

ABPA HOLDINGS LIMITED AND SUBSIDIARIES

(Company Number 07847153)

ANNUAL REPORT AND ACCOUNTS 2021

ABPA HOLDINGS LIMITED

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Strategic report

The directors present their strategic report for the year ended 31 December 2021.

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 (“H&S”) of its employees and other persons involved in its operations present a continuous challenge requiring proactive and sustained leadership and management. Effective management of H&S matters considerably contributes to the prevention of loss of life, serious injury and damage to infrastructure.

The group manages this principal risk to the business through enforcement of rigorous policies and procedures in addition to behavioural training, strong communications and understanding in the context of H&S in the ABP workplace. These key strands are robustly supported by a strong commitment from the Board and are designed to achieve continuous improvement through a rolling 5-year H&S strategy.

H&S 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 and feedback from our employee engagement survey acknowledges the focus on safety within ABP.

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

	Target	2021	2020	Change from 2020
Number of accidents resulting in lost working days per one thousand employees ¹	<9.6	2.50	4.42	- 43.3%

¹ Includes the group’s employees and agency staff.

The number of accidents resulting in lost working days per one thousand employees has continued to reduce, from 4.42 in 2020 to 2.50 in 2021.

Strategic report (continued)

2. Development and performance of the business (continued)

2.1 Health and Safety (continued)

Statistically, 2021 continues the improvement from 2019 where the lost working days per one thousand employees was 10.68. Safety at ABP is at the centre of everything we do. This ethos and safety awareness, which through strong leadership at all levels within ABP and the promotion of a zero-harm safety culture across the organisation, has undoubtedly contributed to the improvement. Good progress continues to be made in behavioural safety, workplace transport initiatives, and a continual safety improvement programme in each of our regions as well as improvements to personal protective equipment for ABP's operatives and the wider Safety Management System. The ABP 'Spot It' system which permits any ABP staff and others to report any H&S observations continues to improve and is being used more extensively as the system matures. 2021 saw a second round of ABP's behavioural safety programme (Beyond Zero) conducted online for ABP colleagues, achieving a 100% attendance rate (barring absences such as maternity leave). Furthermore the 2022 Beyond Zero training programme has been developed and will be delivered across the business during 2022. During 2022 a revised Safety Leadership training program will also be rolled out for management teams.

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 as defined by lending covenants, consolidated EBITDA pre exceptional costs, underlying operating profit (see group income statement page 28), operating profit and profit before tax indicate the financial performance of the business.

Performance against each of these KPIs is as follows:

- Bulk cargo tonnage handled by the group's ports (excluding Southampton conservancy only volumes) increased by 14.2% to 56.3m tonnes in 2021 (2020: 49.3m tonnes) and unitised cargo increased by 1.2% to 3.0m units (2020: 3.0m units) due to stronger trading conditions as the global economy recovers from the impact of the Covid-19 pandemic.
- Group revenue increased by 4.8% to £592.5m (2020: £565.2m) primarily driven by an increase in cruise (+95.9% to £24.9m (2020: £12.7m)), break bulk (+14.6% to £88.2m (2020: £76.9m)) and pilotage and conservancy activity (+13.1% to £60.5m (2020: £53.5m)), partly offset by a decrease in biomass, vehicle and ro/ro revenue, and lower revenue due to the ending of the interim agreement with British Steel in 2020.
- Consolidated EBITDA pre-exceptional costs increased by 6.8% to £312.7m (2020: £292.8m) reflecting both the stronger trading conditions and the benefit of cost savings initiatives.

Strategic report (continued)

2. Development and performance of the business (continued)

2.2 Financial performance and KPIs (continued)

Reconciliation of Operating Profit to Consolidated EBITDA

	2021 £m	2020 £m
Consolidated EBITDA pre exceptional costs	312.7	292.8
Exceptional costs	(2.5)	(4.0)
Consolidated EBITDA	310.2	288.8
Amortisation	(17.1)	(17.6)
Depreciation	(91.3)	(87.6)
Impairment of intangible assets	-	(0.7)
Increase/(decrease) in fair value of investment properties	43.4	(13.3)
Unrealised foreign exchange loss	-	0.2
Net unrealised gain/(loss) on fuel derivatives	2.7	(1.4)
Loss on write off of intangibles and disposal of property, plant and equipment, investment property and property and land held for sale	(3.1)	(15.8)
Operating profit	244.8	152.6
Net financing costs	(325.7)	(536.6)
Loss before tax	(80.9)	(384.0)

- Underlying operating profit (see group income statement page 28) increased by 5.6% to £213.3m (2020: £201.9m). This is due to increased revenue and strong cost savings performance.
- Operating profit increased by 60.4% to £244.8m (2020: £152.6m). The fair value of the group's investment property portfolio increased by £43.4m in 2021 compared to a decrease of £13.3m in 2020. During 2020 the recoverable value of the customer relationships was reviewed and an impairment loss of £15.2m was recorded in profit or loss. There were exceptional costs of £2.5m (2020: 4.0m) resulting from the costs of one-off strategic projects.

2.3 Sustainability

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

	Target	2021	2020 ²	Change from 2020
CO ₂ e emissions (tonnes) ¹ including IBT	< prior year	44,293	46,698	- 5.2%
CO ₂ e emissions (tonnes) ¹ excluding IBT	< prior year	44,293	44,883	- 1.3%

¹ Calculated based on the group's consumption of electricity, gas, oil, petrol and diesel converted to CO₂e at rates published by the Department for Environment, Food and Rural Affairs, Scope 1 & 2.

² Restated to reflect actuals in Q4 2020.

In 2021 the group's carbon emissions decreased by -5.2% on an absolute basis (i.e. not normalised) compared to 2020. The operation of Immingham Bulk Terminal ("IBT") was transferred to Jingye Group on their acquisition of British Steel during 2020. Emissions during 2021 therefore did not include any from IBT. Excluding IBT emissions decreased by 1.3%.

The group's Environmental Management System was successfully certified to ISO 14001 and the ABP Energy Management System successfully retained certification to ISO 50001.

Strategic report (continued)**2. Development and performance of the business (continued)****2.3 Sustainability (continued)**

The information below is reported in accordance with requirements under The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. All figures reported are for the period of 1 January to 31 December and relate to group, including ABP Jersey limited and all subsidiaries, emissions in the United Kingdom and offshore areas.

Energy use and sources of Green House Gas ("GHG") Emissions

Total energy use	Energy used (kWh) ¹	Co2e emissions (kgCO2e)	Intensity (kgCO2e/kWh)
2021	207,923,458	44,293,000	0.213
2020	215,722,095	46,419,000	0.215

¹ Calculated based on the group's consumption of purchased electricity, on-site renewable energy generation, heat and fuel

GHG Emissions by scope

	CO2e emissions (tonnes)	Group Revenue (£m)	Intensity (kgCO2e/£)
2021			
Scope 1 (plus scope 3 business travel private cars) ¹	32,080	592.2	0.054
Scope 2 ²	12,213	592.5	0.020
Total	44,293	592.5	0.074
2020			
Scope 1 (plus scope 3 business travel private cars) ¹	31,790	565.2	0.056
Scope 2 ²	14,629	565.2	0.026
Total	46,419	565.2	0.082

¹ Calculated based on the group's consumption of gas and fuels for operations and transport

² Calculated based on the group's consumption of electricity

Methodology

The energy data gathered is via billing data and the applied methodology is the GHG Protocol. Emission factors and categories applied are location based as per the Department for Environment, Food and Rural Affairs Government conversion factors for company reporting of greenhouse gas emissions. Therefore this information is based on ABP energy use and direct emissions only, any energy sold onto third parties is Scope 3.

Energy Efficiency and Emissions Reduction Action Taken

ABP has implemented more than 20 energy efficiency and emission reducing projects across the business in 2021 producing emissions reductions. These include, lighting, high efficiency transformers and delivery of another in a series of new design of energy efficient pilot vessels that are delivering significant fuel savings.

ABP has renewable energy generation at 17 of its 21 ports, in the period covered by the report and generated 22.4GWh (2020: 24.8GWh) of renewable energy on site. This work continues and ABP has committed to invest in the delivery of more fuel-efficient pilot boats, electric cranes and reach stackers and other equipment over the course of the next five years to continue to reduce scope 1 emissions.

Strategic report (continued)**2. Development and performance of the business (continued)****2.4 People****Employee figures**

During 2021, the monthly average number of people employed by ABP was 2,245 (2020: 2,352).

The table below sets out the staff turnover rate as a percentage of headcount as at 31 December 2021:

		2021	2020	
	Target	% of total	% of total	pp change from 2020
Annual leavers as a percentage of headcount	5-10%	15.9%	13.9%	+2.0%

Annual leavers as a percentage of headcount increased to 15.9% in 2021 and remains above the targeted range. It should be noted that 10.6% of the leavers were voluntary leavers and the remaining 5.3% were for other reasons such as ill health, TUPE transfers, redundancy, end of fixed term contract or dismissal.

As in previous years, whilst there has been a number of leavers and joiners to ABP during the course of the year, the % split between men and women in our workforce remains consistent. However, we are pleased that in 2021 our mean gender pay gap has continued to reduce further by 6% from 1% to -5% due to our continued hiring of women in more senior roles in the business. This has resulted in a 66% increase in the hourly pay between women joining the business and those leaving, whilst in comparison the difference in men's hourly pay has only increased by 0.1%. The mean bonus gap has increased from -24% to -28%. A negative result indicates the extent to which women earn, on average, more bonus than their male colleagues. This fluctuation is simply due to our population of women being small (15%) and hence changes have a relatively large impact. It is important to note that in future years, the pay gap could fluctuate both up and down depending on the make-up of the workforce at various levels and on the payments made.

People Strategy

To enable and underpin delivery of our business strategy, a Group wide people strategy was developed and agreed in 2020. The strategy has 5 strategic themes: A healthy and safe place to work; getting the basics right; growing and retaining a highly skilled workforce; strong managers and leaders at every level; and creating a diverse and inclusive workplace. In 2021 we made good progress in each area of the strategy.

Talent development and recruitment

A total of 14 appointments were made at senior leadership level in 2021 (compared to 19 in 2020). 50% of the appointments were internal promotions and of the external appointments, over half (58%) were women. This is improving the overall diversity of our senior leadership team and positively impacting our gender pay gap.

In 2021, we launched ABP's first talent programme, Accelerated Leaders Programme. This aims to support a cohort of 6 senior leaders and accelerate their career development thus strengthening our internal succession plans for key senior roles. A second programme will be launched in 2023, which will aim to develop future Port Leaders.

Strategic report (continued)

2. Development and performance of the business (continued)

2.4 People (continued)

Diversity and Inclusion (D&I)

Our D&I network groups - ability, faith, LGBT+ and gender - have continued to progress throughout 2021. The focus has been on building awareness and supporting a number of initiatives internally and externally to demonstrate our commitment. Southampton and East Anglia ports achieved Diversity in Maritime Charter with Maritime UK.

ABP is proud to have again supported International Day of Disabled Persons in 2021 by lighting up 8 of our iconic buildings in purple as part of the Purple light up campaign. We are 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.

ABP Academy – our in-house training and development function

We continued to invest in the training, development and learning for all our ABP colleagues in 2021. To ensure all colleagues understand and have access to the training that is available to them, the Academy launched its training catalogue as part of Learning at Work Week. The catalogue was well received and will be updated annually to showcase the expansion in training offerings across the business.

Our key safety training programme of Beyond Zero continued in 2021 including content on physical safety and mental health and wellbeing. Delivered online, 100% of colleagues attended the training in 2021; up 6% from 2020. To complement our Beyond Zero training, we launched our behavioural safety training in 2021. The intention is to roll this one day immersive training course out across all areas of our business in 2022 with over 500 colleagues planned to attend. Safety leadership training was also reviewed with a new course implemented on Leading Safely in ABP with the intended audience being Senior Leaders across the business.

A pilot programme for Effective Performance management was held at the end of 2021 which received positive feedback and this will form part of the leadership and management offering that is being developed in 2022.

In total 1,623 training courses were held in 2021 across ABP, of which 606 were Safety related, 628 Plant and Equipment, 231 Marine and 62 Engineering. 35 Induction training sessions were also delivered to new colleagues ensuring a consistent introduction to the business. 93% of colleagues who completed evaluation forms post training delivered by the Academy stated the training courses had met the objectives. We have also taken steps to improve our Learning Management system in 2021 to make this more user friendly for colleagues.

Apprentices and Graduates

17 new apprentices were recruited into the business in 2021 in roles varying from Commercial, Planning and HR, to more traditional areas such as Marine Pilots, Marine Operations and Engineering. We are pleased that all apprentices who completed apprenticeships in 2021 successfully transitioned into full time roles. Additionally, 2 Graduates recruited in 2019 transitioned into full time roles as Assistant Operations Managers. We expanded our graduate intake, in 2021 with 7 new graduates being taken on covering Port Management, HR, Property and Finance.

Strategic report (continued)

2. Development and performance of the business (continued)

2.4 People (continued)

Human Resources Policies

The group's people strategy includes commitments to the highest possible standards of health, safety and wellbeing, 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. In 2021 we partnered with a new Employee Assistance Company to support the health and mental wellbeing of all our employees. The company provide a 24/7 service and access to specialist advisory and counselling services.

Employee Communications

Details of how we engage and communicate with our employees are provided in the Section 172 Statement on page 12.

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 harm to colleagues, and other port users, and preventing adverse financial impacts.

The principal risks 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 two principal safety risks relate to the potential for a major incident, either on a tenanted site or an ABP controlled site, as a result of the high-risk operations carried out across the ports.

- **Tenant Loses Control of Operation:** ABP's predominantly landlord-tenant operating model means that a high proportion of activities carried out across our ports are done so outside of ABP's direct control. These activities often include heavy industrial operations and the handling of dangerous cargoes such as ammonium nitrate. Consequently, there is a risk that a tenant, operating independently, experiences a fire or explosion on their site that results in harm to colleagues, or other port users, and prolonged business interruption at a port. In response, ABP has improved processes to ensure only tenants who can operate safely are onboarded and to assure ourselves of a tenant's compliance to their statutory and contractual obligations. Even with these control checks in place, ABP acknowledges that this will remain a significant risk to the business given the potential for a catastrophic health and safety outcome and the limited control ABP has at tenanted sites.
- **Fire/Gas/Explosion:** With ABP's increasing involvement in operations, there is a risk of a fire or explosion on an ABP controlled site. Robust, proactive controls are in place which help to prevent this risk from materialising. These include fire and Dangerous Substances and Explosive Atmospheres Regulations (DSEAR) risk assessments to identify potential hazards, cargo care measures and essential maintenance of plant and equipment. ABP colleagues are also trained to respond to an incident should it arise. Fire and Control of Major Accident Hazards (COMAH) regulations awareness training are complemented by regular drilling of emergency plans, which involve local resilience forums and other key stakeholders.

Strategic report (continued)**3. Risks and uncertainties (continued)**

The Group's principal financial risks relate to economic uncertainty post-Brexit and as a result of the ongoing Covid-19 pandemic. These factors can put pressure on commercial contracts and could result in lost business, which would adversely impact the Group's EBITDA. In response to these risks, ABP has reviewed the risk status of top customers and proactively engages with them to find commercial solutions and retain their business. The ongoing Covid-19 pandemic has exacerbated the challenges faced by the UK's steel industry and has increased uncertainty over the long-term viability of UK steel production. The loss of one or both of ABP's two major steel customers therefore remains a distinct risk to the Group. ABP monitors all its customers closely and maintains excellent relationships with these key customers.

