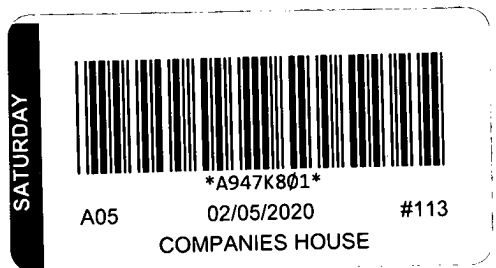


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ASSOCIATED BRITISH PORTS

(Reference Number ZC000195)

ANNUAL REPORT AND ACCOUNTS 2019



ASSOCIATED BRITISH PORTS

ANNUAL REPORT AND ACCOUNTS 2019

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Strategic report

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

1. Principal activities

The principal activities of the company comprise the ownership, operation and development of port facilities and the provision of related services in the United Kingdom (“UK”). The company also provides other transport facilities and related services including the Hams Hall rail freight terminal. The company owns and operates 21 general cargo ports within the UK.

2. Development, performance and financial position of the business

- Cargo volumes handled by the company’s ports (excluding Southampton conservancy only volumes) decreased by 7.6% to 80.9m tonnes in 2019 (2018: 87.6m tonnes) primarily due to a reduction in coal imports used for electricity generation and weaker general trading conditions following the March 2019 Brexit deadline.
- The company’s revenue increased by 1.2% to £579.4m (2018: £572.5m) primarily driven by an increase in iron ore of 70.1% to £31.8m (2018: £18.7m), break bulks of 15.2% to £87.1m (2018: £75.6m) and biomass of 9.8% to £52.6m (2018: £47.9m). The increase in iron ore revenue is due to higher income from the taking over of operations of Immingham Bulk Terminal for British Steel. The increase in break bulks revenue is predominantly driven by higher exports of wind turbines from Siemens and an additional BAE dredging campaign in 2019. The increase in biomass revenue is due to increase in Drax biomass volumes.
- Underlying operating profit (before movement in the fair value of investment properties, net unrealised gains/losses on fuel derivatives and exceptional items), which is considered by the Board to provide a good representation of the performance of the business, decreased by 6.0% to £244.1m (2018: £259.7m). The 2019 review of the company’s investment property portfolio led to an increase in carrying values of £35.0m (2018: increase of £35.6m).
- Pre-tax profit amounted to £152.7m (2018: £243.7m) and the company recognised a tax charge for the year of £29.2m (2018: £52.5m). Cash generated by operations totalled £292.6m (2018: £281.0m).

The company’s activities form the principal activities of the group of its intermediate parent, ABPA Holdings Limited (“ABPAH”). Further details of the development, performance and outlook of the ABPAH group and information relating to financial and non-financial KPIs are provided within the Annual Report and Accounts of ABPAH.

The company had net assets of £2,570.9m as at 31 December 2019 (2018: £2,510.0m) including cash of £30.1m (2018: £34.0m). The company’s cash resources are managed through a centralised treasury function, which closely monitors and manages risks of the group owned by the company’s ultimate parent, ABP (Jersey) Limited (“ABPJ”), in relation to liquidity, interest rate and capital risks, along with credit risk relating to cash.

3. Principal risks and uncertainties

As the principal operating entity of the company owned by the company’s ultimate parent, ABPJ, the company has implemented policies designed to identify, assess and manage risks which are supported by an organisational structure that ensures that responsibilities are clearly defined and communicated.

Strategic report (continued)

3. Principal risks and uncertainties (continued)

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

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

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

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

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

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

In addition, ABP's risk management approach requires the identification and mitigation of longer-term strategic risks, which are concentrated around compliance, climate change, technology and innovation and public policy.

Treasury matters throughout the company are controlled centrally and carried out in compliance with policies approved by the Board of Associated British Ports Holdings Limited, the company's immediate parent undertaking. The company's liquidity, interest rate and capital risks, along with credit risk relating to cash, are managed by the company. The company's other financial risks are credit and foreign exchange risk. For further details of the company's financial risk management objectives and policies, see note 18 to the accounts.

Strategic report (continued)

4. Important events after the reporting period

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

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

As described in note 1.3, management have made a number of critical estimates, judgements and assumptions in preparing these accounts. Given the fast moving nature of events and the unprecedented nature of the measures being taken to slow the spread of the virus it is not possible to quantify the financial impact of these measures on the critical estimates, judgements and assumptions. However the general impact is explained in note 30 below.

5. Section 172 Statement

The Board recognises the importance of stakeholder engagement in delivering the long-term and sustainable success of the company. When making decisions, particularly of a strategic nature, the directors have regard to the likely long-term impact of those decisions and also their responsibilities and duties to stakeholders. ABP's key stakeholders are its employees, customers, local authorities and national government, suppliers, the communities in which it operates and the environment. To support the directors and assist them in complying with their duties, management is required to provide information and feedback on their engagement with relevant stakeholders when matters are put forward for Board consideration and decision. 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 we engage with, and have regard to, each of our key stakeholder groups.

5.1 Stakeholder Engagement

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

Strategic Report (continued)

5.2 Employees

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

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

Employee engagement surveys are also carried out to obtain anonymous feedback from employees to understand their views on ABP, their positivity about the future of their careers and areas that could be improved. Following the 'My Voice' survey in November 2019, the results have been communicated across the business. Action plans are being developed in conjunction with employee workshops to ensure that issues identified are addressed and improvements made.

5.3 Customers

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

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

5.4 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.

During 2019 we have continued to build on our strong relationships with the government, connecting on a regular basis on matters of strategic importance and hosting port visits and engagement events throughout the year. This included ABP's Summer Lunch in Parliament, and receptions and panel discussions at the political party conferences in Brighton and Manchester. ABP has also focused on working with the government to support Brexit preparations, including liaising with the Department for Transport, the Border Delivery Group, the Cabinet Office and other leading government departments. We worked with both customers and government to look at solutions to the challenges our customers faced, particularly in the scenario of no deal being reached with the European Union.

Strategic Report (continued)

5.4 Local Authorities and National Government (continued)

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

5.5 Suppliers

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

To support our suppliers, ABP utilises a supplier portal to enable organisations to register and tender for contracts, complete due diligence and correspond directly with ABP. The portal will be further developed to strengthen performance management, enable suppliers to measure their KPIs and complete contract evaluations with ABP. Our shared services team also seek regular feedback from our suppliers in respect of payment processes as we look to obtain continuous improvement and strengthen relationships.

5.6 Communities

ABP recognises the importance of local communities to its continued success and the impact its decisions can have on those communities across its port estate. We seek to develop relationships based on mutual trust and respect and to understand the issues that matter locally. We do this through the facilitation of port user groups, engagement with Local Enterprise Partnerships and attendance at local resident associations. These forums enable ABP to receive direct feedback from port users and local residents and to provide responses to matters or concerns raised, including actions being taken and improvements made.

ABP has also supported local communities through the sponsorship of marathons in Southampton, Newport and the Humber, working with local schools to provide port tours and increase interest in maritime activities, and participation in a number of beach cleaning initiatives.

Other local charities which ABP supported in 2019 include Hull's Children's University, Hornsea Inshore Rescue and Grimsby, Grimsby & Cleethorpes Sea Cadets, Different Strokes Southampton and Isle of Wight Air Ambulance.

