related party. The following table shows the transactions that have been entered into by the company with the related party, together with the period end balance, for the relevant financial year:

ABP Acquisitions UK Limited	2019 £m	2018 £m
Intercompany receivable at start of the year	**6.9**	6.4
Interest charged – 7.0% per annum (2018: 7.6%)	**0.4**	0.5
Decrease in receivable	**-**	-
Intercompany receivable at end of the year	**7.3**	6.9

Notes to the financial statements

13. Contingent liabilities

Details of the contingent liabilities of the group of which the company is a member are provided in note 27 of the consolidated financial statements.

14. Ultimate parent undertaking and controlling parties

Details of the ultimate parent undertaking and controlling parties are disclosed in notes 29 and 30 to the consolidated financial statements.