The Group's principal technological risk remains that of cyber-attack. A continuing trend in phishing scams and malicious software creation, and a global spike in cyber-attacks during the Covid-19 pandemic, means that ABP is at risk of an e-mail, web browser-based or internet based cyber-attack that could compromise the Group's corporate computer system. ABP acknowledges that an in-depth, multi-layered defensive approach is essential to best protect against such attacks. As such, ABP continues to block e-mails and websites that may contain malware/viruses; has taken steps to encrypt and harden end-points against attack and has engaged a specialist security threat-hunting service to proactively monitor for attacks. ABP acknowledges the crucial role our people play in preventing an attack and therefore ensures that all staff receive annual awareness training. Ongoing penetration testing will help ABP to identify weaknesses in our network and take necessary action.

Since the balance sheet date, the political unrest between Russia and Ukraine has heightened, culminating with a territorial invasion of Ukraine by Russian armed forces. This situation has continued to escalate and most governments, including that of the UK, have imposed economic sanctions on Russia. The company is carefully monitoring the fast changing nature and extent of the economic sanctions on Russia and is liaising with the relevant authorities (including the Department for Transport - DfT) and statutory bodies to ensure the group is compliant with any such sanctions. There is a risk that these sanctions could impact commercial contracts, which could disrupt business operations, which could as a result adversely impact the group's EBITDA (see section 6 of strategic report).

Emerging risks that could impact ABP's business beyond the current five-year plan, have been identified and categorised as follows.

- **Environment:** Predicted long term changes to our climate and weather patterns, beyond those already being experienced, not only have the potential to directly further impact our operations but may also result in increasingly restrictive environmental legislation. The global drive towards decarbonisation also poses challenges for ABP and our customers in the timeframe considered.
- **Public Policy and Regulation:** ABP recognises that both the maritime industry and key sectors of ABP's business are susceptible to changes in public policy, regulatory requirements and government support.
- **Technology, Innovation and Competition:** ABP must keep pace with technological change to remain competitive and to keep port users and assets safe and secure. ABP also acknowledges that as our economy becomes more technology-focussed, competition for certain skills will intensify.

Strategic report (continued)

3. Risks and uncertainties (continued)

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 access to liquidity, interest rates, 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.

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 2021, the group had access to £350.0m of committed and undrawn borrowing facilities, which are available for up to three years. The group also had access to £105.9m of cash and cash equivalents as at 31 December 2021. 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 ABPAH group has in place £160.0m of debt service reserve liquidity facilities to cover annual interest costs. These are renewed annually and are drawn with the cash ring-fenced for debt service 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 to hedge against changes in interest rates and to adjust the balance between fixed and floating rate debt. As at 31 December 2021, with the exception of loans from the immediate parent company, all of the ABPAH 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 but where foreign currency exposure does arise, it is managed through forward currency contracts.

As at 31 December 2021, the group had financing in foreign currency comprising USD 395.0m in private placements, JPY 10bn in private placements and EUR 140.0m in public notes and is therefore exposed to foreign exchange risk on these arrangements. This foreign currency exposure is fully hedged through cross currency swaps.

Strategic report (continued)

3. Risks and uncertainties (continued)

3.1 Financial risk management (continued)

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 2021 and 2020.

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 all financial counterparties and ensures no positions are entered into with counterparties with credit ratings that are below assigned limits.

4. Outlook

The UK has seen strong economic growth in 2021 as Covid-19 related restrictions have eased and economic agents adapted to the new pandemic impacted reality – this was reflected in the increased volumes and activity across the Ports. Along with an improved global outlook, the recovery seen in 2021 is expected to be maintained in 2022 and beyond. ABP continues to monitor the impact of the Covid-19 virus on its commercial and financial performance. There is still uncertainty over the UK's economic recovery and any potential downside scenarios could negatively impact ABP's existing and future customers with consequent impacts on EBITDA performance. 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.

Driven by the economic growth, the inflation indicators (CPI and RPI) also saw a steep increase in the latter months of 2021. Inflation has a double impact on ABP's performance: on the cost base, where increased inflation will put pressure on costs (both internal and from external providers); and on revenues, where a significant proportion of the contracts with our customers are linked to CPI and RPI.

Strategic report (continued)

4. Outlook (continued)

The EU-UK Trade and Cooperation Agreement came into effect on 1 January 2021, providing a clear framework for the UK's future trading relationship with the EU. ABP is working closely with government departments and agencies to limit disruption to trade flows through the ports following the implementation of new customs requirements on 1 January 2022, with additional checks on food and animal products coming into effect in July 2022.

ABP continued the implementation of its business strategy, which included the signing of commercial agreements in high growth sectors plus the delivery of capital projects across the port estate. There remains a focus on supporting key customers in navigating the energy transition and broader decarbonisation agenda.

On 3 March 2021, the Chancellor of the Exchequer announced the location of eight new Freeports in England. Four of these Freeports involve ABP port locations, including the Humber ports, Southampton, and Plymouth with the Freeport status in the Liverpool City Region to benefit Garston. ABP is working closely with the emerging Freeport authorities on finalising the business case to Government, operationalising individual Freeports and ensuring that the Group maximises the opportunity that Freeports status presents.

Following the territorial invasion of Ukraine by Russian armed forces, most governments, including that of the UK, have imposed economic sanctions on Russia. The group is proactively considering the exposure to customers and the impact any such contracts would have in the financial results and headroom against its loan covenants. Based on initial findings of customers impacted by the current restrictions in place and the information presently available, the group does not expect the impact of the sanctions to cause it to default on its covenants or to otherwise threaten the viability of the group. (see section 6 of the strategic report)

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 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 and national government, suppliers, the communities in which ABP operates, the environment and the group's lenders. To support directors and assist them in complying with their duties, management is required to provide feedback on their engagement with relevant stakeholders when matters are put forward for Board consideration. 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 Employees

The group's employees are fundamental to our success and 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. See our 'Health and Safety' and 'People' sections on pages 1 - 2 and 6 - 8 respectively for further information.

Strategic report (continued)

5. Section 172 Statement (continued)

5.1 Employees (continued)

<i>How ABP measures</i>	
<ul style="list-style-type: none"> • Lost working days, accident book rates • Annual leavers • Gender diversity and pay gap 	<ul style="list-style-type: none"> • Engagement survey responses • ‘Spot-Its’ • Whistleblowing reports
<i>How ABP engages</i>	
<ul style="list-style-type: none"> • Weekly newsletter on updates from around the business • Direct engagement with trade unions • Regular employee ‘Town Halls’ • Circulating regular guidance and ‘Q&As’ on Covid • Issuing safety alerts and giving ‘toolbox’ talks. 	<ul style="list-style-type: none"> • Actioning and reviewing near misses, incidents or concerns identified through the ‘Spot-It!’ portal • Anonymous employee engagement survey with associated action plans • Sharing regular information on financial and economic factors affecting the performance of the group
<i>How the Board complements the engagement efforts</i>	
<ul style="list-style-type: none"> • CEO and Director led briefings to enable direct feedback and questions 	<ul style="list-style-type: none"> • Regular visits to ports by Board members to engage directly with the local workforce
<i>Actions/Decisions and Outcomes</i>	
<ul style="list-style-type: none"> • Virtual delivery of Beyond Zero 2021 with a focus on improving mental health and the implementation of ‘Thrive’ behavioural safety training • Implementing home working during the pandemic for office based staff and steps taken to safely reopen offices 	<ul style="list-style-type: none"> • Joining the Diversity in Maritime (Women in Maritime) Charter programme • Signing the Mental Health in Maritime Pledge • Re-launch of the Employee Assistance Programme

5.2 Customers

The group’s future success is dependent on the maintenance and development of its relations with current and potential customers. ABP works closely with our customers at port, regional and corporate level to understand their needs and develop facilities and services to meet their requirements.

<i>How ABP measures</i>	
<ul style="list-style-type: none"> • Direct customer feedback during discussion on joint projects 	<ul style="list-style-type: none"> • Output from the customer engagement survey
<i>How ABP engages</i>	
<ul style="list-style-type: none"> • Regular dialogue with our customers to understand current and future challenges • Port user groups to provide a forum for feedback and discussion on key topics 	<ul style="list-style-type: none"> • Publication of the Annual Review and bi-annual ‘Report’ magazine
<i>How the Board complements the engagement efforts</i>	
<ul style="list-style-type: none"> • Meeting with key customer representatives 	<ul style="list-style-type: none"> • Customer representatives presenting directly to the Board
<i>Actions/Decisions and Outcomes</i>	
<ul style="list-style-type: none"> • Reopening of cruise services in a safe way in conjunction with operators 	<ul style="list-style-type: none"> • Attending industry events alongside customers and partners

Strategic report (continued)**5. Section 172 Statement (continued)****5.3 Local Authorities and National Government**

ABP 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 ABP to understand topical issues and to work with both government and our customers on areas of shared interest.

<i>How ABP measures</i>	
<ul style="list-style-type: none"> Using our strong relationships with local authorities ('LAs') to ensure solutions are delivered within planning requirements 	<ul style="list-style-type: none"> Feedback from discussions on projects, consultations and applications for grant funding
<i>How ABP engages</i>	
<ul style="list-style-type: none"> Directly with leading government departments, including the Department for Transport and the Cabinet Office Through Regular dialogue with LAs and Local Enterprise Partnerships 	<ul style="list-style-type: none"> With executive agencies of the government including the Marine and Coastguard Agency, the Marine Maritime Organisation and the UK Hydrographic Office.
<i>How the Board complements the engagement efforts</i>	
<ul style="list-style-type: none"> Directors meet with local and national government representatives 	<ul style="list-style-type: none"> Consideration of engagement and views of local and national government when reviewing project proposals
<i>Actions/Decisions and Outcomes</i>	
<ul style="list-style-type: none"> Working closely with government on key industry issues, including in relation to Covid-19 and Brexit Holding engagement and thought leadership events including Renewable UK's Ports and Vessels 2021 panel, BEIS Build Back Greener panel 	<ul style="list-style-type: none"> Working with LAs and Local Enterprise Partnerships to submit successful Freeport bids Attendance at political party conferences, sponsoring roundtable discussions and webinars and speaking at online conferences on relevant policy

5.4 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 we regularly 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.

Strategic report (continued)**5. Section 172 Statement (continued)****5.4 Suppliers (continued)**

<i>How ABP measures</i>	
<ul style="list-style-type: none"> By seeking regular feedback from suppliers in respect of payment processes and use of the supplier portal 	
<i>How ABP engages</i>	
<ul style="list-style-type: none"> Through the use of a supplier portal to enable organisations to register and tender for contracts, complete due diligence and correspond directly with ABP 	<ul style="list-style-type: none"> Through close collaboration with suppliers and contractors to ensure projects are delivered on time and in budget
<i>How the Board complements the engagement efforts</i>	
<ul style="list-style-type: none"> Reviewing and approving policies on credit risk and whistleblowing 	<ul style="list-style-type: none"> Receiving reports on project progress updates
<i>Actions and Decisions</i>	
<ul style="list-style-type: none"> Developing framework agreements with suppliers to ensure cost efficiency and quality of services 	<ul style="list-style-type: none"> Providing support to suppliers during the Covid-19 pandemic

5.5 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.

<i>How ABP measures</i>	
<ul style="list-style-type: none"> Donations to charities and local/national community organisations 	<ul style="list-style-type: none"> Tracking social and environmental incidents
<i>How ABP engages</i>	
<ul style="list-style-type: none"> Feedback from communities and local residents on significant project proposals 	<ul style="list-style-type: none"> Through sponsorship and fundraising by ABP and its employees for a number of charities and community organisations
<i>How the Board complements the engagement efforts</i>	
<ul style="list-style-type: none"> Through allocation of budget to support community and charity projects Investment in sites to mitigate the effect of habitat loss 	<ul style="list-style-type: none"> The impact on local communities is one of the aspects taken into account whenever project proposals are considered by the Board
<i>Actions/Decisions and Outcomes</i>	
<ul style="list-style-type: none"> ABP sponsorship of marathons in Southampton, Newport and the Humber. Beach cleaning and tree planting initiatives 	<ul style="list-style-type: none"> Donating laptops to help with home schooling during the Covid-19 pandemic

Strategic report (continued)**5. Section 172 Statement (continued)****5.6 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. Engaging with stakeholders is key to supporting our planning and licence applications and ensuring we are able to meet legislative requirements. When planning projects, ABP also works with stakeholders to ensure sustainability and mitigate or reduce the impact of its projects on the environment where possible.

<i>How ABP measures</i>	
<ul style="list-style-type: none"> • Topping the UK leader board of companies committed to solar power (Project Solar) • Tracking key carbon GHG reduction metrics 	<ul style="list-style-type: none"> • ISO 14001 and 50001 Energy Management certification across all ports and terminals
<i>How ABP engages</i>	
<ul style="list-style-type: none"> • Engaging with key environmental stakeholders, the Environment Agency, the Department for Environment, Food & Rural Affairs and the Marine Management Organisation in respect of major projects and initiatives 	<ul style="list-style-type: none"> • Attendance at local port user groups to understand the key issues faced by port users and give feedback on how any environmental issues or concerns are being addressed.
<i>How the Board complements the engagement efforts</i>	
<ul style="list-style-type: none"> • Development of the ABP strategy which includes renewable energy generation and storage as a key strategic direction • Continued investment in renewable energy projects and infrastructure 	<ul style="list-style-type: none"> • Consideration of the environmental impact as a key aspect in all major project decisions
<i>Actions/Decisions and Outcomes</i>	
<ul style="list-style-type: none"> • Establishment of the 'Future Ports: Wales Vision' for the decarbonisation of our Welsh ports 	<ul style="list-style-type: none"> • Member of the Zero Carbon Humber initiative • Purchase of electric rubber tyre gantries and forklift trucks

5.7 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. We recognise the importance of providing these stakeholders with information to ensure they are kept up to date with the development, growth and strategy of the business and continue to recognise the benefits of investing in ABP.

<i>How ABP measures</i>	
<ul style="list-style-type: none"> • Through positive relationships with lenders and an understanding of the main drivers behind investing in ABP 	<ul style="list-style-type: none"> • Reporting by rating agencies
<i>How ABP engages</i>	
<ul style="list-style-type: none"> • By providing regular information on the group's performance, major investments and other forward looking data to lenders 	<ul style="list-style-type: none"> • By directly engaging with lenders through an annual update as well as regular calls and meetings as required.
<i>How the Board complements the engagement efforts</i>	
<ul style="list-style-type: none"> • By agreeing the strategy for the long-term capital requirements and the financing methods available. 	
<i>Actions/Decisions and Outcomes</i>	
<ul style="list-style-type: none"> • Continuing to manage ABP's debt portfolio in line with the Board agreed strategy 	

Strategic report (continued)

6. Important events after the reporting period

Since the balance sheet date, the political unrest between Russia and Ukraine has heightened, culminating with a territorial invasion of Ukraine by Russian armed forces. This situation has continued to escalate and most governments, including that of the UK, have imposed economic sanctions on Russia. ABP may be impacted by the consequence of these sanctions and by the resulting reduced trade flows with Russia. As these sanctions were not in place at the balance sheet date, management have concluded that the economic impact of the Ukraine / Russia conflict is a non-adjusting post balance sheet event.

The group is carefully monitoring the fast changing nature and extent of the economic sanctions on Russia and is liaising with the relevant authorities (including the Department for Transport - DfT) and statutory bodies to ensure the group is compliant with any such sanctions. There is a risk that these sanctions could impact commercial contracts, which could disrupt business operations, which could as a result adversely impact the group's EBITDA.

At the time of signing the balance sheet for the year ending 31 December 2021, the DfT asked all ports in the UK to not to provide access to any ship which they have reason to believe is:

- Owned, controlled, chartered, or operated by any person connected with Russia
- Owned, controlled, chartered or operated by Designated Persons
- Flying the Russian flag
- Registered in Russia.

The group is proactively considering the exposure to customers fitting the above mentioned criteria and the impact any such contracts would have in the financial results and headroom against its loan covenants. Based on initial findings of customers impacted by the current restrictions in place and the information presently available, the group does not expect the impact of the sanctions to cause it to default on its covenants or to otherwise threaten the viability of the group.