5.7 Environment

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

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

Strategic Report (continued)

5.7 Environment (continued)

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

6. Principal and Strategic Decisions

Outlined below are details of a number of principal and strategic decisions which have been taken by the Board during the year and how they have had regard to the interests of stakeholders.

6.1 Renewable Energy Generation

Stakeholders, Issues and Factors Considered: The Environment, Climate Change

The Board considered a proposal to install 6.5MW of solar photovoltaic panels across one of ABP's ports. The cost of this project was measured against the benefits of sustainable energy generation from renewable sources, which increases the company's energy resilience and delivers long-term financial savings. In making the decision to proceed with the project, directors considered the beneficial impact on the environment, with the scheme projected to prevent 2,600 tonnes of carbon dioxide from entering the atmosphere every year. This supports ABP's aim to reduce the company's carbon footprint and support clean maritime growth in line with the Government's Maritime 2050 report.

6.2 Area Regeneration

Stakeholders, Issues and Factors Considered: Local Community, Local Authority

In 2019, the Board reviewed options available in relation to regenerating a conservation area on its port estate. Consideration was given to balancing the interests of the company over the long-term with the needs of the local community and to preserving and regenerating an area of local importance. ABP worked with local community groups, including the local authority and Historic England, as part of a steering group to develop proposals for the restoration of the area, which would realise long-term strategic value for the group. Directors agreed to grant a long lease at a nominal rate to a local charitable trust, in addition to making a capital investment to ensure the safety of the area.

This strategic decision was taken to encourage further investment in the area with the aim of generating future business, in addition to boosting job creation and providing retail and leisure spaces for the local community.

6.3 Customer Investment

Stakeholders, Issues and Factors Considered: Customers, Environment, Climate Change

Throughout the year, the Board has considered and approved a number of proposals to support customers across the regions. One such example was the directors' approval of a capital expenditure proposal to develop a warehouse facility which would enable a key customer to consolidate and grow their existing operations. This was balanced by entering into a long-term customer contract to support ABP's longer term revenue stream.

The Board received in depth management proposals following negotiation with the customer and discussions with the local authority to ensure the scheme fully met each of their requirements. The Board also agreed to utilise this opportunity to invest in a rooftop mounted solar scheme at the site, in excess of that required under local authority planning requirements, which will generate 2,350KW of renewable energy and increase the group's energy resilience, improve air quality and reduce ABP's carbon footprint.

Strategic Report (continued)

6.4 Pension Arrangements

Stakeholders, Issues and Factors Considered: Employees, Deferred Pensioners

ABP recognises the importance of providing a well-funded pension scheme which supports employees in their retirement. During the year, the Board considered the transfer of the defined contribution section of the Associated British Ports Group Pension Scheme to a third party mastertrust arrangement. In addition to the operational efficiencies and savings for ABP which would be delivered by the transfer, directors also weighed up the cost impact for scheme participants against the advantages. Under the mastertrust arrangement, scheme participants are able to benefit from more flexibility in how they are able to plan and invest for their retirement. Before implementing the change, management undertook a 60-day statutory consultation with all affected employees, welcoming feedback on the proposals. Additional workshops were held across the group to provide staff with a forum to ask questions and receive detailed information.

Directors reviewed the feedback provided and determined that it was beneficial for participants to transfer to the mastertrust arrangement in addition to being in the best interests of the company and the ABP pension scheme in the long-term.

6.5 Strategic Review


Stakeholders, Issues and Factors Considered: Customers, Employees

When developing the company's long-term strategy, ABP recognises the importance of engaging with and considering the views of key stakeholders including employees and customers, in addition to our shareholders, to ensure the business strategy is viable and achievable.

During the year, ABP undertook a wholesale review of its strategy and developed its five-year business plan. As part of this process, ABP engaged extensively with employees, establishing an employee survey and holding briefing sessions. Employees were provided with a dedicated email address to contribute ideas and suggest areas for improvement or areas which had potential for further growth. In addition, in-depth interviews took place with key customers and a customer survey was also undertaken to obtain feedback on the services provided by ABP, and to identify our customers' key priorities and future needs.

The directors were heavily involved in the end-to-end process and received regular updates, including on feedback from key stakeholders, prior to deciding to approve the new strategy and business plan.

By Order of the Board



Marina Wyatt
Director
22 April 2020

Directors' report

The directors present their report and the audited accounts of the company (number ZC000195) for the year ended 31 December 2019.

1. Principal office

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

2. Dividends

The company paid interim dividends totalling £50.0m during the current year (2018: £nil). The directors do not recommend the payment of a final dividend (2018: £nil).

3. Directors

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

Director	Role	
Bird, SA	Regional Director, Humber	
Bull, GSM	Chief Financial Officer	(resigned 29 March 2019)
Harston, AF	Regional Director, Wales and Short Sea Ports	
Kennerley, MB	Regional Director, South Wales	(resigned 7 June 2019)
McCartain, MBW	Director, Safety, Engineering and Marine	
Pedersen, HL	Chief Executive Officer	
Rumsey, AJ	Chief HR Officer	(appointed 23 July 2019)
van Weezel, HA	Chief Information Officer	(appointed 23 July 2019)
Walker, JW	Chief Commercial Officer	(appointed 2 September 2019)
Welch, AJM	Regional Director, Southampton	
Wyatt, MM	Chief Financial Officer	(appointed 14 March 2019)

4. Directors' indemnities

ABP (Jersey) Limited, the company's ultimate parent undertaking, 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.

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. Human resources policies

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

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

Directors' report (continued)

5. Human resources policies (continued)

The group is also 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.

6. Corporate Governance Statement

In line with the requirements of the Companies (Miscellaneous Reporting) Regulations 2018, Associated British Ports ('ABP') has adopted the Wates Corporate Governance Principles for Large Private Companies ('Wates Principles') as its corporate governance code. The company is the principal operating subsidiary within the ABP group and adheres to a group-wide corporate governance framework which follows best practice and is considered suitable for its ownership, size, structure, and complexity of operations.

Details of how the company has applied the Wates Principles throughout the year are outlined below. Further information on the wider governance framework can be found in the annual report and accounts of ABPA Holdings Limited.

6.1 Principle One – Purpose and Leadership

The company'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. ABP's purpose is aligned with, and built upon a foundation of, five core values: Health & Safety; Openness & Honesty; Teamwork & Respect; Making a Difference; and Exceeding Expectations. In 2019, the group completed a comprehensive strategic review during which its purpose was reconfirmed, along with a commitment to continuing to develop the group's culture in-line with our values.

ABP 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. The Board monitors safety performance 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 Board to monitor culture include: feedback at regular regional staff briefings undertaken by Board members; employee engagement surveys; reviewing whistleblowing disclosures; and trade union engagement.

Directors have regular dialogue with, and receive feedback from, the group's shareholders whose representatives sit on the Board of Associated British Ports Holdings Limited ('ABPH'), the company's immediate parent undertaking.

6.2 Principle Two – Board Composition

The Board of ABP comprises members of the group's executive team: the Chief Executive Officer ('CEO'); Chief Financial Officer ('CFO'); three Regional Directors; and five directors of key functions (listed under 'Directors' above). The size and composition of the Board is considered to be appropriate given the nature of the company and its position within the group. Appointments to the Board of ABP are made by the Board of ABPH, on the recommendation of the group Remuneration and Nomination Committee ('RemCo').