By Order of the Board



MM Wyatt
Director
15 March 2022

Directors' report

The directors present their report and the audited accounts for the year ended 31 December 2021.

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/Shareholder group represented
Executive	
Pedersen, HL	Chief Executive Officer
Wyatt, MM	Chief Financial Officer
Non-executive	
Nolan, PMG	Chairman
Barr, RN	Omers Administration Corporation
Bryce, JA	Canada Pension Plan Investment Board
Bugeja, LE	Canada Pension Plan Investment Board and Hermes Infrastructure (resigned 1 June 2021)
Burganov, K	GIC (Ventures) Pte Limited (appointed 15 March 2022)
Butcher PG	Canada Pension Plan Investment Board (appointed 24 June 2021)
Machiels, EPM	Omers Administration Corporation
Maheshwari, P	Omers Administration Corporation
Newell, HM	GIC (Ventures) Pte Limited (resigned 15 March 2022)
Noergaard, B	Canada Pension Plan Investment Board
Petrak, GS	Kuwait Investment Authority
Pugh, SN	Canada Pension Plan Investment Board and Hermes Infrastructure (appointed 24 June 2021)
Quinlan, AJ	GIC (Ventures) Pte Limited
Rishton, JF	Canada Pension Plan Investment Board (resigned 30 April 2021)
Burganov, K	alternate to HM Newell (appointment as alternate to HM Newell ceased on resignation of HM Newell on 15 March 2022)

Directors' report (continued)**3. Directors (continued)**

Director	Role/Shareholder group represented	
<i>Non-executive</i> (continued)		
Burganov, K	alternate AJ Quinlan	(appointed 10 March 2021)
Butcher, PG	alternate to JA Bryce and B Noergaard	
Butcher, PG	alternate to LE Bugeja	(appointment as alternate to LE Bugeja ceased on resignation of LE Bugeja on 1 June 2021)
Butcher, PG	(alternate to SN Pugh)	(appointed 24 June 2021)
Gawron, AA	(alternate to R Barr, EPM Machiels and P Maheshwari)	(appointed 24 June 2021 and resigned 15 March 2022)
Jabbour, M	(alternate to R Barr, EPM Machiels and P Maheshwari)	(appointed 15 March 2022)
Paris, J-FM	alternate to GS Pestrak	
Yashnikov, D	alternate to R Barr, P Maheshwari and EPM Machiels	(resigned 1 April 2021)

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 (2020: £nil).

6. Corporate Governance Statement

The group recognises the importance of robust governance in meeting its strategic objectives and delivering shareholder value. The group has 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.

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 2021 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.

Directors' Report (continued)

6. Corporate Governance Statement (continued)

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.

6.1 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.

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.

6.2 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 17 and 18.

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 diversity across the Maritime Industry, remaining a signatory of the Women in Maritime Taskforce Charter and in January 2021 joined Maritime UK's Diversity in Maritime programme.

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)

6. Corporate Governance Statement (continued)

6.2 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 auditors. In addition, directors receive training on their duties and other key legislation/regulation, as required. Board meetings have historically been held at different ports at least 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.

6.3 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 Ernst & Young LLP, with internal audit services provided by appropriate 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 Q4 2021, an external Board evaluation exercise was undertaken using questionnaires and interviews to obtain directors' feedback on how the Board was operating. Whilst it was felt that the Board was working effectively, a small number of recommendations were suggested to further improve the Board's effectiveness which have been considered by the Board and an action plan has been put in place.

Board Committees

The Board has delegated certain matters to the Audit and Risk Committee ("ARC") 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' terms of reference and effectiveness is undertaken annually.

Directors' Report (continued)

6. Corporate Governance Statement (continued)

6.4 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 ARC, 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 pages 8 to 11.

6.5 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, the 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 progress made to reduce the pay gap between men and women.

6.6 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 pages 12 to 15.

7. 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)

8. 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;
- Policy regarding employment of disabled persons;
- Carbon emission and energy use reporting, including intensity metrics and steps taken to increase energy efficiency; and
- Important events after the reporting period and likely future developments in the business.

9. 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
15 March 2022

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 United Kingdom law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group and parent company financial statements in accordance with UK adopted International Accounting Standards ("IAS"). Under company law, the directors must not approve the financial statements 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 these financial statements, the directors are required to:

- select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- 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 IAS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the group and company financial position and financial performance;
- in respect of the group financial statements, state whether IAS have been followed, subject to any material departures disclosed and explained in the financial statements;
- in respect of the parent company financial statements, state whether IAS have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is appropriate to presume that the company and the group will not continue in business.

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.

Under applicable law and regulations, the directors are also responsible for preparing a strategic report, directors' report and corporate governance statement that comply with that law and those regulations. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website.

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 2021 which comprise the group income statement, the group statement of comprehensive income, the group and parent company balance sheets, the group statements of cash flows, the group and parent company statements of changes in equity and the related notes 1 to 31, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted International Accounting Standards and as regards the parent company financial statements, as applied in accordance with section 408 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 2021 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with UK adopted International Accounting Standards;
- the parent company financial statements have been properly prepared in accordance with UK adopted International Accounting Standards as applied in accordance with section 408 of the Companies Act 2006; and
- 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. We are independent of the group 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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the parent company's ability to continue as a going concern for the period to 30 June 2023.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and the parent company's ability to continue as a going concern.

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 contained within the annual report.

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

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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 23, 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.

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

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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.


- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant are those that relate to the reporting framework (Companies Act 2006 and UK adopted international accounting standards)
- We understood how ABPA Holdings Limited is complying with those frameworks by making enquiries of management and those responsible for legal and compliance procedures and the Company Secretary. We corroborated our enquiries through our review of board minutes and papers provided to the Audit and Risk Committees and noted that there was no contradictory evidence.
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by meeting with management within various parts of the business to understand where they considered there was susceptibility of fraud. We also considered performance targets and their influence on efforts made by management to manage Key Performance Indicators. Where this risk was considered higher, we performed audit procedures to address each identified fraud risk. These procedures included testing manual journals and were designed to provide reasonable assurance that the financial statements were free from fraud or error.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved a review of board minutes to identify any noncompliance with laws and regulations, a review of the reporting to the Audit and Risk Committee on compliance with regulations, enquiries of Legal Counsel and of Management.

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.

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

Use of our report

This report is made solely to the parent 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 parent 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 parent company and the parent company's members as a body, for our audit work, for this report, or for the opinions we have formed.

A handwritten signature in cursive script, appearing to read "Ernst & Young LLP", is positioned above the printed name of the auditor.

Lloyd Brown (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
18 March 2022

Group income statement for the year ended 31 December

	Note	2021 £m	2020 £m
Revenue	2	592.5	565.2
Cost of sales		(272.4)	(268.4)
Gross profit		320.1	296.8
Administrative expenses		(120.7)	(134.8)
Other income		2.0	3.9
Increase/(decrease) in fair value of investment properties	12	43.4	(13.3)
Operating profit	3	244.8	152.6
Analysed between:			
Underlying operating profit before the following items:		213.3	201.9
Depreciation and amortisation of fair value uplift of assets acquired in a business combination	3	(12.1)	(14.7)
Write off of customer intangibles acquired in a business combination	3	-	(15.2)
Impairment of fixed assets	3, 9, 10	-	(0.7)
Increase/(decrease) in fair value of investment properties	12	43.4	(13.3)
Net unrealised gain/(loss) on fuel derivatives		2.7	(1.4)
Exceptional items	3, 5	(2.5)	(4.0)
		244.8	152.6
Finance costs	6	(448.5)	(438.8)
Net unrealised gain/(loss) on derivatives at fair value through profit and loss	6	91.6	(135.4)
Finance income	6	31.2	37.6
Loss before taxation		(80.9)	(384.0)
Taxation (charge)/credit	7	(56.6)	22.2
Loss for the year attributable to equity shareholders		(137.5)	(361.8)

The exceptional items primarily relate to the costs of one-off strategic projects.

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

Group statement of comprehensive income for the year ended 31 December

	Note	2021 £m	2020 £m
Loss for the year attributable to equity shareholders		(137.5)	(361.8)
Other comprehensive income/(expense):			
<i>Other comprehensive income/(expense) not to be reclassified to profit and loss in subsequent periods:</i>			
Surplus arising on revaluation of investment property	12	12.1	16.7
Deferred tax on revaluation of investment property	22	(2.2)	(10.2)
Remeasurement gain/(loss) relating to net retirement benefit liabilities	15	60.4	(18.1)
Deferred tax associated with remeasurement (gain)/loss relating to net retirement benefit liabilities	22	(12.3)	3.9
Other comprehensive income/(loss) for the year, net of tax		58.0	(7.7)
Total comprehensive expense for the year, net of tax, attributable to equity shareholders		(79.5)	(369.5)

Group balance sheet as at 31 December

	Note	2021 £m	2020 £m
Assets			
Non-current assets			
Goodwill	8	1,051.9	1,051.9
Intangible assets	9	88.7	97.8
Property, plant and equipment	10	1,821.4	1,759.0
Right of use assets	11	5.8	6.8
Investment property	12	2,216.6	2,137.2
Retirement benefit assets	15	62.8	4.2
Derivative financial instruments	17	152.7	206.8
Trade and other receivables	13	5.5	6.7
		5,405.4	5,270.4
Current assets			
Property and land held for sale	14	0.8	0.5
Derivative financial instruments	17	15.4	20.8
Trade and other receivables	13	117.6	97.4
Cash and cash equivalents including restricted cash		105.9	210.3
		239.7	329.0
Total assets		5,645.1	5,599.4
Liabilities			
Current liabilities			
Borrowings	16	(109.7)	(77.1)
Derivative financial instruments	17	(60.8)	(49.6)
Trade and other payables	19	(86.6)	(78.1)
Deferred income	20	(38.2)	(28.6)
Provisions	21	(34.0)	(17.6)
Current tax liabilities		(2.1)	-
		(331.4)	(251.0)
Non-current liabilities			
Borrowings	16	(5,827.3)	(5,708.0)
Derivative financial instruments	17	(947.4)	(1,112.5)
Retirement benefit liabilities	15	(41.1)	(52.5)
Trade and other payables	19	(23.3)	(12.6)
Deferred income	20	(91.7)	(73.1)
Provisions	21	(19.8)	(19.9)
Deferred tax liabilities	22	(132.0)	(59.2)
		(7,082.6)	(7,037.8)
Total liabilities		(7,414.0)	(7,288.8)
Net liabilities		(1,768.9)	(1,689.4)
Shareholders' deficit			
Stated capital	23	-	-
Revaluation reserve		959.3	903.9
Other reserve		1,000.0	1,000.0
Accumulated losses		(3,728.2)	(3,593.3)
Total shareholders' deficit		(1,768.9)	(1,689.4)

The financial statements were approved by the Board on 15 March 2022 and signed on its behalf by:

MM Wyatt
Director

Group statement of cash flows for the year ended 31 December

	Note	2021 £m	2020 £m
Cash flows from operating activities			
Cash generated by operations	24	304.7	319.1
Interest paid		(187.8)	(170.8)
Interest received		19.3	18.4
Lease interest paid		(0.7)	(0.7)
Income tax (paid)/refunded		(4.5)	4.7
Net cash inflow from operating activities		131.0	170.7
Cash flows from investing activities			
Net proceeds from sale of property, plant and equipment		1.1	2.3
Net proceeds from sale of investment property		0.9	4.2
Net proceeds from sale of land held for sale		(0.7)	3.5
Government grants received		32.2	-
Purchase of intangible assets		(8.5)	(10.4)
Purchase of property, plant and equipment		(152.2)	(96.0)
Purchase of investment property		(18.4)	(24.2)
Net cash outflow from investing activities		(145.6)	(120.6)
Cash flows from financing activities			
New borrowings		103.6	159.5
Payment of transaction costs on issue of borrowings		(2.5)	(0.7)
Repayment of Borrowings		(193.6)	(35.0)
Payment of principal portion of lease liabilities		(2.9)	(1.9)
Net cash outflow from financing activities		(95.4)	121.9
Change in cash and cash equivalents including restricted cash during the year		(110.0)	172.0
Cash and cash equivalents including restricted cash at 1 January		210.3	38.3
Increase in restricted cash	24	1.3	8.8
Change in cash and cash equivalents during the year		(111.3)	163.2
Foreign exchange gains		5.6	-
Cash and cash equivalents including restricted cash at 31 December		105.9	210.3
Change in cash and cash equivalents including restricted cash at 31 December analysed between:			
Bank accounts		77.2	47.2
Deposits		18.0	153.7
Cash and cash equivalents at 31 December		95.2	200.9
Restricted cash (rent related security deposits)		10.7	9.4
Cash and cash equivalents including restricted cash at 31 December		105.9	210.3

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

	Stated capital £m	Revaluation reserve £m	Other reserve	Accumulated losses £m	Total £m
At 1 January 2021	-	903.9	1,000.0	(3,593.3)	(1,689.4)
Profit/(loss) for the year	-	43.4	-	(180.8)	(137.4)
Other comprehensive income/(expense)	-	12.1	-	45.8	57.9
Total comprehensive income/(expense)	-	55.5	-	(135.0)	(79.5)
Transfers within reserves	-	-	-	-	-
At 31 December 2021	-	959.4	1,000.0	(3,728.3)	(1,768.9)

	Stated capital (note 23) £m	Revaluation reserve £m	Other reserve	Accumulated losses £m	Total £m
At 1 January 2020	-	904.0	1,000.0	(3,223.9)	(1,319.9)
Loss for the year	-	(13.3)	-	(348.5)	(361.8)
Other comprehensive income/(expense)	-	16.7	-	(24.4)	(7.7)
Total comprehensive income/(expense)	-	3.4	-	(372.9)	(369.5)
Transfers within reserves	-	(3.5)	-	3.5	-
At 31 December 2020	-	903.9	1,000.0	(3,593.3)	(1,689.4)

The revaluation reserve is used to record unrealised increases in the fair value of fixed assets, primarily investment properties. Decreases in the fair value of fixed assets are recognised in the revaluation reserve to the extent that they reverse increases previously recognised.

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, including consideration of appropriate forecasts and sensitivities, which indicates that the group and company 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 2021 the group generated cash from operations of £304.7m and the group expects to maintain strong cashflow generation;
- The group had net current liabilities of £91.7m including £105.9m of cash and cash equivalents;
- The group had net liabilities of £1,768.9m, these include:
 - external senior borrowings of £2,235.4m that are not due until between the second half of 2022 and 2042;
 - subordinated loans, including accrued interest, due to its immediate parent undertaking ABP Midco UK Limited (“ABPM”) of £3,676.5m; and
 - long dated derivative financial instrument liabilities classified as non-current of £947.4m 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 taking in consideration the developments of the Covid-19 pandemic and its impact on business performance. Management continues to monitor the impact of the virus and potential business impacts 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 pandemic on 2020 and 2021 performance, and the group’s ability to take effective mitigating actions to counter downside scenarios. The group has demonstrated the ability to deliver cost control measures and cost saving initiatives and to establish strict criteria for capital investment. Management will continue to forecast the group’s results as new information becomes available and have modelled different scenarios, including a severe downside scenario, where headroom against the leverage covenant becomes limited within the going concern period, before mitigating actions are applied. 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 holding back its capital programme, reassess amounts distributed to shareholders and, if the downside period persists, structurally reviewing costs for further savings. As a result of the successful actions taken in the past and having identified contingency plans to react to potential adverse scenarios, 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.

Notes to the financial statements

1. Accounting policies (continued)

Basis of preparation (continued)

Going concern basis (continued)

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 2021, the group had access to £350m of committed and undrawn borrowing facilities, which are available for between one and three years. 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 18 on financial risk management). In addition, the group has in place £160m of debt service reserve liquidity facilities to cover annual interest costs. These are renewed annually.