Directors' report (continued)

6.2 Principle Two – Board Composition (continued)

The Board benefits from directors who have a broad range of skills, backgrounds and knowledge, experience of the ports industry, in addition to other sectors and industries, and are able to add a valuable contribution. ABP recognises the benefits of diversity on the Board and throughout the organisation and has continued to support efforts to increase gender diversity across the Maritime Industry, remaining a signatory of the Women in Maritime Taskforce Charter.

Board meetings are chaired by the CEO and provide an open and constructive forum for directors to be kept up to date on developments across all business areas, provide oversight of operational matters and make informed decisions. Directors have agreed those matters which are reserved for the Board's consideration and an annual governance calendar is used to support the setting of the Board's agenda, ensuring relevant matters are considered at appropriate times throughout the year.

On appointment, directors receive a thorough induction programme which includes port visits, meetings with key members of management and the group's shareholder representatives. In addition, directors all receive training on their duties and other key legislation/regulation, as required. Board meetings are held at different ports throughout the year, so directors have the opportunity to tour locations as a Board and meet local staff and customers.

6.3 Principle Three – Director Responsibilities

Each director has a clear understanding of their accountability and responsibilities. The Board receives accurate, comprehensive and timely information on the company's business and financial performance to enable appropriate monitoring and effective oversight of key matters. ~~The group's finance function is staffed by appropriately qualified individuals who ensure the integrity of financial information provided to the Board.~~ The group is externally audited by EY, with internal audit services provided by KPMG and other industry specialists to assess financial and other internal controls and health and safety processes.

As noted above, there is a schedule of matters reserved specifically for the Board, although where appropriate, some decisions are delegated to, or led by, those directors with the most relevant knowledge and industry experience. In addition, certain material matters are required under a Shareholders' Agreement to also be approved by the Board of ABPH and, in some cases, the group's shareholders.

The Board formally meets ten times a year, with ad hoc meetings held as necessary, to ensure matters are considered and progressed in a timely manner. In addition, the company is the Statutory Harbour Authority ('SHA') for 22 ports and harbours, including the Humber Estuary. The Board meets separately, at least four times a year, as the Harbour Authority and Safety Board ('HASB') to exercise certain duties as the SHA. The HASB has its own remit in relation to its powers and duties as a SHA and in respect of health and safety matters. Papers for Board and HASB meetings are usually circulated well in advance of a scheduled meeting to ensure sufficient time for directors' review and consideration.

On an annual basis, each director is required to declare any potential conflicts of interest, and at each Board meeting directors are prompted to raise any conflicts of interests they have in any matters that are to be discussed. If conflicts of interest are raised, appropriate safeguards are put in place.

Directors' report (continued)

6.4 Principle Four – Opportunity and Risk

The Board is committed to the long-term sustainable growth of the company 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 enables the business to determine the level of long-term infrastructure investment that may be required to secure and achieve growth. Other opportunities may also be identified through quarterly business reviews and day to day activities.

The Board recognises the importance of effective risk management to preserve value. Risks are managed in accordance with the group risk management policy and within the group's risk appetite, both of which are approved by the Board of ABPH, on the recommendation of the group's Audit and Risk Committee. The risk management policy, risk appetite and longer term emerging risks are kept under review and updated, as appropriate, at least annually.

Processes are in place 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 Board, as part of their oversight of risk management and controls. Proposals for Board approval are always required to detail risk considerations and mitigation. Further information on the company's principal risks can be found in the Strategic Report on page 1.

6.5 Principle Five – Remuneration

ABP is committed to executive remuneration structures which are aligned to the company's 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 CEO, CFO and other ABP directors is determined by the Board of ABPH, on the recommendation of RemCo. RemCo comprises entirely Non-Executive Directors of ABPH and no Director of ABP is present during discussion of their own remuneration. In line with its terms of reference, RemCo seeks to provide responsible incentives that encourage enhanced performance and reward individual contributions to the long-term strategic goals of the group. When considering the remuneration of the ABP Board, and annual salary increases, RemCo takes into account the pay and conditions across the wider ABP group.

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

6.6 Principle Six – Stakeholder Relationships and Engagement

The Board 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 company's stakeholders and engagement methods can be found in the Strategic Report on page 3.

7. Future outlook

The directors do not foresee any material changes in the principal activities of 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:

- financial risk management objectives and policies and details of the company'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, including on principal and strategic decisions; and
- important events after the reporting period.

9. Auditor re-appointment


The auditor, Ernst & Young LLP, was appointed by Associated British Ports Holdings Limited, the company's Holding Company, in accordance with s.10(1) of Schedule 2 of the Transport Act 1981 and, having indicated its willingness to continue in office, Ernst & Young LLP will continue as auditor to the company.

10. Audit information

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

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

By Order of the Board



AM Morgan
Secretary
25 Bedford Street
London, WC2E 9ES
22 April 2020

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ASSOCIATED BRITISH PORTS

Opinion

We have audited the financial statements of Associated British Ports for the year ended 31 December 2019 which comprise the Income Statement, Statement of Comprehensive Income, Balance Sheet, Statement of Cash Flows, Statement of Changes in Equity and the related notes 1 to 30, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

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

Basis for opinion

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

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

Emphasis of Matter – Covid-19

We draw attention to note 1.1 "Going Concern" and note 30 "Events after the reporting period" of the financial statements, which describes the impacts the company is facing as a result of COVID-19. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ASSOCIATED BRITISH PORTS (continued)

Other information

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

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ASSOCIATED BRITISH PORTS (continued)

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 13, 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 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 company or to cease operations, or have no realistic alternative but to do so.

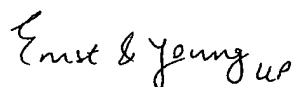
Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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



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

ASSOCIATED BRITISH PORTS ANNUAL REPORT AND ACCOUNTS 2019

Income statement for the year ended 31 December

	Note	2019 £m	2018* £m
Revenue**	2	579.4	572.5
Cost of sales		(252.0)	(238.2)
Gross profit		327.4	334.3
Administrative expenses		(168.8)	(80.6)
Increase in fair value of investment properties	11	35.0	35.6
Operating profit	3	193.6	289.3
Analysed between:			
Underlying operating profit before the following items:		244.1	259.7
Impairment of fixed assets	8, 9	(72.3)	-
Increase in fair value of investment properties	11	35.0	35.6
Net unrealised loss on fuel derivatives		-	(0.7)
Exceptional items	3	(13.2)	(5.3)
		193.6	289.3
Finance costs	6	(41.1)	(50.3)
Finance income	6	0.2	11.1
Impairment of investment in subsidiary undertaking	12	-	(6.4)
Profit before taxation		152.7	243.7
Taxation charge	7	(29.2)	(52.5)
Profit for the year attributable to holding company		123.5	191.2

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

** During the year the company restated utilities revenue that had been erroneously presented net of associated costs. Please refer to note 1.6 for further details

The company declared interim dividends totalling £50.0m in the current year (2018: £nil).

The exceptional items relate to restructuring costs initiated as part of Associated British Ports' ("ABP") change programme.. The costs relating to the change programme are disclosed separately as management considers them to be material and they relate to the restructuring of ABP's activities.

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

ASSOCIATED BRITISH PORTS ANNUAL REPORT AND ACCOUNTS 2019

Statement of comprehensive income for the year ended 31 December

	Note	2019 £m	2018* £m
Profit for the year attributable to holding company		123.5	191.2
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	11	20.8	4.5
Deferred tax on revaluation of investment property	22	(4.5)	5.3
Remeasurement (loss)/gain relating to net retirement benefit liabilities	15	(31.9)	36.4
Deferred tax associated with remeasurement loss/gain relating to net retirement benefit liabilities	22	3.6	(6.5)
Other comprehensive (expense)/income for the year, net of tax		(12.0)	39.7
Total comprehensive income for the year, net of tax, attributable to holding company		111.5	230.9

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

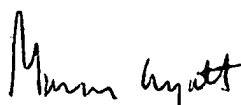
ASSOCIATED BRITISH PORTS ANNUAL REPORT AND ACCOUNTS 2019

Balance sheet as at 31 December

	Note	2019 £m	2018* £m
Assets			
Non-current assets			
Intangible assets	8	48.4	104.1
Property, plant and equipment	9	1,309.4	1,258.1
Right of use assets	10	8.3	-
Investment property	11	2,117.8	2,026.0
Investments in subsidiaries	12	54.6	54.6
Retirement benefit assets	15	21.3	43.3
Derivative financial instruments	17	-	-
Trade and other receivables	13	6.5	6.6
		3,566.3	3,492.7
Current assets			
Property and land held for sale	14	0.9	3.7
Derivative financial instruments	17	0.1	0.1
Trade and other receivables	13	118.2	122.0
Cash and cash equivalents		30.1	34.0
		149.3	159.8
Total assets		3,715.6	3,652.5
Liabilities			
Current liabilities			
Borrowings	16	(2.4)	(0.4)
Derivative financial instruments	17	(0.2)	(0.2)
Trade and other payables	19	(175.2)	(167.4)
Deferred revenue	20	(23.8)	(23.1)
Provisions	21	(7.5)	(8.0)
		(209.1)	(199.1)
Non-current liabilities			
Borrowings	16	(600.2)	(616.7)
Derivative financial instruments	17	(0.3)	-
Retirement benefit liabilities	15	(60.7)	(61.7)
Trade and other payables	19	(45.8)	(45.8)
Deferred revenue	20	(62.7)	(68.3)
Provisions	21	(13.7)	(14.0)
Deferred tax liabilities	22	(151.7)	(135.6)
Other non-current liabilities		(0.5)	(1.3)
		(935.6)	(943.4)
Total liabilities		(1,144.7)	(1,142.5)
Net assets		2,570.9	2,510.0
Holding company's equity			
Revaluation reserve		1,622.4	1,566.8
Retained earnings		948.5	943.2
Total holding company's equity		2,570.9	2,510.0

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

The financial statements were approved by the Board on 22 April 2020 and signed on its behalf by:



MM Wyatt
Director

Statement of cash flows for the year ended 31 December

	Note	2019 £m	2018* £m
Cash flows from operating activities			
Cash generated by operations	23	292.6	281.0
Interest paid		(38.2)	(49.0)
Lease interest paid		(0.8)	-
Interest received		0.2	0.3
Income tax paid		(14.7)	(8.0)
Net cash inflow from operating activities		239.1	224.3
Cash flows from investing activities			
Acquisition of subsidiary undertaking		-	(13.2)
Proceeds from sale of property, plant and equipment		1.4	0.8
Proceeds from sale of investment property		0.1	-
Proceeds from sale of property and land held for sale		6.5	4.7
Purchase of intangible assets		(27.9)	(37.3)
Purchase of property, plant and equipment		(113.1)	(79.6)
Purchase of investment property		(30.6)	(31.8)
Net cash outflow from investing activities		(163.6)	(156.4)
Cash flows from financing activities			
Repayment of borrowings		(27.2)	(115.2)
Repayment of obligations under finance leases		-	(0.6)
Payment of principal portion of lease liabilities		(2.2)	-
Dividends received/(paid)		(50.0)	4.5
Net cash outflow from financing activities		(79.4)	(111.3)
Change in cash and cash equivalents during the year		(3.9)	(43.4)
Cash and cash equivalents at 1 January		34.0	77.4
Cash and cash equivalents at 31 December		30.1	34.0

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

Statement of changes in equity for the year ended 31 December

	Revaluation reserve ¹ £m	Retained earnings £m	Total £m
At 31 December 2018*	1,566.8	943.2	2,510.0
Impact of adopting IFRS 16*	(0.6)	-	(0.6)
At 1 January 2019	1,566.2	943.2	2,509.4
Profit for the year	35.0	88.5	123.5
Other comprehensive income	20.8	(32.8)	(12.0)
Total comprehensive income	55.8	55.7	111.5
Realisation of revaluation reserve	0.4	(0.4)	-
Dividend	-	(50.0)	(50.0)
At 31 December 2019	1,622.4	948.5	2,570.9

	Revaluation reserve ¹ £m	Retained earnings £m	Total £m
At 31 December 2017	1,526.7	753.2	2,279.9
Impact of adopting IFRS 15*	-	(0.8)	(0.8)
At 1 January 2018	1,526.7	752.4	2,279.1
Profit for the year	35.6	155.6	191.2
Other comprehensive income	4.5	35.2	39.7
Total comprehensive income	40.1	190.8	230.9
At 31 December 2018	1,566.8	943.2	2,510.0

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

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

Notes to the financial statements

1. Accounting policies

1.1 Basis of preparation

The 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 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.

Consolidation exemption

These separate financial statements contain information about Associated British Ports as an individual company and do not contain consolidated financial information as the parent of a group. The company has taken advantage of the exemption available under s400 of the Companies Act 2006, from the requirement to prepare and deliver consolidated financial statements, as the results of the group are included in the consolidated financial statements of its intermediate parent undertaking, ABPA Holdings Limited, which are available from 25 Bedford Street, London, WC2E 9ES.

Going concern basis

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

- For the year ended 31 December 2019 the company generated cash from operations of £292.6m and the company expects to maintain strong cashflow generation;
- The company had net current liabilities of £59.8m, these include:
 - deferred revenue of £23.8m which does not require future cash outflow; and
 - amounts due to intermediate parent undertaking ABP Acquisitions UK Limited of £18.1m, amounts due to group undertakings of £50.8m and amounts due to subsidiary undertakings of £11.7m. Further details are set out in notes 19 and 24.

The company's business plan was developed before the spread of the Covid-19 virus. Management are monitoring the impact of the virus and do not expect it to adversely impact the going concern assumption; based on the significant proportion of revenue that is contractually guaranteed, limited impact from the virus to date, and the company's ability to take effective mitigating actions to counter downside scenarios. The company has already instigated certain costs saving and capex reduction initiatives. Management have re-forecast the company's results and have modelled different scenarios including a severe downside scenario where headroom against the leverage covenant for the wider group to which ABP belongs becomes limited within the going concern period, before further mitigating actions. If the actual results are significantly worse than forecast, the company has the option of pursuing further mitigating measures that are under its own control to cut costs and preserve cash. These include further reductions in variable staff and other variable costs to match reduced activity, delaying or freezing EBITDA enhancing capex projects and if the downside period persists then reviewing costs for further savings. As a result of the actions already taken to date and further contingency plans to react to a more adverse scenario, management have concluded that the company should generate sufficient cash and EBITDA to continue as a going concern and for the group to which ABP belongs to avoid breaching its loan covenants.