Given the nature, maturity dates and counterparties of the liabilities above (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 pandemic, the directors are confident that the group has the ability to continue to meet its liabilities as they fall due for the period to 30 June 2023 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 UK adopted International Accounting Standards ("IASs").

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 IASs and for the same reporting period as the parent company using consistent accounting policies, except the Dowds group 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 are converted to IAS, which did not have a material impact on the Dowds group'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

New standards and amendments adopted

Interest Rate Benchmark Reform – Phase 2, amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The group has adopted these amendments from 1 January 2021. As a result the group has used the practical expedient where floating rate assets and liabilities are subject to changes to the interest rate basis as a result of Interest Rate Benchmark Reform ("IRBR"). Where the contractual cash flows resulting from IRBR meet the conditions to be considered economically equivalent to those under the previous interest rate basis the carrying value of the financial asset or liability remains unchanged (see note 18).

Notes to the financial statements

1. Accounting policies (continued)

Changes in accounting policy (continued)

New standards and amendments adopted (continued)

No other new standards effective for the first time for the annual reporting period commencing 1 January 2021 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
- Valuation of investment property – note 12
- Valuation of defined benefit pension scheme liabilities – note 15
- Valuation of derivatives – notes 17 and 18
- Provision for retrospective industrial diseases – note 21

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.

Notes to the financial statements

1. Accounting policies (continued)

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.
- 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.

Notes to the financial statements

1. Accounting policies (continued)

1.4 Significant accounting policies (continued)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

- 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.

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 recorded first against any previously recognised revaluation gains in respect of that asset in other comprehensive income.

Notes to the financial statements

1. Accounting policies (continued)

1.4 Significant accounting policies (continued)

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. To the extent that an impairment loss on the same revalued asset was previously recognised in the income statement, a reversal of that impairment loss is also recognised in the income statement.

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.

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.

Notes to the financial statements

1. Accounting policies (continued)

1.4 Significant accounting policies (continued)

Investment property (continued)

All completed investment property is measured at fair value. Investment property in the course of construction is measured at cost (including borrowing costs 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 qualified valuers employed by the group and reviewed by independent 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 property, plant and equipment or land held for sale 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.

Property, plant and equipment

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

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.

Notes to the financial statements

1. Accounting policies (continued)

1.4 Significant accounting policies (continued)

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.

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.

Notes to the financial statements

1. Accounting policies (continued)

1.4 Significant accounting policies (continued)

Financial instruments (continued)

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.

Where the group has sold receivables to a 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 recognised initially 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.

Notes to the financial statements

1. Accounting policies (continued)

1.4 Significant accounting policies (continued)

Financial instruments (continued)

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.

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.

Notes to the financial statements

1. Accounting policies (continued)

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

Group as lessee

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.

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.

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.

Notes to the financial statements

1. Accounting policies (continued)

1.5 Other accounting policies (continued)

Leases (continued)

Group as lessee (continued)

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.

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.

Notes to the financial statements

1. Accounting policies (continued)

1.5 Other accounting policies (continued)

Intangible assets (continued)

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

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

Property and land held for sale

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

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

Cash and cash equivalents including restricted cash

The group defines cash and cash equivalents 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 Bank Overdrafts that are repayable on demand and restricted cash. Restricted cash represents rent related security deposits repayable at the end of a lease subject to any lease defaults.

Government grants

All government grants are recognised in the Income Statement as other income. Grants relating to income are recognised in the Income Statement as other income on a systematic basis that matches the timing of the related costs that they are intended to compensate. Grants relating to assets are recognised in the Income Statement on a systematic and rational basis over the expected useful life of the asset to which the grant relates. Grants received, but not immediately recognised in the Income Statement, are included in deferred income in the Balance Sheet. Cash received relating to assets is shown in the cashflow statement under investing activities.

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.

Notes to the financial statements

1. Accounting policies (continued)

1.5 Other accounting policies (continued)

Business combination (continued)

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.

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.

Notes to the financial statements

2. Revenue

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

	2021 £m	2020 £m
Revenue		
Call	100.8	92.7
Traffic	232.7	231.1
Cargo operations	45.5	35.6
Shortfall	10.5	15.4
Utilities	17.7	18.7
Dredging	8.3	8.8
Fixed	18.4	11.9
Other	17.4	18.3
Total revenue from contracts with customers	451.3	432.5
Rental income from investment properties	141.2	132.7
Total lease income	141.2	132.7
Total revenue	592.5	565.2

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

Lease income excluding variable lease income amounted to £141.1m (2020: £132.7m) and variable lease income amounted to £0.1m (2020: £nil). Income from subleasing right of use assets amounted to £nil (2020: £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:

	2021 £m	2020 £m
Not later than one year	3.8	2.5
More than one year	0.1	0.3
Total	3.9	2.8

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 2021.

Notes to the financial statements

3. Operating profit

Operating profit is stated after charging/(crediting):

	2021 £m	2020 £m
<i>Depreciation</i>		
Property, plant and equipment - included in cost of sales	83.0	79.1
Property, plant and equipment - included in administrative expenses	3.1	3.0
Property, plant and equipment - acquisition related adjustments included in cost of sales	2.9	3.3
Right of use assets - included in cost of sales	1.5	1.3
Right of use assets - included in administrative expenses	0.8	0.9
<i>Amortisation</i>		
Intangible assets - included in cost of sales	0.4	0.6
Intangible assets - included in administrative expenses	7.5	5.6
Intangible assets - acquisition related adjustments included in administrative expenses	9.2	11.4
<i>Impairment of fixed assets</i>		
Intangible assets - included in administrative expenses	-	0.7
<i>Loss 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</i>	3.2	0.6
<i>Write off of customer intangibles acquired in a business combination</i>	-	15.2
<i>Expense relating to short term leases</i>	2.2	2.1
<i>Expense relating to leases of low value assets</i>	0.2	0.2
<i>Variable lease expenses</i>	0.2	0.2
<i>Repairs and maintenance expenditure on investment property and property, plant and equipment</i>	24.9	25.9
<i>Third party labour and sub-contractor haulage</i>	34.8	32.6
<i>Utilities and fuel</i>	32.4	30.8
<i>Expected credit losses of trade and other receivables</i>	0.4	7.2
<i>Exceptional items</i>		
Staff costs provided	0.8	0.9
Other costs (released)/provided	(0.1)	0.5
Staff costs charged directly to the income statement	0.5	1.1
Other costs charged directly to the income statement	1.3	1.5

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.

	2021	2020
	£'000	£'000
Fees payable to the group's auditor for the audit of the company's annual accounts	293	293
Fees payable to the group's auditor in respect of:		
Audit of the accounts of the group companies	318	379
Other services	10	10

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 £25,000 (2020: £44,068).

5. Directors and employees

Staff costs are analysed as follows:

	2021	2020
	£m	£m
Staff costs		
Wages and salaries	115.0	108.1
Social security costs	12.6	11.8
Pension costs (note 15)	12.8	11.9
	140.4	131.8
Exceptional items	1.3	2.0
Total staff costs	141.7	133.8

During 2021 staff costs of £1.3m (2020: £2.0m) were recognised as part of the £2.5m (2020: £4.0m) exceptional costs.

The monthly average number of people employed during the year was 2,245 (2020: 2,352).

Directors emoluments are analysed as follows:

	2021	2020*
	£m	£m
Emoluments paid to directors of the company		
Short-term employee benefits	2.9	2.7
Post-employment benefits	0.1	0.1
Total directors emoluments	3.0	2.9

*Comparative amounts have been restated to conform to current presentation.

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:

	2021	2020*
	£m	£m
Key management compensation		
Short-term employee benefits	5.9	5.4
Post-employment benefits	0.5	0.4
Total key management compensation	6.4	5.8

*Comparative amounts have been restated to conform to current presentation.

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.

Three (2020: three) directors of the company are eligible to join the defined contribution section of the Associated British Ports Group Pension Scheme. At 31 December 2021, no (2020: nil) director is a member of the defined contribution scheme and two (2020: two) directors received an allowance for contributions towards pension schemes unconnected with the group.

	2021	2020
	£m	£m
Highest paid director		
Short-term employee benefits	1.4	1.3
Post-employment benefits	0.1	0.1
Total highest paid director	1.5	1.4

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)

	2021 £m	2020 £m
Interest on term and revolving facilities	3.7	5.5
Interest on private placement notes	41.6	44.8
Interest on public loan notes	42.0	43.4
Interest on amounts due from parent undertaking	280.5	266.2
Interest on lease liabilities	0.7	0.8
Foreign exchange losses	0.6	4.7
Amortisation of borrowing costs and discount on issue	3.6	1.9
Net interest charge on net defined benefit liabilities	0.7	0.6
Other finance costs	2.8	2.7
Less: interest capitalised on non-current assets under construction	(3.9)	(2.9)
Finance costs on financial assets and liabilities held at amortised cost	372.3	367.7
Interest cost on derivatives at fair value through profit and loss	76.2	71.1
Finance costs	448.5	438.8
Interest on amounts due from parent undertaking	-	(5.5)
Foreign exchange gains	(11.6)	(13.4)
Other finance income	(0.5)	(0.4)
Finance income on financial assets and liabilities held at amortised cost	(12.1)	(19.3)
Interest income on derivatives at fair value through profit and loss	(19.1)	(18.3)
Finance income	(31.2)	(37.6)
Net unrealised (gain)/loss on derivatives at fair value through profit and loss	(91.6)	135.4
Net finance costs	325.7	536.6

During the year finance income recognised on the net investment in the finance lease receivable included within other finance income totalled £nil (2020: £nil) and variable lease income from finance leases totalled £nil (2020: £nil).

Notes to the financial statements

7. Taxation

	2021 £m	2020 £m
Analysis of charge/(credit) for the year		
Current year tax	(0.4)	2.1
Prior period adjustments	(1.3)	(0.1)
Current tax	(1.7)	2.0
Current year deferred tax	27.6	(34.0)
Rate change adjustments	30.1	9.7
Prior year adjustments	0.6	0.1
Deferred tax (note 22)	58.3	(24.2)
Taxation	56.6	(22.2)

Current taxation in 2021 represents tax on profits remaining after offset of group relief between subsidiary undertakings.

The deferred tax charge (2020: credit) 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.

	2021 £m	2020 £m
Tax on items (charged)/credited to other comprehensive income		
Deferred tax associated with remeasurement gain/loss relating to net retirement benefit liabilities	(12.3)	3.9
Deferred tax on revaluation of investment property	(2.2)	(10.2)

The taxation charge (2020: credit) for the year is higher (2020: lower) than the standard rate of taxation in the UK of 19.0% (2020: 19.0%). The differences are explained below:

	2021 £m	2020 £m
Loss before taxation	(80.9)	(384.0)
Loss before taxation multiplied by standard rate of corporation tax in the UK of 19.0% (2020: 19.0%)	(15.4)	(73.0)
Effects of:		
Expenses not deductible for tax	42.7	40.7
Increase in deferred taxes due to changes in tax rates	30.2	9.6
Tax in respect of prior years	(0.9)	0.5
Total tax charge/(credit) for the group	56.6	(22.2)
Effective tax rate	-83.3%	5.7%
Total tax charge/(credit) for the group	56.6	(22.2)
Effects of permanent differences:		
Related party debt – disregarded	(41.2)	(39.4)
UK transfer pricing adjustments		
Depreciation on non-qualifying assets	(1.4)	(0.4)
Other non-qualifying	(0.1)	(0.9)
Prior year adjustment	0.9	(0.5)
Rate change adjustment	(30.2)	(9.6)
Tax credit for the group after removing permanent differences	(15.4)	(73.0)
Tax rate after permanent differences	19.0%	19.0%

Notes to the financial statements

7. Taxation (continued)

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

8. Goodwill

	2021	2020
Cost and net book value	£m	£m
At 1 January	1,051.9	1,051.9
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 2021 the recoverable amount exceeded the carrying value of the group of CGUs' assets, including goodwill, by £1,347.8m (2020: £903.4m).

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 2021, 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 6.8% (2020: 6.5%) 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 2021 by £137.8m. An increase in the pre-tax discount rate of 1.2% 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 2.0% (2020: 2.0%).

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 2021 by £117.8m. A decrease in the long-term industry growth expectation of 1.5% or higher would result in an impairment of goodwill.

9. Intangible assets

	Customer relationships £m	Software £m	Other £m	Total £m
Acquired intangible assets				
2021				
Cost				
At 1 January	283.4	145.3	9.1	437.8
Additions	-	6.9	1.1	8.0
At 31 December	283.4	152.2	10.2	445.8
Accumulated amortisation				
At 1 January	(236.3)	(98.8)	(4.9)	(340.0)
Charge for the year	(9.3)	(6.7)	(1.1)	(17.1)
At 31 December	(245.6)	(105.5)	(6.0)	(357.1)
Net book value				
At 1 January	47.1	46.5	4.2	97.8
At 31 December	37.8	46.7	4.2	88.7

Notes to the financial statements

9. Intangible assets (continued)

	Customer relationships £m	Software £m	Other £m	Total £m
Acquired intangible assets				
2020				
Cost				
At 1 January	315.5	138.5	7.5	461.5
Additions	-	7.6	1.5	9.1
Transfers	-	-	0.1	0.1
Write off	(32.1)	-	-	(32.1)
Disposal	-	(0.8)	-	(0.8)
At 31 December	283.4	145.3	9.1	437.8
Accumulated amortisation				
At 1 January	(241.8)	(93.4)	(4.2)	(339.4)
Charge for the year	(11.4)	(5.5)	(0.7)	(17.6)
Impairment	-	(0.7)	-	(0.7)
Write off	16.9	-	-	16.9
Disposal	-	0.8	-	0.8
At 31 December	(236.3)	(98.8)	(4.9)	(340.0)
Net book value				
At 1 January	73.7	45.1	3.3	122.1
At 31 December	47.1	46.5	4.2	97.8

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 2021 to the net book value as at 31 December 2021. Amortisation assumptions are also reassessed annually. The remaining customer intangibles have a remaining expected useful life of 16 years. During 2021 there were no indications of impairment and customer intangibles continue to be amortised to the end of their expected remaining life. During 2020 revenues from a number of customers reduced significantly and the cost and amortisation relating to these customers was written off.

Software comprise IT software acquisition and subsequent development costs primarily relating to the group's business transformation programme. The remaining expected useful life of software costs relating to the business transformation programme is 7 years.

Other intangible assets cost at 31 December 2021 included a 2011 payment in relation to the Transport Infrastructure Fund in connection with the expansion of rail infrastructure at Southampton of £5.9m (2020: £5.9m).

The amount of borrowing costs capitalised during the year ended 31 December 2021 was £nil (2020: £nil). The weighted average rate used to determine the amount of borrowing costs eligible for capitalisation was 6.3% (2020: 6.8%).

Notes to the financial statements

10. Property, plant and equipment

	Operational land	Buildings	Dock structures, quays and dredging	Floating craft	Plant and equipment	Assets in the course of construction	Total
	£m	£m	£m	£m	£m	£m	£m
2021							
Cost							
At 1 January	811.3	299.6	810.6	64.9	478.7	95.7	2,560.8
Additions	1.5	14.9	9.3	2.3	11.5	120.9	160.4
Transfers within property, plant and equipment	-	18.0	9.4	1.3	27.2	(55.9)	-
Transfers (to)/from investment property	(6.1)	(2.0)	0.6		(0.1)	-	(7.6)
Transfers to property and land held for sale	(0.5)	-	-	-	-	-	(0.5)
Disposals and write off	(2.3)	(0.4)	(0.8)	(0.1)	(4.6)	-	(8.2)
At 31 December	803.9	330.1	829.1	68.4	512.7	160.7	2,704.9
Accumulated Depreciation							
At 1 January	-	(128.1)	(379.0)	(42.9)	(251.8)	-	(801.8)
Charge for the year	-	(13.8)	(39.3)	(4.6)	(31.3)	-	(89.0)
Transfers to investment property	-	2.5	-	-	-	-	2.5
Disposals and write off	-	0.2	0.5	0.1	4.0	-	4.8
At 31 December	-	(139.2)	(417.8)	(47.4)	(279.1)	-	(883.5)
Net book value							
At 1 January	811.3	171.5	431.6	22.0	226.9	95.7	1,759.0
At 31 December	803.9	190.9	411.3	21.0	233.6	160.7	1,821.4

Notes to the financial statements

10. Property, plant and equipment (continued)

	Operational land	Buildings	Dock structures, quays and dredging	Floating craft	Plant and equipment	Assets in the course of construction	Total
	£m	£m	£m				£m
2020							
Cost							
At 1 January	829.0	280.8	804.9	60.6	428.8	109.2	2,513.3
Additions	2.5	7.0	13.7	2.7	18.4	62.8	107.1
Transfers within property, plant and equipment	-	9.4	21.8	2.3	31.5	(65.0)	-
Transfers to intangible assets	-	-	-	-	-	(0.1)	(0.1)
Transfers (to)/from investment property	(20.2)	0.2	(47.5)	-	1.3	(11.2)	(77.4)
Transfer of Grants due to change in accounting policy	-	2.2	17.7	-	1.2	-	21.1
Disposals and write off	-	-	-	(0.6)	(2.6)	-	(3.2)
At 31 December	811.3	299.6	810.6	65.0	478.6	95.7	2,560.8
Accumulated Depreciation							
At 1 January	-	(116.2)	(328.6)	(39.4)	(224.0)	-	(708.2)
Charge for the year	-	(14.1)	(38.3)	(4.1)	(28.9)	-	(85.4)
Transfers from investment property	-	4.3	-	-	-	-	4.3
Transfer of Grants due to change in accounting policy	-	(2.1)	(12.1)	-	(1.1)	-	(15.3)
Disposals and write off	-	-	-	0.6	2.2	-	2.8
At 31 December	-	(128.1)	(379.0)	(42.9)	(251.8)	-	(801.8)
Net book value							
At 1 January	829.0	164.6	476.3	21.2	204.8	109.2	1,805.1
At 31 December	811.3	171.5	431.6	22.1	226.8	95.7	1,759.0

The amount of borrowing costs capitalised during the year ended 31 December 2021 was £3.1m (2020: £2.6m). The weighted average rate used to determine the amount of borrowing costs eligible for capitalisation was 6.3% (2020: 6.8%).

At 1 January 2020 the group changed its accounting policy relating to government grants. The net book value of amortised government grants for property, plant and equipment of £5.8m were transferred to deferred income.

Notes to the financial statements

11. Right of use assets

	Operational land £m	Buildings £m	Plant and equipment £m	Total £m
2021				
Cost				
At 1 January	2.2	4.1	6.7	13.0
Additions	0.2	0.2	0.9	1.3
Disposals and write off	-	-	(0.5)	(0.5)
At 31 December	2.4	4.3	7.1	13.8
Accumulated Depreciation				
At 1 January	(0.2)	(1.2)	(4.8)	(6.2)
Charge for the year	(0.2)	(0.5)	(1.6)	(2.3)
Disposals and write off	-	-	0.5	0.5
At 31 December	(0.4)	(1.7)	(5.9)	(8.0)
Net book value				
At 1 January	2.0	2.9	1.9	6.8
At 31 December	2.0	2.6	1.2	5.8
	Operational land £m	Buildings £m	Plant and equipment £m	Total £m
2020				
Cost				
At 1 January	2.1	4.0	6.2	12.3
Additions	0.1	0.1	0.5	0.7
At 31 December	2.2	4.1	6.7	13.0
Accumulated Depreciation				
At 1 January	(0.1)	(0.5)	(3.4)	(4.0)
Charge for the year	(0.1)	(0.7)	(1.4)	(2.2)
At 31 December	(0.2)	(1.2)	(4.8)	(6.2)
Net book value				
At 1 January	2.0	3.5	2.8	8.3
At 31 December	2.0	2.9	1.9	6.8

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
2021				
At valuation				
At 1 January	1,866.6	221.1	49.5	2,137.2
Additions	14.5	1.8	3.4	19.7
Disposal	(0.3)	(0.3)	-	(0.6)
Transfers within investment property	1.7	(0.4)	(1.3)	-
Transfers from property, plant and equipment	1.8	3.3	-	5.1
Transfers from/(to) property and land held for sale	-	0.1	(0.4)	(0.3)
	1,884.3	225.6	51.2	2,161.1
Surplus on revaluation	10.6	1.5	-	12.1
Increase/(decrease) in fair value of investment properties	36.3	9.8	(2.7)	43.4
At 31 December	1,931.2	236.9	48.5	2,216.6

	Port-related investment properties £m	Other investment properties £m	Land at ports held for development £m	Total £m
2020				
At valuation				
At 1 January	1,783.2	210.6	48.8	2,042.6
Additions	23.3	2.5	2.2	28.0
Disposal	(9.1)	-	(0.8)	(9.9)
Transfers within investment property	(8.9)	8.9	-	-
Transfers from/(to) property, plant and equipment	73.7	0.5	(1.1)	73.1
	1,862.2	222.5	49.1	2,133.8
Surplus on revaluation	14.1	2.2	0.4	16.7
Decrease in fair value of investment properties	(9.7)	(3.6)	-	(13.3)
At 31 December	1,866.6	221.1	49.5	2,137.2

During the year £12.1m (2020: £16.7m) 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 £43.4m (2020: decrease of £13.3m) in the fair value of investment properties was recognised directly in the income statement.

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

Notes to the financial statements

12. Investment property (continued)

The amount of borrowing costs capitalised within investment property during the year ended 31 December 2021 was £0.8m (2020: £0.3m). The weighted average rate used to determine the amount of borrowing costs eligible for capitalisation was 6.3% (2020: 6.8%).

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.

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.

Notes to the financial statements

12. Investment property (continued)

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:

2021	Port-related investment properties	Other investment properties and land held for development	Total
Observable			
Average income per acre £'000	96.6	8.1	48.3
Income range per acre £'000	0 – 523	0 - 157	0 - 523
Unobservable			
Yield – average %	11.4	12.0	11.6
Yield – range %	6.0 – 33.3	5.8 – 17.5	5.8 – 33.3
Other assumptions			
Other purchasers' costs %	1.8	1.8	1.8

2020	Port-related investment properties	Other investment properties and land held for development	Total
Observable			
Average income per acre £'000	91.1	8.4	45.7
Income range per acre £'000	0 – 489	0 - 164	0 – 489
Unobservable			
Yield – average %	11.5	12.2	11.8
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

The most sensitive input to the valuation of investment property is the yield, which for 2021 averages 11.6% (2020: 11.8%). A decrease in the average yield of 0.5% would result in an increase in the aggregate valuation of £99.8m (2020: £94.5m) and an increase in the average yield of 0.5% would result in a decrease in the aggregate valuation of £91.6m (2020: £86.8m). 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 £141.2m (2020: £132.7m) and related operating expenses amounted to £2.5m (2020: £2.4m). Direct operating expenses relating to vacant property are considered to be immaterial.

Notes to the financial statements

13. Trade and other receivables

	2021 £m	2020 £m
Non-current		
Accrued income	1.6	1.3
Other receivables	3.9	5.4
Total non-current trade and other receivables	5.5	6.7
Current		
Gross trade receivables	73.3	53.9
Prepayments	7.2	5.8
Accrued income	22.8	27.7
Other receivables	18.4	14.5
Interest receivable on derivatives	6.5	6.2
Gross current trade and other receivables	128.2	108.1
Allowance for expected credit losses	(10.6)	(10.7)
Total current trade and other receivables	117.6	97.4

During the year the group ended use of an invoice receivable sale facility, which allowed 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 2021, no invoices (2020: £10.6m) were sold as part of this facility and derecognised from the group balance sheet.

As at 31 December 2021, contract assets of £2.0m (2020: £1.6m) were included in current accrued income net of an allowance for expected credit losses of £nil (2020: £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:

	2021 £m	2020 £m
At 1 January	(10.7)	(8.9)
Provision for the expected credit losses	(3.7)	(11.4)
Expected credit losses reversed	3.3	4.2
Receivables written off as uncollectable	0.5	5.4
At 31 December	(10.6)	(10.7)

The provision for loss allowance measured at an amount equal to the 12-month expected credit losses for the year ended 31 December 2021 was £nil (2020: £nil).

Notes to the financial statements

13. Trade and other receivables (continued)

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:

	2021	2020	2021	2020
	£m	£m	%	%
Not yet overdue	84.7	73.3	10.7	12.0
Up to 3 months	10.5	7.0	7.3	14.3
3 to 6 months	0.2	0.6	50.0	46.5
Over 6 months	0.7	0.6	95.0	96.9

As at 31 December 2021 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:

	2021	2020
	£m	£m
Up to 3 months	9.9	6.0
3 to 6 months	0.1	0.4
Over 6 months	0.1	-
Total past due but not impaired receivables	10.1	6.4

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

	2021	2020
	£m	£m
At 1 January	0.5	0.9
Disposals	(0.5)	(0.4)
Transfers (to)/from property, plant and equipment	0.5	-
Transfers (to)/from investment property	0.3	-
At 31 December	0.8	0.5

The historical cost of property and land held for sale is £0.8m (2020: £0.2m).

Notes to the financial statements

15. Pension commitments

The group participates in a number of pension schemes:

- The Associated British Ports Group Pension Scheme (“ABPGPS”) – a funded defined benefit scheme;
- The Pilots National Pension Fund (“PNPF”) and the Merchant Navy Officers Pension Fund (“MNOFP”) – two industry wide defined benefit schemes for non-associated employers;
- The Legal & General Worksave Mastertrust (“MyPension Plan”) – a multi-employer defined contribution arrangement;
- The Ensign Retirement Plan (“ERP”) – a multi-employer defined contribution mastertrust arrangement; and
- Unfunded retirement benefit arrangements in respect of former employees.

On 1 January 2021 the PNPF was closed to new entrants and a Cash Balance Section established to cover Pilots, marine and non-marine workers who meet certain criteria. ABP Apprentices started to be enrolled in the Cash Balance Section with effect from 1 September 2021.

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

Summary***Income statement***

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

	2021 £m	2020 £m
ABPGPS and unfunded retirement benefit arrangements	2.2	2.3
Industry wide schemes	0.3	0.3
Defined contribution arrangements	10.3	9.3
Net pension charge recognised within operating profit	12.8	11.9
Net interest charge on net defined benefit liabilities	0.7	0.6
Net pension charge recognised in loss before taxation	13.5	12.5

Balance sheet

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

	2021 £m	2020 £m
ABPGPS – net funded pension assets	62.8	4.2
ABPGPS – net unfunded pension liability	(2.0)	(2.2)
	60.8	2.0
PNPF	(39.1)	(50.3)
Net retirement benefit assets / (liabilities)	21.7	(48.3)
Net retirement benefit assets total	62.8	4.2
Net retirement benefit obligations total	(41.1)	(52.5)
Net retirement benefit assets / (liabilities)	21.7	(48.3)

Notes to the financial statements

15. Pension commitments (continued)

An increase in the discount rate leading to a decrease in liabilities has led to an actuarial gain in the ABPGPS during the year and as a result the scheme's surplus has increased to £60.8m (2020: £2.0m surplus).

The Pilots National Pension Fund scheme recorded an actuarial gain (2020: gain) during the year due to changes in actuarial experience.

Schemes accounted for on a defined benefit basis

ABPGPS and unfunded retirement benefit arrangements

The ABPGPS is closed to new members but has continued accrual.

The ABPGPS is closed to new members but has continued accrual.

The last triennial valuation of the ABPGPS was as at 31 December 2020 and was finalised on 15 December 2021. The valuation of the liabilities as at 31 December 2021 has been derived by projecting forward the position as at 31 December 2020. 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 Recovery Plan and Schedule of Contributions agreed following the 2020 triennial valuation will remain in place until the 2023 valuation has been finalized and any new Plan or Schedule agreed. The current Recovery Plan and Schedule of Contributions require the group to make deficit reduction contributions of £3.5m per annum until 31 December 2025 and employer contributions at the rate of 22.5% of contributory pay until 31 December 2021 and 42.3% of contributory pay with effect from 1 January 2022. The average duration of the defined benefit plan obligation at the end of the reporting period is 16 years. The scheme is assumed to run on until there are no beneficiaries and all benefits have been paid out. At that point, on the winding-up of the Scheme, there would be no benefits to be increased using the surplus. The group has the unconditional right to a refund of any surplus assets on the winding up of the scheme.

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.

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 (GMPs) in the ABPGPS was approximately 0.1% increase in the Scheme's liabilities as at 31 December 2018 and this view is unchanged. Willis Towers Watson have subsequently estimated that the additional uplift required allowing for GMP equalization of past transfers, following the Lloyds court case at the end of November 2020, would be nil (when rounded to the nearest £0.1m).

The Pilots National Pension Fund ("PNPF")

The PNPF is an industry-wide defined benefit scheme, with all categories of members being either employed or self-employed. The triennial valuation as at 31 December 2019, which was approved on 23 March 2021, revealed a deficit falling short of that anticipated by the Recovery Plan put in place following completion of the 2010 valuation.

Notes to the financial statements

15. Pension commitments (continued)

Schemes accounted for on a defined benefit basis (continued)

The Pilots National Pension Fund (“PNPF”) (continued)

This has resulted in a further Recovery Plan being put in place with Participating Bodies from 1 January 2021. No change has been made to the first Recovery Plan and these payments will continue as planned.

Under the initial Recovery Plan the group will be required to make payments towards the funding of the deficit with payments of £6.0m in 2021 and £6.2m in 2022, with contributions thereafter rising by 3.4% each year until 2028. Under the 2019 Recovery Plan the group will be required to make payments towards the funding of the deficit with payments of £188,988 in 2021, £390,816 in 2022, and £808,188 in 2023, with contributions thereafter rising by 3.4% each year until 2028. The PNPF Trustee determined the group’s share of the liabilities in the PNPF to be 35.5% as at 31 December 2010. As a result of the valuation exercise as at December 2019 the group’s share of the relevant liabilities has reduced to 29.9%. The average duration of the defined benefit plan obligation at the end of the reporting period is 11 years. The Trustee of the PNPF has the power to determine how any excess of the Fund’s assets over its liabilities that is not required shall be used. This could include reductions in contributions or refunds to participating bodies.

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).

On 1 January 2021 the PNPF was closed to new entrants and a Cash Balance Section established. 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 PNPF. Following the introduction of the Cash Balance Section of the PNPF the risk associated with this obligation no longer exists and consequently the provision was reduced to £nil.