Notes to the financial statements

1. Accounting policies (continued)

1.1 Basis of preparation (continued)

Going concern basis (continued)

Given the nature, maturity dates and counterparties of the company's liabilities (as set out in notes 19, 20 and 24), as well as the company's track record of its ability to refinance debt and generate cash flows, notwithstanding the impact of the Covid-19 virus, the directors are confident that the company has the ability to continue to meet its liabilities as they fall due for the foreseeable future and therefore the financial statements have been prepared on a going concern basis.

Statement of compliance

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

1.2 Changes in accounting policies

New standards and amendments adopted

In preparing these financial statements the company has implemented the following new standard effective for the first time for the annual reporting period commencing 1 January 2019:

IFRS 16 Leases

IFRS 16 replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model. Lessor accounting under IFRS 16 is substantially unchanged from the accounting under IAS 17. IFRS 16 is effective for annual periods beginning on or after 1 January 2019.

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

The company elected to apply the transitional practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

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

Leases previously classified as operating leases

The adoption of IFRS 16 did not have a material impact on the company's operating leases where the company is the lessor.

1. **Accounting policies** (continued)

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

New standards and amendments adopted (continued)

Leases previously classified as operating leases (continued)

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

Leases previously classified as finance leases

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

ASSOCIATED BRITISH PORTS ANNUAL REPORT AND ACCOUNTS 2019

1. Accounting policies (continued)

1.2 Changes in accounting policies (continued)

New standards and amendments adopted (continued)

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

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

	Increase/(decrease) £m
Assets	
Non-current assets	
Property, plant and equipment	(1.3)
Right of use assets	9.9
Investment property	1.3
Total non-current assets	9.9
Current assets	
Trade and other receivables	(0.3)
Total current assets	(0.3)
Total assets	9.6
	(Increase)/decrease £m
Liabilities	
Current liabilities	
Borrowings	(1.4)
Trade and other payables	0.1
Total current liabilities	(1.3)
Non-current liabilities	
Borrowings	(9.6)
Trade and other payables	0.7
Total non-current liabilities	(8.9)
Total liabilities	(10.2)
	Increase/(decrease) £m
Holding company's equity	
Revaluation Reserve	(0.6)
Total holding company's equity	(0.6)

Notes to the financial statements1. **Accounting policies** (continued)1.2 **Changes in accounting policies** (continued)*New standards and amendments adopted* (continued)

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

	Total £m
Operating lease commitments as at 31 December 2018	25.6
Less:	
Commitments relating to short-term leases	(3.1)
Add:	
Commitments relating to leases previously classified as finance leases	2.6
Additional commitments due to change in definition of lease payments	1.1
	<u>26.2</u>
Weighted average incremental borrowing rate as at 1 January 2019	7.0%
Discounted operating lease commitments as at 1 January 2019	<u>12.7</u>
Lease liabilities as at 1 January 2019	<u>12.7</u>

Other changes

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

New standards, amendments and interpretations issued but not yet effective

The IASB and IFRIC have issued a number of standards, amendments and interpretations with an effective date of implementation for accounting periods beginning after the start of the company's current financial year. The directors do not anticipate that the adoption of the remaining 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 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:

- Intangible assets impairment – note 8
- Valuation of investment property – note 11
- Valuation of defined benefit pension scheme liabilities – note 15
- Valuation of derivatives – notes 17 and 18
- Provisions for retrospective industrial diseases – note 21

Notes to the financial statements

1. Accounting policies (continued)

1.3 Critical estimates, judgements and assumptions (continued)

Judgements

In the process of applying the company'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 company reviews potential tax liabilities and benefits to assess the appropriate accounting treatment. Tax provisions are made if it is probable that a liability will arise. Tax benefits are not recognised unless it is probable that they will be obtained. Assessing the expected realisation of the value of investment property through sale or use requires judgements to be made based on past experience and the current tax environment.

1.4 Significant accounting policies

The directors consider the following to be the most important accounting policies in the context of the company'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 company to cover the shortfall in volumes. These shortfall revenues are recognised over the remaining term of the contract when it is highly probable a significant reversal will not occur.

Notes to the financial statements

1. **Accounting policies** (continued)

1.4 **Significant accounting policies** (continued)

Revenue recognition (continued)

- Fixed revenue does not vary with the number of vessel visits, volumes of cargo or any other measure of customer activity, and primarily consists of fixed payments to compensate the company for investments in capital infrastructure for specific customers. Fixed revenue is largely recognised over time, spread over the term of the underlying contract.
- Utilities revenue relates to the supply of electricity and other services to tenants. Revenue is recognised as utilities are supplied.
- Dredging revenue relates to dredging services both for specific customers at our own ports and by ABP's dredging operations working in non-ABP locations. Revenue is recognised when the dredging work is completed.
- Other revenue consists of individual services provided to customers, primarily sales of utilities to customers at the port, dredging activities 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.

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 company 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 company 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 also recognised in equity up to the amount of any previous revaluation.

Notes to the financial statements

1. Accounting policies (continued)

1.4 Significant accounting policies (continued)

Impairment of non-financial assets (continued)

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 company estimates the asset's recoverable amount.

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

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 company as a right of use asset under a lease) is classified as investment property if:

- it is not occupied by the company or used by the company 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 rental or commercial revenue for use of that area for a period of one or more years; and
- any "ancillary services" provided by the company at the property are insignificant to the arrangements as a whole. Ancillary services are deemed to be significant when they take place within the property, the value of the services exceeds one quarter of the estimated rental value of the property and they are provided under a non-cancellable contract.

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

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

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

Notes to the financial statements

1. **Accounting policies** (continued)

1.4 **Significant accounting policies** (continued)

Property, plant and equipment

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

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

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

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.

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

Retirement benefits

In respect of defined benefit plans, obligations are measured at their discounted present value using the projected unit credit method, while benefit plan assets are recorded at fair value. The operating and financing costs of such 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.

Notes to the financial statements

1. **Accounting policies** (continued)

1.4 **Significant accounting policies** (continued)

Retirement benefits (continued)

The net retirement benefit liability or asset recognised in the balance sheet represents the actual deficit or surplus in the company'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 company participates in a number of multi-employer defined benefit pension schemes. Where the company 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 company 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 company'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).

At each reporting date, the company 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 company applies a simplified approach in calculating ECLs whereby the company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

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

Notes to the financial statements

1. Accounting policies (continued)

1.4 Significant accounting policies (continued)

Financial instruments (continued)

A financial asset is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the company 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 company has transferred substantially all the risks and rewards of the asset; or
 - b) the company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

- the company 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 company has transferred substantially all the risks and rewards of the asset; or
 - b) the company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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

Lease liabilities are recognised at the commencement date of the lease. Lease liabilities are measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the company and payments of penalties for terminating a lease, if the lease term reflects the company exercising the option to terminate. The present value of the lease payments are calculated using the company's incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

Notes to the financial statements

1. Accounting policies (continued)

1.4 Significant accounting policies (continued)

Financial instruments (continued)

After the commencement date, finance expense is recognised over the lease term to reflect the accretion of interest and increases the amount of lease liabilities and the lease liabilities are reduced by the capital and interest payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the fixed lease payments or a change in the assessment of an option to purchase the underlying asset. The amount of the remeasurement of the lease liability is also recognised as an adjustment to the right of use asset.

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

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the 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 company comprise 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 company in line with the company'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 company'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 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, to realise the assets and settle the liabilities simultaneously.

1.5 Other accounting policies

Exceptional items

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

Notes to the financial statements

1. **Accounting policies** (continued)

1.5 **Other accounting policies** (continued)

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 company incurs in connection with the borrowing of funds. Interest expense is calculated and recorded using the effective interest method.

Leases

From 1 January 2019 leases were recognised under IFRS 16.

Company as lessee

The company applies a single recognition and measurement approach for all leases except for short term leases and leases of low value assets. The company 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.

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 company 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.

Company as lessor

Leases where the company 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 they are earned.

Notes to the financial statements

1. Accounting policies (continued)

1.5 Other accounting policies (continued)

Leases (continued)

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

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

Company as lessee

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

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

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

Company as lessor

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

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

Intangible assets

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

Software is amortised over periods of between 2 years and 10 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.

Investments

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

Cash and cash equivalents

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

Provisions

Provisions are recognised when the company 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.

Notes to the financial statements

1. Accounting policies (continued)

1.5 Other accounting policies (continued)

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 company's functional currency, 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.

Dividends

Dividend receipts and payments are recognised in the period when they become a binding obligation on the paying company.

1. Accounting policies (continued)

1.6 Prior year error

Principal versus agent consideration

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

The impact on the Group Income Statement is as follows:

Income statement for the year ended 31 December 2018

	Note	Reported 2018 £m	Restatement £m	Restated 2018 £m
Revenue	2	563.1	9.4	572.5
Cost of sales		(228.8)	(9.4)	(238.2)
Gross profit		334.3	-	334.3

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

Notes to the financial statements

2. Revenue

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

	2019	Restated**
	£m	2018*
	£m	£m
Revenue		
Call	96.3	95.4
Traffic	245.6	249.6
Cargo operations	35.7	31.7
Shortfall	11.8	8.2
Utilities	18.0	17.3
Dredging	12.6	9.2
Fixed	11.0	11.7
Other	17.7	17.8
Total revenue from contracts with customers	448.7	440.9
Rental income from investment properties	130.7	131.6
Other lease income	-	-
Total lease income	130.7	131.6
Total revenue	579.4	572.5

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

** During the year the company restated utilities revenue that had been erroneously presented net of associated costs. Please refer to note 1.6 for further details

The timing of revenue recognition often differs from contract payment schedules, resulting in revenue that has been earned but not billed. These amounts are included in accrued income. Amounts billed in advance but not yet earned are recorded and presented as part of deferred revenue. Invoiced revenue should be received in accordance with the terms agreed within the revenue contract.

Lease income excluding variable lease income amounted to £130.7m and variable lease income amounted to £nil. Income from subleasing right of use assets amounted to £nil.

Revenue from contracts with customers

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

	2019	2018
	£m	£m
Not later than one year	0.9	1.6
Total	0.9	1.6

The remaining performance obligations expected to be recognised not later than one year primarily relate to consolidated rate charges covering multiple performance obligations where the unsatisfied performance obligations are expected to be completed not later than one year from 31 December 2019.

Notes to the financial statements

3. Operating profit

Operating profit is stated after charging/(crediting):

	2019 £m	2018* £m
<i>Depreciation</i>		
Property, plant and equipment – included in cost of sales	74.0	72.3
Property, plant and equipment – included in administrative expenses	0.3	1.8
Right of use assets – included in cost of sales	1.5	-
Right of use assets – included in administrative expenses	0.8	-
<i>Amortisation</i>		
Intangible assets – included in cost of sales	1.1	1.1
Intangible assets – included in administrative expenses	9.3	1.7
<i>Impairment of fixed assets</i>		
Property, plant and equipment – included in administrative expenses	1.6	-
Intangible assets – included in administrative expenses	70.7	-
<i>Profit on write off of intangibles and disposal of property, plant and equipment, investment property, property and land held for sale and right of use assets</i>	(4.9)	(2.9)
<i>Operating lease rentals payable</i>		
Property, plant and equipment	-	3.6
<i>Expense relating to short term leases</i>	2.9	-
<i>Expense relating to leases of low value assets</i>	0.2	-
<i>Variable lease expense</i>	0.2	-
<i>Repairs and maintenance expenditure on investment property and property, plant and equipment</i>	17.8	17.2
<i>Third party labour and sub-contractor haulage</i>	34.4	22.7
<i>Utilities and fuel</i>	29.0	18.4
<i>Expected credit losses of trade and other receivables</i>	2.7	0.4
<i>Exceptional items</i>		
<i>Associated British Ports' change programme</i>		
Staff costs provided (note 5)	0.8	1.4
Other costs provided	0.6	0.3
Staff costs charged directly to the income statement (note 5)	8.3	1.6
Other costs charged directly to the income statement	3.1	2.0
Other	0.4	-

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

Notes to the financial statements

4. Audit fees

Remuneration received by Ernst & Young LLP is detailed below and has been borne by the company.

	2019 £'000	2018 £'000
Fees payable to the company's auditor for the audit of the company's annual accounts	251.2	194.5
Fees payable to the company's auditor in respect of:		
Audit of the accounts of the group companies	393.8	360.5
Other services	10.0	9.0

In addition to the above services, Ernst & Young LLP acted as auditor to the company's main defined benefits pension scheme – The Associated British Ports Group Pension Scheme. The appointment of auditors to the company'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 company. The aggregate fees paid to the company's auditor for audit services to the pension schemes during the year were £26,950 (2018: £16,977).

5. Directors and employees

Staff costs are analysed as follows:

	2019 £m	2018 £m
Staff costs		
Wages and salaries	96.9	91.2
Social security costs	10.5	10.1
Pension costs (note 15)	11.5	11.7
	118.9	113.0
Exceptional items	9.1	3.0
Total staff costs	128.0	116.0

During 2019 exceptional staff costs of £9.1m (2018: £3.0m) were recognised as part of the £13.2m (2018: £5.3m) restructuring costs in relation to Associated British Ports' change programme.

The monthly average number of people employed during the year was 2,391 (2018: 2,169).

Directors emoluments are analysed as follows:

	2019 £m	2018 £m
Emoluments paid to directors of the company		
Short-term employee benefits	3.8	5.0
Post-employment benefits	0.4	0.3
Other long-term benefits	0.3	2.1
Termination benefits	0.4	0.2
Total directors emoluments	4.9	7.6

Emoluments comprise amounts paid to the directors of the company by the company, with two (2018: two) directors being paid by the immediate parent undertaking.

Notes to the financial statements

5. Directors and employees (continued)

Key management compensation is analysed as follows:

	2019	2018
	£m	£m
Key management compensation		
Short-term employee benefits	3.8	5.0
Post-employment benefits	0.4	0.3
Other long-term benefits	0.3	2.1
Termination benefits	0.4	0.2
Total key management compensation	4.9	7.6

Key management comprises the directors of the company, including three directors (2018: three) who were also directors of the immediate parent undertaking.