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	
	2021 %	2020 %	2021 %	2020 %
Inflation CPI	2.90	2.35	2.40	2.00
Inflation RPI (short term/long term)	3.30	2.80	3.10	2.60
Rate of increase in pensionable salaries	2.00	2.00	2.40	2.00
Rate of increase for pensions in payment ¹	3.10	2.70	3.00	2.60
Rate of increase for pensions in payment ²	2.35	2.15	3.60	3.40
Rate of increase for pensions in payment ³	2.90	2.35	2.40	2.00
Discount rate	1.85	1.45	2.00	1.40

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	
	2021 Years	2020 Years	2021 Years	2020 Years
Male life expectancy retiring at age 60 in 15 years	26.6	27.4	27.0	26.7
Female life expectancy retiring at age 60 in 15 years	28.9	29.9	29.7	29.0

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	
	2021 £m	2020 £m	2021 £m	2020 £m
Increase in liabilities				
Decrease in discount factor by 0.5%	43.8	49.9	9.0	11.0
Increase in inflation rate by 0.5%	33.4	32.5	3.0	3.0
Increase in rate of mortality of a 60 year old by 1 year	29.1	26.0	7.0	7.0

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	
	2021	2020	2021	2020
	£m	£m	£m	£m
Fair value of scheme assets at 1 January	640.2	623.3	101.8	114.0
Amounts recognised in income statement:				
Interest income	9.1	12.2	1.4	2.3
Remeasurement gain/(loss) in OCI:				
Return on assets, excluding amounts in net interest	16.1	36.2	1.0	(10.8)
Contributions by employees	0.1	0.2	-	-
Contributions by employer	6.0	6.2	6.3	5.8
Benefits paid	(27.5)	(36.7)	(9.1)	(9.0)
Administrative expenses paid	(1.1)	(1.2)	(0.4)	(0.5)
Fair value of scheme assets at 31 December	642.9	640.2	101.0	101.8

Changes in fair value of scheme obligations were as follows:

	ABPGPS		PNPF	
	2021	2020	2021	2020
	£m	£m	£m	£m
Fair value of scheme obligations at 1 January	(638.1)	(604.1)	(152.1)	(172.6)
Amounts recognised in income statement:				
Current and past service costs	(2.2)	(2.4)	-	-
Interest cost	(9.1)	(11.7)	(2.1)	(3.4)
Remeasurement gain in OCI:				
Remeasurement (loss)/gain from changes in demographic assumptions	30.2	-	0.1	(2.3)
Remeasurement loss from changes in financial assumptions	1.8	(56.9)	6.6	(7.1)
Experience (loss)/gain	6.7	(1.0)	(2.1)	23.8
Contributions by employees	(0.1)	(0.2)	-	-
Benefits paid directly by the company	0.1	0.3	-	-
Benefits paid	27.5	36.7	9.1	9.0
Administrative expenses paid	1.1	1.2	0.4	0.5
Fair value of scheme obligations at 31 December	(582.1)	(638.1)	(140.1)	(152.1)

The current service cost represented 39.9% (2020: 40.0%) for the ABPGPS and unfunded retirement benefit arrangements, of the applicable pensionable payroll. Interest cost for the ABPGPS includes £nil (2020: £0.1m) relating to the unfunded retirement benefit obligation.

As at 31 December 2021, the cumulative remeasurement result recognised in the group's other comprehensive income amounted to a loss of £52.9m (2020: loss of £107.7m) for the ABPGPS and unfunded retirement benefit arrangements and a gain of £12.7m (2020: gain of £7.1m) for the PNPF.

Notes to the financial statements

15. Pension commitments (continued)

Schemes accounted for on a defined benefit basis (continued)

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 2021 was a gain of £25.2m (2020: gain of £48.4m) for the ABPGPS and unfunded retirement benefit arrangements and a gain of £2.4m (2020: loss of £8.5m) for the PNPf.

The scheme's assets were represented by investments in:

	2021 %	2020 %
ABPGPS		
Liability matching and hedging investments or assets*	36.6	30.6
Bond funds	21.4	28.7
Diversified growth funds	14.0	13.0
Private credit funds	10.5	10.8
Emerging market funds	5.7	5.8
Property	11.0	10.3
Cash	0.8	0.8

* 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.

	2021 %	2020 %
PNPF		
Partners Growth fund	35.4	33.0
Corporate bonds	9.9	10.5
Risk Hedge	0.3	0.4
Fund of hedge funds	-	0.8
Diversified growth funds	5.4	4.9
Liquidity fund	17.7	9.7
Gilts	27.8	27.0
Cash	3.5	13.7

Historical record – ABPGPS and unfunded retirement benefit arrangements

	2021 £m	2020 £m	2019 £m	2018 £m	2017 £m
Amounts for the current and previous years are as follows:					
Fair value of scheme assets	642.9	640.2	623.3	591.3	627.8
Present value of funded scheme obligations	(580.1)	(635.8)	(602.0)	(548.0)	(618.0)
Present value of unfunded obligations	(2.0)	(2.3)	(2.1)	(2.2)	(2.5)
Net assets recognised in the balance sheet	60.8	2.1	19.2	41.1	7.3
Remeasurement gain/(loss) due to changes in assumptions	32.0	(56.9)	(65.9)	43.1	19.3
Experience gain/loss on scheme obligations	6.7	(1.0)	(3.6)	15.0	3.1
Experience gain/(loss) on scheme assets	16.1	36.2	40.4	(24.6)	19.3
Remeasurement gain/(loss) relating to net retirement benefit assets/liabilities recognised in other comprehensive income	54.8	(21.7)	(29.1)	33.5	41.7

Notes to the financial statements

15. Pension commitments (continued)

Schemes accounted for on a defined benefit basis (continued)

Historical record – PNPf

	2021 £m	2020 £m	2019 £m	2018 £m	2017 £m
Amounts for the current and previous years are as follows:					
Fair value of scheme assets	101.0	101.8	114.0	108.3	117.5
Present value of funded scheme obligations	(140.1)	(152.1)	(172.6)	(167.8)	(183.7)
Net liabilities recognised in the balance sheet	(39.1)	(50.3)	(58.6)	(59.5)	(66.2)
Remeasurement gain/(loss) due to changes in assumptions	6.7	(9.4)	(10.8)	10.4	8.6
Experience (loss)/gain/ on scheme obligations	(2.1)	23.8	(2.3)	(2.4)	(4.9)
Experience gain/(loss) on scheme assets	1.0	(10.8)	10.1	(5.1)	6.0
Remeasurement gain/(loss) relating to net retirement benefit liabilities recognised in other comprehensive income	5.6	3.6	(3.0)	2.9	9.7

Schemes accounted for on a defined contribution basis

The Merchant Navy Officers Pension Fund (“MNOF”)

In previous years the group provided for an impending £75 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 2021 and 2020 the group had no contributions to this scheme.

The Legal & General Worksave Mastertrust (“MyPension Plan”)

This is the group’s primary pension arrangement for new and current employees, is a qualifying arrangement to meet auto enrolment legislation, and has approved mastertrust status from the Pensions Regulator.

In 2021 the group expensed as defined contribution pension costs a total of £10.2m (2020: £6.7m) of contributions to this plan.

The Ensign Retirement Plan (“ERP”)

The ERP is an industry-wide mastertrust pension arrangement available to employers and employees who may, or may not, be associated with the maritime industry. The plan falls under independent trustee governance but is partly funded by the Trustee of the MNOF and sits alongside the defined benefit arrangement within the framework of the MNOF. The ERP has approved mastertrust status from the Pensions Regulator and is a defined contribution pension arrangement. The group has enrolled apprentices into the plan.

In 2021 the group expensed as defined contribution pension costs a total of £27,180 (2020: £29,900) of contributions to this plan.

The defined contribution pension cost represents the actual contributions payable by the group to the Legal & General and Ensign Mastertrusts. At 31 December 2021, there were no amounts outstanding as being due to these arrangements from the group (2020: £nil).

Notes to the financial statements

15. Pension commitments (continued)

Schemes accounted for on a cash balance basis

The Pilots' National Pension Fund Cash Balance Section

The Cash Balance Section of the Pilots' National Pension Fund was established on 1 January 2021 to cover Pilots, marine and non-marine workers who meet certain criteria. ABP Apprentices started to be enrolled in the Cash Balance Section with effect from 1 September 2021.

16. Borrowings

	2021 £m	2020 £m
Current		
Private placement notes	24.1	-
Public loan notes	64.9	55.0
Interest due on term and revolving facilities	0.3	0.3
Interest due on private placement notes	11.2	11.0
Interest due on public loan notes	3.4	3.7
Interest due on derivatives	1.8	0.9
Interest on amounts due to parent undertaking	2.1	3.1
Lease liabilities	1.9	3.1
Total current borrowings	109.7	77.1
Non-current		
Term and revolving facilities	201.8	201.6
Private placement notes	1,210.3	1,166.6
Public loan notes	734.3	807.3
Amounts due to parent undertaking	1,199.2	1,298.3
Interest on amounts due to parent undertaking	2,475.2	2,227.2
Lease liabilities	6.5	7.0
Total non-current borrowings	5,827.3	5,708.0

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

Facility type	Due Date	Rate per annum	2021 £m	2020 £m
<i>Term and revolving facilities</i>				
GBP floating rate note	2029	1m LIBOR plus margin; 6m compounded SONIA 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
Deferred borrowing costs			(7.2)	(7.4)
			201.8	201.6

Notes to the financial statements

16. Borrowings (continued)

Facility type	Due Date	Rate per annum	2021 £m	2020 £m
<i>Private placement notes</i>				
GBP private placement	2029-2033	6m LIBOR plus margin	200.0	200.0
GBP private placement	2024-2030	6m LIBOR plus margin; 6m compounded SONIA 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; 6m compounded SONIA 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%	114.8	113.8
USD private placement	2029	4.41%	64.8	64.2
USD private placement	2023	4.35%	59.3	58.7
USD private placement	2024	4.11%	55.6	55.0
USD private placement	2023	3.96%	29.6	29.4
USD private placement	2022	3.82%	24.1	23.9
JPY private placement	2032	1.00%	64.4	-
Deferred borrowing costs			(3.2)	(3.4)
			1,234.4	1,166.6
<i>Public loan notes</i>				
GBP note	2026	6.25%	500.0	500.0
GBP note	2033	3m LIBOR plus margin; 3m compounded SONIA plus margin	70.0	70.0
GBP note	2022	3m compounded SONIA plus margin	64.9	64.8
GBP note	2042	5.25%	50.0	50.0
EUR note	2023	3.22%	58.7	63.2
EUR note	2023	3.50%	58.7	63.2
USD note	2021	3m USD LIBOR plus margin	-	55.0
Deferred borrowing costs and discount on issue			(3.1)	(3.9)
			799.2	862.3

Net accumulated foreign exchange losses of £62.0m (2020: £73.0m) have been allocated against the relevant borrowings in the tables above to show the carrying value of the borrowings.

Notes to the financial statements

16. Borrowings (continued)

In August 2020 a restructuring within the Group owned by the ultimate parent undertaking of ABPAH, ABP (Jersey) Limited, changed the immediate parent undertaking of ABPAH from ABP Subholdings UK Limited (“ABPS”) to ABP Midco UK Limited (“ABPMC”) and ABPS became an intermediate parent undertaking. The balances of the loans due to ABPS were transferred to ABPMC.

Amounts due to parent undertaking represent two loans from ABPMC, 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.

Interest on the amounts due to parent undertaking due in 2028, accruing interest at 4.23% per annum plus compounded SONIA (2020: 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 2021 of £nil (2020: £nil) was paid and accrued interest payable in 2021 of £21.9m (2020: £23.2m) was deferred in line with the agreement. The total outstanding interest accrued as at 31 December 2021 was £137.2m (2020: £115.3m).

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:

	2021 £m	2020 £m
At 1 January	10.1	11.5
Additions	0.5	0.6
Interest expense	0.7	0.8
Payments	(3.6)	(2.8)
Remeasurement	0.7	-
At 31 December	8.4	10.1

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:

2021	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	0.7	(1,006.5)
Interest rate swaps – pay floating, receive fixed	2036	335.8	85.1	-
Cross currency interest rate swaps – pay floating, receive fixed (GBP/USD)	2022-2029	285.8	77.6	-
Cross currency interest rate swaps – pay floating, receive fixed (GBP/EUR)	2023	118.6	3.5	(0.9)
Cross currency interest rate swaps – pay floating, receive fixed (GBP/JPY)	2032	63.6	-	(0.8)
Forward foreign exchange contracts	2022	3.4	-	-
Fuel swaps and caps	2022-2024	26.4m litres	1.2	-
Fair value of derivative financial instruments			168.1	(1,008.2)
Derivatives not offset in the balance sheet*			(1.6)	1.6
Net amount			166.5	(1,006.6)

*Right to offset under master netting arrangements.

Notes to the financial statements

17. Derivative financial instruments (continued)

2020	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		(1,160.5)
Interest rate swaps – pay floating, receive fixed	2036	335.8	116.0	-
Cross currency interest rate swaps – pay floating, receive floating (GBP/USD)	2021	48.9	6.0	-
Cross currency interest rate swaps – pay floating, receive fixed (GBP/USD)	2022-2029	285.8	91.4	-
Cross currency interest rate swaps – pay floating, receive fixed (GBP/EUR)	2023	118.6	14.2	(0.1)
Forward foreign exchange contracts	2021	0.3	-	-
Fuel swaps and caps	2021-2023	19.2m litres	-	(1.5)
Fair value of derivative financial instruments			227.6	(1,162.1)
Derivatives not offset in the balance sheet*			(213.5)	213.5
Net amount			14.1	(948.6)

*Right to offset under master netting arrangements.

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

	2021 £m	2020 £m
Current assets	15.4	20.8
Non-current assets	152.7	206.8
Total assets	168.1	227.6
Current liabilities	(60.8)	(49.6)
Non-current liabilities	(947.4)	(1,112.5)
Total liabilities	(1,008.2)	(1,162.1)

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.

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.

Interest rate benchmark reform

During the year a number of financial instruments have been transitioned from a LIBOR to SONIA interest rate basis. This includes instruments which have legal agreement to transition to SONIA following the first interest settlement date in 2022:

- £789.7m of interest rate swaps, pay fixed receive floating
- £250.0m of interest rate swaps, pay floating receive fixed
- £59.6m of cross currency interest rate swaps, pay floating receive fixed (GBP/EUR)
- £474.0m of external floating rate debt
- £551.0m of floating rate intercompany loans

As at the year end, those instruments with a SONIA interest rate basis are follows:

- £1,650.0m of interest rate swaps, pay fixed receive floating
- £335.8m of interest rate swaps, pay floating receive fixed
- £285.8m of cross currency interest rate swaps, pay floating receive fixed (GBP/USD)
- £118.6m of cross currency interest rate swaps, pay floating receive fixed (GBP/EUR)
- £63.6m of cross currency interest rate swaps, pay floating receive fixed (GBP/JPY)
- £524.0m of external floating rate debt
- £551.0m of floating rate intercompany loans
- £75.9m of floating rate intercompany loans

At the year end, the remaining external floating rate debt on a LIBOR basis consists of £280.0m of US Private Placement Notes. These Notes have since legal transitioned to SONIA from the first interest settlement date in 2022.

The change from LIBOR to SONIA has not significantly changed the risks to which the group is exposed and the risk management strategy has not been amended.

Notes to the financial statements

18. Financial instruments (continued)

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:

	2021		2020	
	Book value £m	Fair value £m	Book value £m	Fair value £m
Financial liabilities				
At amortised cost				
Fixed rate public loan notes	667.4	792.1	676.4	816.7
Fixed rate private placement notes	777.6	832.9	710.0	772.1

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 2021 and 2020 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
- The fair value of foreign exchange contracts is based on market price, corresponding to Level 1 in the fair value hierarchy.

Notes to the financial statements

18. Financial instruments (continued)

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 in accordance with the Treasury Policy by the wider group, owned by the group’s ultimate parent undertaking, ABP (Jersey) Limited. This ensures that cash and committed borrowing facilities are maintained at levels that provide a reasonable headroom in excess of the forecast requirements of all entities within the group. Management monitors rolling forecasts of the group’s liquidity reserve (comprised of committed 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 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 £m	Total £m
2021					
Not later than one year	274.8	2.8	59.7	86.6	423.9
More than one year but not more than two years	435.0	1.7	52.7	-	489.4
More than two years but not more than five years	1,084.5	3.3	165.2	12.5	1,265.5
More than five years	6,614.7	67.1	865.9	10.8	7,558.5
Total payments	8,409.0	74.9	1,143.5	109.9	9,737.3

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

	Borrowings (excluding lease liabilities) £m	Lease liabilities £m	Derivative financial instruments* £m	Trade and other payables £m	Total £m
2020					
Not later than one year	195.9	2.6	69.4	78.1	346.0
More than one year but not more than two years	338.6	2.4	69.5	-	410.5
More than two years but not more than five years	933.3	4.2	201.6	3.2	1,142.3
More than five years	7,018.7	50.7	929.2	9.4	8,008.0
Total payments	8,486.5	59.9	1,269.7	90.7	9,906.8

* 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 disclosures in the tables above are based on contractual payments as they existed as at 31 December 2021 and 31 December 2020.