Eleven (2018: eleven) of the directors are eligible to join the defined contribution section of the Associated British Ports Group Pension Scheme ("ABPGPS"). At 31 December 2019 four (2018: two) directors were members of the defined contribution section of the ABPGPS, none (2018: one) director was a deferred member of the defined benefit section of the ABPGPS and ten (2018: eleven) directors received an allowance for contributions towards pensions schemes unconnected with the company.

	2019	2018
	£m	£m
Highest paid director		
Short-term employee benefits	1.5	1.0
Post-employment benefits	0.1	-
Other long-term benefits	-	0.5
Total highest paid director	1.6	1.5

6. Finance costs/(income)

	2019	2018*
	£m	£m
Interest on amounts due to parent undertaking	41.2	53.0
Interest on lease liabilities	0.9	-
Net interest charge on net defined benefit liabilities	0.4	1.3
Other finance costs	0.7	0.9
Less: interest capitalised on non-current assets under construction	(2.1)	(4.9)
Finance costs	41.1	50.3
Dividend income	-	(10.8)
Other finance income	(0.2)	(0.3)
Finance income	(0.2)	(11.1)
Net finance costs on financial assets and financial liabilities held at amortised cost	40.9	39.2

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

Notes to the financial statements

7. Taxation

	2019	2018*
	£m	£m
Analysis of charge for the year		
Current tax	14.0	32.9
Deferred tax (note 22)	15.2	19.6
Taxation	29.2	52.5

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

Current taxation in 2019 represents a charge for group relief surrendered by another group undertaking and tax on profits remaining after offset of group relief. Current taxation in 2018 represents a charge for group relief surrendered by another group undertaking and tax on profits remaining after offset of group relief.

	2019	2018*
	£m	£m
Tax on items (charged)/credited to other comprehensive income		
Deferred tax associated with remeasurement gain relating to net retirement benefit liabilities	3.6	(6.5)
Deferred tax on revaluation of investment property	(4.5)	5.3

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

	2019	2018*
	£m	£m
Profit before taxation	152.7	243.7
Profit before taxation multiplied by standard rate of corporation tax in the UK of 19.0% (2018: 19.0%)	29.0	46.3
Effects of:		
Items allowable for tax	(1.6)	(0.6)
Decrease in deferred taxes due to reduction in tax rate	(0.1)	(0.3)
Tax in respect of prior years	1.9	7.1
Total tax charge for the company	29.2	52.5
Effective tax rate	19.1%	21.5%
Total tax (credit)/charge for the group	29.2	52.5
Effects of permanent differences:		
Related party debt - disregarded	1.1	0.7
UK transfer pricing adjustments	-	-
Depreciation on non-qualifying assets	0.8	(1.6)
Other non-qualifying	(0.3)	1.5
Prior year adjustment	(1.9)	(7.1)
Rate change adjustment	0.1	0.3
Tax (credit)/charge for the group after removing permanent differences	29.0	46.3
Tax rate after permanent differences	19.0%	19.0%

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

Notes to the financial statements

7. Taxation (continued)

Tax in respect of prior years relates predominantly to revised allocation of capital expenditure in the filed corporation tax returns after detailed review by external specialist consultants.

8. Intangible assets

	Software £m	Other £m	Total £m
Acquired intangible assets			
2019			
Cost			
At 1 January	106.3	16.1	122.4
Additions	24.7	0.7	25.4
Transfers	9.3	(9.3)	-
Impairment	-	-	-
At 31 December	140.3	7.5	147.8
Accumulated amortisation			
At 1 January	(8.4)	(9.9)	(18.3)
Charge for the year	(8.5)	(1.9)	(10.4)
Transfers	(7.7)	7.7	-
Impairment	(70.7)	-	(70.7)
At 31 December	(95.3)	(4.1)	(99.4)
Net book value			
At 1 January	97.9	6.2	104.1
At 31 December	45.0	3.4	48.4
2018			
Cost			
At 1 January	69.1	14.1	83.2
Additions	37.2	2.1	39.3
Write off	-	(0.1)	(0.1)
At 31 December	106.3	16.1	122.4
Accumulated amortisation			
At 1 January	(7.7)	(7.8)	(15.5)
Charge for the year	(0.7)	(2.1)	(2.8)
At 31 December	(8.4)	(9.9)	(18.3)
Net book value			
At 1 January	61.4	6.3	67.7
At 31 December	97.9	6.2	104.1

Software comprise IT software acquisition and subsequent development costs primarily relating to the group's business transformation programme. During 2019 the group decided not to progress with the "front office" aspects of its business transformation programme. The expected future benefits from the front office implementation justified a significant amount of the investment in the

Notes to the financial statements

8. Intangible assets (continued)

project. Consequently the decision not to proceed with the front office led to a review of the recoverable value of the costs capitalised in relation to the programme. An impairment loss of £70.7m was recorded in profit and loss.

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

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

9. Property, plant and equipment

	Operational land £m	Buildings £m	Dock structures, quays and dredging £m	Floating craft £m	Plant and equipment £m	Assets in the course of construction £m	Total £m
2019							
Cost							
At 31 December 2018*	423.5	274.3	708.0	70.0	454.0	52.9	1,982.7
Impact of adopting IFRS 16*	-	-	-	-	(3.2)	-	(3.2)
At 1 January 2019	423.5	274.3	708.0	70.0	450.8	52.9	1,979.5
Additions	8.7	4.4	30.5	1.4	16.2	70.5	131.7
Transfers within property, plant and equipment	(0.1)	0.8	11.0	1.4	10.1	(23.2)	-
Transfers from /(to) investment property	(3.8)	-	0.1	-	-	0.6	(3.1)
Disposals and write off	-	-	-	(1.8)	(1.5)	-	(3.3)
At 31 December 2019	428.3	279.5	749.6	71.0	475.6	100.8	2,104.8
Accumulated depreciation							
At 31 December 2018*	-	(114.4)	(310.4)	(47.6)	(252.2)	-	(724.6)
Impact of adopting IFRS 16*	-	-	-	-	1.9	-	1.9
At 1 January	-	(114.4)	(310.4)	(47.6)	(250.3)	-	(722.7)
Charge for year	-	(10.8)	(33.8)	(4.2)	(25.5)	-	(74.3)
Transfers (from)/to investment property	-	-	-	-	-	-	-
Disposals and write off	-	-	-	1.8	1.4	-	3.2
Impairment	-	-	(1.6)	-	-	-	(1.6)
At 31 December	-	(125.2)	(345.8)	(50.0)	(274.4)	-	(795.4)
Net book value							
At 31 December 2018*	423.5	159.9	397.6	22.4	201.8	52.9	1,258.1
Impact of adopting IFRS 16*	-	-	-	-	(1.3)	-	(1.3)
At 1 January	423.5	159.9	397.6	22.4	200.5	52.9	1,256.8
At 31 December	428.3	154.3	403.8	21.0	201.2	100.8	1,309.4