Interest on the loan due to parent undertaking due in 2028, accruing interest at 4.23% per annum plus 6 month SONIA compounded (2020: 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 2021, 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 2021 and 2020, 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 was 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:

	2021		2020	
	Total outflows £m	Total inflows £m	Total outflows £m	Total inflows £m
Cross currency interest rate swaps				
Not later than one year	(31.4)	43.7	(57.5)	75.1
More than one year but not more than two years	(204.1)	226.7	(26.3)	42.8
More than two years but not more than five years	(152.9)	185.3	(341.2)	408.7
More than five years	(128.7)	148.5	(55.4)	71.7
Total cross currency interest rate swaps	(517.1)	604.2	(480.4)	598.3

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.

Notes to the financial statements

18. Financial instruments (continued)

Financial risk management (continued)

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

	2021 £m	2020 £m
Future minimum lease payments receivable under finance leases		
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	40.3	39.9
	40.5	40.1
Less: unearned finance income	(39.9)	(39.5)
Net investment in the finance leases	0.6	0.6

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:

	2021 £m	2020 £m
Expiring in:		
Not later than one year	160.0	165.0
More than one year but not more than two years	-	350.0
More than two years but not more than five years	350.0	50.0
Undrawn borrowing facilities	510.0	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 2021 the group's hedge ratio for external third party debt was 99%. Interest rate exposure in relation to all of the group's borrowings is therefore predominantly 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:

	2021		2020	
	Loss before tax £m	Deficit £m	Loss before tax £m	Deficit £m
<i>Interest rate sensitivities</i>				
<i>1% increase in interest rates – GBP</i>	276.8	276.8	298.1	298.1
<i>1% decrease in interest rates – GBP</i>	(329.1)	(329.1)	(362.4)	(362.4)
<i>1% increase in interest rates – USD</i>	(9.9)	(9.9)	(14.0)	(14.0)
<i>1% decrease in interest rates – USD</i>	10.6	10.6	15.0	15.0
<i>1% increase in interest rates – EUR</i>	-	-	(2.7)	(2.7)
<i>1% decrease in interest rates – EUR</i>	-	-	2.8	2.8
<i>1% increase in interest rates – JPY</i>	(4.1)	(4.1)	-	-
<i>1% decrease in interest rates – JPY</i>	4.6	4.6	-	-
<i>Foreign exchange rate sensitivities</i>				
<i>10% increase in Sterling to EUR</i>	(0.7)	(0.7)	(1.1)	(1.1)
<i>10% decrease in Sterling to EUR</i>	0.8	0.8	1.4	1.4
<i>10% increase in Sterling to USD</i>	(2.7)	(2.7)	(4.8)	(4.8)
<i>10% decrease in Sterling to USD</i>	3.3	3.3	5.9	5.9
<i>10% increase in Sterling to JPY</i>	1.6	1.6	-	-
<i>10% decrease in Sterling to JPY</i>	(2.0)	(2.0)	-	-

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 3 days from 31 December 2021.

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 2021 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 £2,235.4m (2020: £2,230.5m), subordinated debt £1,199.2m (2020: £1,298.3m) and lease liabilities £8.4m (2020: £10.1m). The group also has committed but unutilised facilities totalling £510.0m (2020: £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 2021 and 2020. Further details on the covenants requirements can be found in the strategic report.

19. Trade and other payables

	2021 £m	2020 £m
Current		
Trade payables	25.8	23.9
Accruals	53.7	47.0
Other creditors	3.6	3.8
Taxation	3.5	3.4
Total current trade and other payables	86.6	78.1
Non-current		
Accruals	12.5	3.2
Other creditors	10.8	9.4
Total non-current trade and other payables	23.3	12.6

Security deposits comprise amounts paid by property tenants that are held under rent deposit deeds.

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 income

	Contract liability £m	Deferred property income £m	Government grants £m	Total £m
At 1 January 2020	5.4	81.3	-	86.7
Grants transferred from property, plant and equipment	-	-	5.8	5.8
Credited to income statement during the year	(4.6)	(25.4)	(0.6)	(30.6)
Amounts received in advance and deferred	7.7	30.2	1.9	39.8
At 31 December 2020	8.5	86.1	7.1	101.7
Credited to income statement during the year	(3.8)	(27.7)	(1.5)	(33.0)
Amounts received in advance and deferred	5.0	24.0	32.2	61.2
At 31 December 2021	9.7	82.4	37.8	129.9

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

	2021 £m	2020 £m
Current	38.2	28.6
Non-current	91.7	73.1
Total deferred income	129.9	101.7

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

Government grants received during the year of £32.2m related predominantly to the Border Control Posts scheme overseen by the Port Infrastructure Fund and the new Horizon Cruise Terminal in Southampton. These relate to projects that are not yet complete and the granting authority reserves the right to claw back funding granted in the event that the project is not delivered successfully.

Notes to the financial statements

21. Provisions

	Restructuring £m	Self insurance retrospective employer liabilities £m	Self insurance general third party liabilities £m	Other £m	Total £m
2021					
At 1 January	0.9	15.6	9.3	11.7	37.5
Charged/(credited) to income statement during the year	0.4	-	6.3	13.8	20.5
Utilised in the year	(1.0)	(0.3)	(0.9)	(2.2)	(4.4)
Amortisation of discounting	-	0.2	-	-	0.2
At 31 December	0.3	15.5	14.7	23.3	53.8
Expected utilisation within one year	0.3	0.5	14.7	18.5	34.0

	Restructuring £m	Self insurance retrospective employer liabilities £m	Self insurance general third party liabilities £m	Other £m	Total £m
2020					
At 1 January	2.5	15.7	8.0	3.1	29.3
Charged/(credited) to income statement during the year	0.5	-	2.2	9.7	12.4
Utilised in the year	(2.1)	(0.3)	(0.9)	(1.1)	(4.4)
Amortisation of discounting	-	0.2	-	-	0.2
At 31 December	0.9	15.6	9.3	11.7	37.5
Expected utilisation within one year	0.9	0.5	9.3	6.9	17.6

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

	2021 £m	2020 £m
Current	34.0	17.6
Non-current	19.8	19.9
Total provisions	53.8	37.5

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 2022 and the provision is expected to be utilised within one year.

Notes to the financial statements

21. Provisions (continued)

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 2.63% (2020: 1.68%). The actuarial assessment identified a reasonable discounted estimate of the reserves to be £10.4m with an estimated high end of the range of £15.7m. In the light of uncertainty associated with asbestos related claims, the group continues to provide at close to 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. The group has an amount within trade and other receivables of £4.9m (2020: £2.6m) expected to be recoverable from insurers relating to these provisions.

Other

A provision of £4.8m was recognised in respect of a Grade II Listed building. ABP has a statutory obligation to maintain the building and recognises the need to carry out essential works. £8.0m has been provided for the estimated costs of decontaminating port land previously used for industrial processes and are predominantly based on the best estimates of external consultants.

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 made a provision for this which was utilised during 2021 on conclusion of the case.

22. Deferred tax

The UK corporation tax rate change from 19% to 25% (effective 1 April 2023) was enacted 10 June 2021. As a result the deferred tax balances are remeasured at 19% or 25% (2020: 19% or 17%) as appropriate for the period in which they are expected to crystallise.

Notes to the financial statements

22. Deferred tax (continued)

The movement on the deferred tax is shown below:

	2020	Adjustments in respect of previous periods charged/ (credited) to income statement	Charged/ (credited) to income statement	Charged/ (credited) to OCI	2021
	£m	£m	£m	£m	£m
Accelerated tax depreciation	89.6	0.7	30.2	-	120.5
Revaluation of operational land and investment properties	201.2	-	72.9	2.2	276.3
Capital losses	(47.5)	-	(15.3)	-	(62.8)
Retirement benefit obligations	(9.5)	-	2.6	12.3	5.4
Derivative financial instruments	(171.8)	-	(31.8)	-	(203.6)
Other	(2.8)	(0.1)	(0.9)	-	(3.8)
Net deferred tax liability	59.2	0.6	57.7	14.5	132.0

	2019	Adjustments in respect of previous periods charged/ (credited) to income statement	Charged/ (credited) to income statement	Charged/ (credited) to OCI	2020
	£m	£m	£m	£m	£m
Accelerated tax depreciation	85.1	(0.3)	4.8	-	89.6
Revaluation of operational land and investment properties	173.2	-	17.8	10.2	201.2
Capital losses	(43.3)	0.5	(4.7)	-	(47.5)
Retirement benefit obligations	(6.8)	-	1.2	(3.9)	(9.5)
Derivative financial instruments	(129.9)	-	(41.9)	-	(171.8)
Other	(1.2)	-	(1.6)	-	(2.8)
Net deferred tax liability	77.1	0.2	(24.4)	6.3	59.2

The group has unrecognised capital losses of £314.1m (2020: £314.1m) that have no expiry date and 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

	2021	2020
	£m	£m
Issued and fully paid		
1,000 (2020: 1,000) ordinary shares of £1.00 each	-	-

The ordinary shares rank equally in regards to voting rights, the distribution of dividends and the repayment of capital.

Notes to the financial statements

24. Cash generated by operations

Reconciliation of loss before taxation to cash generated by operations:	2021 £m	2020 £m
Loss before taxation	(80.9)	(384.0)
Finance costs	448.5	438.8
Net unrealised (gain)/loss on derivatives at fair value through profit and loss	(91.6)	135.4
Finance income	(31.2)	(37.6)
Net unrealised (gain)/loss on operating derivatives	(2.7)	1.4
Depreciation of property, plant and equipment and right of use assets	91.3	87.6
Amortisation of intangible assets	17.1	17.6
Impairment of intangible assets	-	0.7
Loss 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	3.2	15.8
Decrease in provisions	16.1	8.1
(Increase)/decrease in fair value of investment properties	(43.4)	13.3
Difference between pension contributions paid and defined benefit pension charge through profit and loss	(10.1)	(9.9)
Operating cash flows before movements in working capital	316.3	287.2
(Increase)/decrease in trade and other receivables	(21.3)	26.0
Increase in trade and other payables	9.7	5.9
Cash generated by operations	304.7	319.1

Cash generated by operations includes movements in rent related security deposits which are restricted cash.

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:

	At 1 January (liability)/ asset £m	Cash flows £m	Non-cash changes			At 31 December (liability)/ asset £m
			Foreign exchange (loss)/gain £m	Fair value decreases £m	Other changes £m	
2021						
Cross currency interest rate swaps	111.5	-	(11.0)	(20.4)	-	80.1
Current external borrowings	(55.0)	55.0	-	-	(89.0)	(89.0)
Non-current external borrowings	(2,175.5)	-	11.0	-	18.1	(2,146.4)
Non-current amounts due to parent undertaking	(3,525.5)	37.5			(173.4)	(3,661.4)
Lease liabilities	(10.1)	3.6	-	-	(1.9)	(8.4)
Total	(5,654.6)	96.1	-	(20.4)	(246.2)	(5,825.1)

	At 1 January (liability)/ asset £m	Cash flows £m	Non-cash changes			At 31 December (liability)/ asset* £m
			Foreign exchange (loss)/gain £m	Fair value decreases £m	Other changes £m	
2020						
Cross currency interest rate swaps	108.2	-	(8.7)	12.0	-	111.5
Current external borrowings	-	-	-	-	(55.0)	(55.0)
Non-current external borrowings	(2,273.0)	35.6	8.7	-	53.2	(2,175.5)
Non-current amounts due to parent undertaking	(3,267.8)	(159.5)	-	-	(98.2)	(3,525.5)
Lease liabilities	(11.5)	2.8	-	-	(1.4)	(10.1)
Total	(5,444.1)	(121.1)	-	12.0	(101.4)	(5,654.6)

Other changes relate to non-cash movements, primarily rolled up interest, reclassification of balances between non-current and current and the amortisation of deferred borrowing costs.

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 (2020 £0.2m) in respect of administrative services. At 31 December 2021, £nil (2020: £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 (2020: 14) 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:

	2021 £	2020 £
OMERS Infrastructure (on behalf of Borealis ABP Holdings B.V. and Borealis Ark Holdings B.V.)	105,000	105,000
Cheyne Walk Investment Pte Limited	70,000	70,000
Kuwait Investment Authority	-	35,000
Wren House Infrastructure GP LLP (acting in its capacity as general partner of Wren House Infrastructure LP) ¹	35,000	-
CPPIB (Hong Kong) Limited (on behalf of itself and 9348654 Canada Inc.) ¹	132,712	125,670

¹ All share classes held by Kuwait Investment Authority were transferred to Wren House Infrastructure LP, an English Limited Partnership wholly controlled by Kuwait Investment Authority, on 18 August 2021, as part of an intragroup reorganisation. The transaction did not impact the percentage holdings of any other shareholder.

Further details of the shareholders’ share ownership are set out in note 30.

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 undertaking
ABP Bonds UK Limited	Intermediate parent undertaking
ABP Midco UK Limited	Immediate parent undertaking
ABP SubHoldings UK Limited	Intermediate parent undertaking
ABP Mezzanine Holdco UK Limited	Fellow group undertaking

Notes to the financial statements

25. Related party transactions (continued)

The group has the following borrowings with the related party:

Entity/item	Due date	Interest rate per annum	2021 £m	2020 £m
ABP Midco UK Limited	2028	4.23% per annum plus 6 month SONIA compounded; 3.95% per annum plus 6 month sterling LIBOR	(416.0)	(416.0)
ABP Midco UK Limited	2027	9.0%	(722.8)	(722.8)
ABP Midco UK Limited			(60.4)	(159.5)
Accrued interest			(2,477.3)	(2,230.3)
			(3,676.5)	(3,528.6)

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	2021 £m	2020 £m
Intercompany borrowing at start of the year	-	(3,269.8)
Interest charged	-	(164.0)
Non-cash interest paid	-	164.0
Transferred to ABP Midco UK Ltd	-	3,269.8
Intercompany borrowing at end of the year	-	-

ABP Midco UK Limited	2021 £m	2020 £m
Intercompany borrowing at start of the year	(3,528.6)	-
Intercompany borrowing transferred from ABP Subholdings UK Limited	-	(3,269.8)
Interest charged	(280.5)	(102.3)
Cash received as new borrowings	-	(159.5)
Capital repayment	99.1	-
Interest payment	22.5	-
Non-cash decrease in borrowing	11.0	3.0
Intercompany borrowing at end of the year	(3,676.5)	(3,528.6)

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	2021 £m	2020 £m
Intercompany receivable at start of the year	-	0.9
Interest charged – 12.0% per annum	-	0.1
Decrease in receivable	-	(1.0)
Intercompany receivable at end of the year	-	-

Notes to the financial statements

25. Related party transactions (continued)

ABP Bonds UK Limited	2021 £m	2020 £m
Intercompany receivable at start of the year	-	128.7
Interest charged – 7.0% per annum	-	4.4
Decrease in receivable	-	(133.1)
Intercompany receivable at end of the year	-	-

ABP SubHoldings UK Limited	2021 £m	2020 £m
Intercompany receivable at start of the year	-	28.2
Interest charged – 7.0% per annum	-	0.9
Decrease in receivable	-	(29.1)
Intercompany receivable at end of the year	-	-

ABP Mezzanine Holdco UK Limited	2021 £m	2020 £m
Intercompany receivable/(payable) at start of the year	-	0.3
Interest charged – 7.0% per annum	-	-
Decrease in receivable	-	(0.3)
Intercompany receivable at end of the year	-	-

26. Financial commitments

Capital commitments

	2021 £m	2020 £m
Group capital expenditure contracted but not provided for	16.0	33.6

27. Contingent liabilities

	2021 £m	2020 £m
Contingent liabilities under claims, indemnities and guarantees:		
Guarantees in respect of subsidiary undertaking's undrawn borrowings	510.0	565.0
Total cross guarantees by group companies	510.0	565.0
Group's guaranteed borrowings as set out in note 16	2,250.3	2,245.5
Total borrowings and undrawn facilities of group of which company is a member	2,760.3	2,810.5

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.

Notes to the financial statements

27. Contingent liabilities (continued)

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 £1.4m (2020: £1.4m). The group is not required to secure any cash reserves against these letters of credit.

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). In accordance with usual process, a Fatal Accident Inquiry took place in January 2022 and the Sheriff's determination is awaited. The Crown has not yet provided confirmation of their position in relation to whether it intends to prosecute ABP in relation to this accident.

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 2021 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
Immingham Bulk Terminal Limited

Company No. 77980
Company No. 11654096

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 £5.9m (2020: £5.1m). Leases committed but not yet commenced is £nil (2020: £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.

Notes to the financial statements**28. Leases (continued)***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:	2021 £m	2020 £m
Not later than one year	96.5	101.5
More than one year but not more than two years	80.2	81.1
More than two years but not more than three years	70.5	71.3
More than three years but not more than four years	64.8	65.6
More than four years but not more than five years	60.0	62.6
More than five years	793.6	922.7
Total	1,165.6	1,304.8

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
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

¹Under 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.

²Registered 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
RPM Industrial Site 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

¹Registered address is Associated British Ports, Port Office, Ayr, Ayrshire, KA8 8AH.

²This 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 Midco 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.

Notes to the financial statements

30. Ultimate parent undertaking and controlling parties (continued)

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

	% of A Ordinary shares	% of B Ordinary shares	% of Preference shares
2021			
Borealis ABP Holdings B.V. (owned by OMERS Administration Corporation)	22.10	22.10	2.09
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
Wren House Infrastructure LP (controlled by 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 Kuwait Investment Authority were transferred to Wren House Infrastructure LP, an English Limited Partnership wholly controlled by Kuwait Investment Authority, on 18 August 2021, as part of an intragroup reorganisation. The transaction did not impact the percentage holdings of any other shareholder.

	% of A Ordinary shares	% of B Ordinary shares	of Preference shares
2020			
Borealis ABP Holdings B.V. (owned by OMERS Administration Corporation)	22.10	22.10	2.09
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

31. Events after the reporting period

Since the balance sheet date, the political unrest between Russia and Ukraine has heightened, culminating with a territorial invasion of Ukraine by Russian armed forces. This situation has continued to escalate and most governments, including that of the UK, have imposed economic sanctions on Russia. ABP may be impacted by the consequence of these sanctions and by the resulting reduced trade flows with Russia. As these sanctions were not in place at the balance sheet date, management have concluded that the economic impact of the Ukraine / Russia conflict is a non-adjusting post balance sheet event.

The group is carefully monitoring the fast changing nature and extent of the economic sanctions on Russia and is liaising with the relevant authorities (including the Department for Transport - DfT) and statutory bodies to ensure the group is compliant with any such sanctions. There is a risk that these sanctions could impact commercial contracts, which could disrupt business operations, which could as a result adversely impact the group's EBITDA.

At the time of signing the balance sheet for the year ending 31 December 2021, the DfT asked all ports in the UK to not to provide access to any ship which they have reason to believe is:

- Owned, controlled, chartered, or operated by any person connected with Russia
- Owned, controlled, chartered or operated by Designated Persons
- Flying the Russian flag
- Registered in Russia.

The group is proactively considering the exposure to customers fitting the above mentioned criteria and the impact any such contracts would have in the financial results and headroom against its loan covenants. Based on initial findings of customers impacted by the current restrictions in place and the information presently available, the group does not expect the impact of the sanctions to cause it to default on its covenants or to otherwise threaten the viability of the group.

Parent company balance sheet as at 31 December

	Note	2021 £m	2020 £m
Assets			
Non-current assets			
Investments	5	1,000.1	1,000.1
Group receivables	6	3,687.5	3,523.1
		4,687.6	4,523.2
Current assets			
Trade and other receivables	6	2.2	3.1
		2.2	3.1
Total assets		4,689.8	4,526.3
Liabilities			
Current liabilities			
Borrowings	7	(2.2)	(3.1)
		(2.2)	(3.1)
Non-current liabilities			
Borrowings	7	(3,674.3)	(3,525.5)
		(3,674.3)	(3,525.5)
Total liabilities		(3,676.5)	(3,528.6)
Net assets		1,013.3	997.7
Shareholders' equity			
Stated capital	9	-	-
Other reserve		1,000.0	1,000.0
Accumulated retained earnings		13.3	(2.3)
Total shareholders' equity		1,013.3	997.7

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 £15.6m (2020: loss of £16.5m) attributable to equity shareholder during the year. The company did not pay any dividends during the current or prior year.

The financial statements were approved by the Board on 15 March 2022 and signed on its behalf by:



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 2021 and 2020; consequently no statement of cash flows has been presented.

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

	Stated capital	Other reserve	Accumulated retained earnings	Total
	£m	£m	£m	£m
At 1 January 2020	-	1,000.0	14.2	1,014.2
Loss for the year	-	-	(16.5)	(16.5)
At 31 December 2020	-	1,000.0	(2.3)	997.7
Profit for the year	-	-	15.6	15.6
At 31 December 2021	-	1,000.0	13.3	1,013.3

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 parent company financial statements

1. Accounting policies

1.1 Basis of preparation

These financial statements have been prepared in accordance with UK adopted International Accounting Standards (“IASs”).

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

New standards and amendments adopted

Interest Rate Benchmark Reform – Phase 2, amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The company has adopted these amendments from 1 January 2021. As a result the company has used the practical expedient where floating rate assets and liabilities are subject to changes to the interest rate basis as a result of Interest Rate Benchmark Reform (“IRBR”). Where the contractual cash flows resulting from IRBR meet the conditions to be considered economically equivalent to those under the previous interest rate basis the carrying value of the financial asset or liability remains unchanged (see note 8).

There were no other new accounting standards, amendments and interpretations effective for the first time for the annual reporting period commencing 1 January 2021 that had an impact on the company.

New standards, amendments and interpretations issued but not yet effective

The IASB and IFRIC have issued a number of standards, amendments and interpretations with an effective date of implementation for accounting periods beginning after the start of the 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 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:

1. Accounting policies (continued)

1.3 Critical estimates, judgements and assumptions (continued)

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.

The Company is required to recognise expected credit losses (ECLs) based on unbiased forward-looking information for all group financial assets held at amortised cost. At the reporting date, an impairment allowance reflecting 12 months ECL is required for financial assets that either have not deteriorated significantly in credit quality since initial recognition or have low credit risk. If the credit risk has significantly increased since initial recognition (Stage 2), or if the financial instrument is credit impaired (Stage 3), an allowance (or provision) should be recognised for the lifetime ECLs.

The measurement of ECL is calculated using three main components: (i) probability of default (PD) (ii) loss given default (LGD) and (iii) the exposure at default (EAD).

The 12 month and lifetime ECLs are calculated by multiplying the respective PD, LGD and the EAD. The 12 month and lifetime PDs represent the PD occurring over the next 12 months and the remaining maturity of the instrument, respectively. Management estimate the PD by performing an analysis of default rates calculated by reputable external credit rating agencies and implied in credit default swap curves. The EAD represents the expected balance at default, taking into account the repayment of principal and interest from the balance sheet date to the default event. The LGD represents expected losses on the EAD given the event of default, taking into account, among other attributes, the mitigating effect of priority of repayment at the time it is expected to be realised, the time value of money and counterparty's ability to settle its obligations immediately for financial assets that are repayable on demand. For uncollateralised financial assets, management have assumed standard market recovery rates.

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. Auditor's remuneration

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

	2021 £'000	2020 £'000
Fees payable to the company's auditor for the audit of the company's annual accounts	292.7	293.0

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

3. 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 (2020: nil).

4. Taxation

	2021 £m	2020 £m
Analysis of credit for the year		
Current tax	-	0.1
Taxation	-	0.1

The taxation charge of £nil (2020: £0.1) for the year is lower (2020: higher) than the standard rate of taxation in the UK of 19.0% (2020: 19.0%). The differences are explained below:

	2021 £m	2020 £m
Profit/(loss) before taxation	15.6	(16.5)
Profit before taxation multiplied by standard rate of corporation tax in the UK of 19.0% (2020: 19.0%)	3.0	(3.1)
Effects of:		
Expenses not deductible for tax	(3.0)	3.2
Total tax credit for the company	-	0.1

Current taxation in 2021 represents a charge for group relief surrendered to subsidiary undertakings, with the amount being added to amounts due from subsidiary undertaking.

5. Investments

	Interest in subsidiary undertakings	
	2021	2020
	£m	£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. Following the impairment assessment for the Group goodwill (note 8 Group accounts) the directors have satisfied themselves that the recoverable amount is greater than the carrying amount of investments in subsidiaries.

6. Group receivables

	2021	2020
	£m	£m
Non-current		
Amounts due from subsidiary undertaking	1,201.2	1,300.2
Accrued interest on amounts due from subsidiary undertaking	2,489.7	2,240.5
Provision for expected credit losses	(3.4)	(17.6)
Total non-current group receivables	3,687.5	3,523.1
Current		
Accrued interest on amounts due from subsidiary undertaking	2.2	3.1
Total current group receivables	2.2	3.1

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. The company's loss allowance measured at an amount equal to the lifetime expected credit losses amounts to £3.4m (2020: £17.6m). The provision for loss allowance measured at an amount equal to the 12 month expected credit losses for the year ended 31 December 2021 is £nil (2020: £nil)

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.

Further details of the amounts due from subsidiary undertaking are disclosed in note 11.

Disclosure of the financial risks related to these financial instruments is disclosed in note 8.

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

7. Borrowings

	2021 £m	2020 £m
Current		
Interest on amounts due to parent undertaking	2.2	3.1
Total current borrowings	2.2	3.1
Non-current		
Amounts due to parent undertaking	1,199.2	1,298.3
Interest on amounts due to parent undertaking	2,475.1	2,227.2
Total non-current borrowings	3,674.3	3,525.5

Amounts due to parent undertaking represent two loans from ABP Midco UK Limited (“ABPMC”), 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 11.

Interest on the amounts due to parent undertaking due in 2028, accruing interest at 4.23% per annum plus compounded SONIA (2020: 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 8. More details on the company’s related party borrowings are set out in note 11.

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

8. 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.

Interest rate benchmark reform

During the year a number of financial instruments have been transitioned from a LIBOR to SONIA interest rate basis. As at the year end, those instruments with a SONIA interest rate basis are follows:

- £551.0m of floating rate intercompany loans
- £551.0m of floating rate intercompany receivables
- £75.9m of floating rate intercompany loans
- £75.9m of floating rate intercompany receivables

The change from LIBOR to SONIA has not significantly changed the risks to which the company is exposed and the risk management strategy has been amended.

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 the Group's weighted average cost of external debt 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.

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'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.

8. Financial instruments (continued)**Financial risk management (continued)**

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:

	2021 £m	2020 £m
Not later than one year	90.3	52.2
More than one year but not more than two years	30.5	162.9
More than two years but not more than five years	87.2	78.7
More than five years	5,376.4	5,277.1
Total payments	5,584.4	5,570.9

Borrowings disclosure in the table above is based on contractual payments as they existed as at 31 December 2021 and 31 December 2020.

Interest on the loan due to parent undertaking due in 2028, accruing interest at 4.23% per annum plus compounded SONIA (2020: 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 2021, 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 7) 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.

Credit risk

Given the counterparties of group receivables, as set out in note 6, 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 Midco 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.

8. Financial instruments (continued)**Financial risk management (continued)**

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.

9. Share capital

	2021 £m	2020 £m
Issued and fully paid		
1,000 (2020: 1,000) ordinary shares of £1.00 each	-	-

10. Cash flows from operations

Reconciliation of profit/(loss) before taxation to cash generated by operations:	2021 £m	2020 £m
Profit/(loss) before taxation	15.6	(16.4)
(Decrease)/increase in provision for expected credit losses	(14.3)	17.6
Finance costs	280.5	266.2
Finance income	(281.8)	(267.4)
Operating cash flows before movements in working capital	-	-
Cash generated by operations	-	-

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

	At 1 January liability £m	Cash flows £m	<u>Non-cash changes</u> Movement in intercompany (note 11) £m	At 31 December liability £m
2021				
Non-current amounts due to parent undertaking	(3,525.5)	-	(148.8)	(3,674.3)
Total	(3,525.5)	-	(148.8)	(3,661.3)

	At 1 January liability £m	Cash flows £m	<u>Non-cash changes</u> Movement in intercompany (note 11) £m	At 31 December liability £m
2020				
Non-current amounts due to parent undertaking	(3,267.8)	-	(257.7)	(3,525.5)
Total	(3,267.8)	-	(257.7)	(3,525.5)

11. Related party transactions

During the year 14 (2020: 14) 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	Intermediate parent
ABP Midco UK Limited	Immediate parent
ABP Acquisitions UK Limited	Wholly owned immediate subsidiary

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

Name	Due date	Interest rate per annum	2021 £m	2020 £m
ABP Acquisitions UK Limited	2027	9.0%	724.8	724.8
ABP Acquisitions UK Limited	2028	4.23% per annum plus 6 month SONIA compounded; 3.95% per annum plus 6 month sterling LIBOR	416.0	416.0
ABP Acquisitions UK Limited	2023	2.25% per annum plus 6 month sterling LIBOR	60.4	159.5
Interest accrued			2,491.9	2,243.5
			3,693.1	3,543.8
ABP Midco UK Limited	2027	9.0%	(722.8)	(722.8)
ABP Midco UK Limited	2028	4.23% per annum plus 6 month SONIA compounded; 3.95% per annum plus 6 month sterling LIBOR	(416.0)	(416.0)
ABP Midco UK Limited	2023	2.25% per annum plus 6 month sterling LIBOR	(60.4)	(159.5)
Interest accrued			(2,477.3)	(2,230.3)
			(3,676.5)	(3,528.6)

11. Related party transactions (continued)

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 Midco UK Limited	2021 £m	2020 £m
Intercompany borrowing at start of the year	(3,528.6)	-
Intercompany borrowing transferred from ABP Subholdings UK Limited	-	(3,269.8)
Interest charged	(280.5)	(102.3)
Cash received as new borrowings	-	(159.5)
Non-cash interest paid	132.6	3.0
Intercompany borrowing at end of the year	(3,676.5)	(3,528.6)

ABP Acquisitions UK Limited	2021 £m	2020 £m
Intercompany receivable at start of the year	3,543.8	3,276.7
Interest charged	281.9	267.1
Non-cash interest received	(132.6)	(159.5)
Increase in the receivable	-	159.5
Intercompany receivable at end of the year	3,693.1	3,543.8

ABP SubHoldings UK Limited	2021 £m	2020 £m
Intercompany borrowing at start of the year	-	(3,269.8)
Interest charged	-	(164.0)
Non-cash interest paid	-	164.0
Transferred to ABP Midco Limited	-	3,269.8
Intercompany borrowing at end of the year	-	-

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	2021 £m	2020 £m
Intercompany receivable at start of the year	-	7.3
Interest charged – 6.9% per annum (2020: 6.9%)	-	0.2
Decrease in receivable	-	(7.5)
Intercompany receivable at end of the year	-	-

12. 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.

13. Ultimate parent undertaking and controlling parties

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