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

Notes to the financial statements

9. Property, plant and equipment (continued)

	Operational land £m	Buildings £m	Dock structures, quays and dredging £m	Floating craft £m	Plant and equipment £m	Assets in the course of construction £m	Total £m
2018							
Cost							
At 1 January	412.8	264.8	673.2	78.2	413.5	54.8	1,897.3
Additions	9.9	7.5	19.5	2.5	22.5	32.8	94.7
Transfers within property, plant and equipment	(0.6)	2.8	11.8	(0.8)	21.5	(34.7)	-
Transfers from/(to) property and land held for sale	0.1	-	-	-	-	-	0.1
Transfers from /(to) investment property	1.3	(0.8)	2.6	-	0.2	-	3.3
Disposals and write off	-	-	0.9	(9.9)	(3.7)	-	(12.7)
At 31 December	423.5	274.3	708.0	70.0	454.0	52.9	1,982.7
Accumulated depreciation							
At 1 January	-	(103.1)	(274.1)	(53.1)	(230.1)	-	(660.4)
Charge for year	-	(11.6)	(32.9)	(4.4)	(25.2)	-	(74.1)
Transfers (from)/to investment property	-	0.3	(2.6)	-	(0.3)	-	(2.6)
Disposals and write off	-	-	(0.8)	9.9	3.4	-	12.5
At 31 December	-	(114.4)	(310.4)	(47.6)	(252.2)	-	(724.6)
Net book value							
At 1 January	412.8	161.7	399.1	25.1	183.4	54.8	1,236.9
At 31 December	423.5	159.9	397.6	22.4	201.8	52.9	1,258.1

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

Included in operational land additions in 2018 is £6.3m land acquired from the company's subsidiary undertaking, RPM Industrial Site Services Limited.

Plant and equipment held under finance leases includes marine vessels operated by the company's ports and transport business. The finance leased assets had a book cost and accumulated depreciation at 31 December 2018 totalling £3.2m and £1.9m respectively. At 1 January 2019 on adoption of IFRS 16 the finance lease assets were transferred into right of use assets as part of the transition adjustment. Further details are set out in notes 1.2 and 10.

The amount of borrowing costs capitalised during the year ended 31 December 2019 was £1.7m (2018: £0.2m). The weighted average rate used to determine the amount of borrowing costs eligible for capitalisation was 6.2% (2018: 7.0%).

The net book values for property, plant and equipment are reported net of amortised government grants received of £4.7m (2018: £3.8m).

Notes to the financial statements

10. Right of use assets

	Operational land £m	Buildings £m	Dock structures, quays and dredging £m	Plant and equipment £m	Total £m
2019					
Cost					
At 31 December 2018*	-	-	-	-	-
Impact of adopting IFRS 16*	3.1	3.9	-	4.8	11.8
At 1 January 2019	3.1	3.9	-	4.8	11.8
Additions	-	0.1	-	1.5	1.6
Disposals and write off	(1.0)	(0.1)	-	-	(1.1)
Remeasurement	0.1	-	-	-	0.1
At 31 December 2019	2.2	3.9	-	6.3	12.4
Accumulated depreciation					
At 31 December 2018*	-	-	-	-	-
Impact of adopting IFRS 16*	-	-	-	(1.9)	(1.9)
At 1 January 2019	-	-	-	(1.9)	(1.9)
Charge for year	(0.2)	(0.6)	-	(1.5)	(2.3)
Disposals and write off	0.1	-	-	-	0.1
At 31 December 2019	(0.1)	(0.6)	-	(3.4)	(4.1)
Net book value					
At 31 December 2018*	-	-	-	-	-
Impact of adopting IFRS 16*	3.1	3.9	-	4.8	11.8
At 1 January 2019	3.1	3.9	-	4.8	11.8
At 31 December 2019	2.1	3.3	-	2.9	8.3

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

Notes to the financial statements

10. Right of use assets (continued)

The group as the lessee leases various operational land, buildings, dock structures, quays and dredging 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.

11. Investment property

	Port-related investment properties £m	Other investment properties £m	Land at ports held for development £m	Total £m
2019				
At valuation				
At 31 December 2018*	1,801.2	193.4	31.4	2,026.0
Impact of adopting IFRS 16*	1.3	-	-	1.3
At 1 January 2019	1,802.5	193.4	31.4	2,027.3
Additions	28.0	2.2	1.6	31.8
Transfers within investment property	(4.1)	(2.1)	6.2	-
Transfers to property and land held for sale	(0.1)	(0.1)	-	(0.2)
Transfers (to)/from property, plant and equipment	(1.4)	0.4	4.1	3.1
	1,824.9	193.8	43.3	2,062.0
Surplus on revaluation	13.3	4.7	2.8	20.8
Increase in fair value of investment properties	21.9	11.0	2.1	35.0
At 31 December 2019	1,860.1	209.5	48.2	2,117.8
2018				
At valuation				
At 1 January	1,750.6	168.3	34.0	1,952.9
Additions	18.9	15.2	0.1	34.2
Transfers within investment property	0.2	0.6	(0.8)	-
Transfers (to)/from property and land held for sale	0.6	(0.2)	(0.9)	(0.5)
Transfers to property, plant and equipment	(0.7)	-	-	(0.7)
	1,769.6	183.9	32.4	1,985.9
Surplus on revaluation	4.4	0.1	-	4.5
Increase/(decreases) in fair value of investment properties	27.2	9.4	(1.0)	35.6
At 31 December*	1,801.2	193.4	31.4	2,026.0

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

Notes to the financial statements

11. Investment property (continued)

During the year £20.8m (2018: £4.5m) was credited directly to the revaluation reserve reflecting the increase to fair value of the properties transferred from property, plant and equipment to investment property (previously recorded at cost). An increase of £35.0m (2018: £35.6m) 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.

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

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

Basis of valuation

Investment properties fair value has been estimated on the basis of market value in accordance with the Appraisal and Valuation Standards issued by The Royal Institution of Chartered Surveyors (“RICS”), which is consistent with fair value as defined by IFRS 13. Investment property valuations are conducted annually by the company’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 has been reviewed by independent valuers, Savills (UK) Limited, Chartered Surveyors regulated by RICS. The company’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.

Notes to the financial statements

11. Investment property (continued)

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

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

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

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

2019	Port-related investment properties	Other investment properties and land held for development	Total
Observable			
Average income per acre £'000	93.2	7.9	46.1
Income range per acre £'000	0 – 512	0 – 162.7	0 – 512
Unobservable			
Yield – average %	11.4	12.3	11.7
Yield – range %	6.0 – 33.3	6.0 – 17.5	6.0 – 33.3
Other assumptions			
Other purchasers' costs %	1.8	1.8	1.8

2018	Port-related investment properties	Other investment properties and land held for development	Total
Observable			
Average income per acre £'000	81.1	7.3	43.1
Income range per acre £'000	0 – 493	0 – 116	0 – 493
Unobservable			
Yield – average %	11.7	12.2	11.9
Yield – range %	5.0 – 33.3	6.0 – 17.5	5.0 – 33.3
Other assumptions			
Other purchasers' costs %	1.8	1.8	1.8

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

Notes to the financial statements**11. Investment property (continued)**

The most sensitive input to the valuation of investment property is the yield, which for 2019 averages 11.7% (2018: 11.9%). A decrease in the average yield of 0.5% would result in an increase in the aggregate valuation of £94.6m (2018: £88.9m) and an increase in the average yield of 0.5% would result in a decrease in the aggregate valuation of £86.9m (2018: £81.8m). Yields are not dependent on any other significant unobservable inputs used in the valuations.

Rental income

Rental income, excluding other income, generated from the company's investment property portfolio amounted to £128.9m (2018: £131.6m) and related operating expenses amounted to £2.3m (2018: £2.3m). Direct operating expenses relating to vacant property are considered to be immaterial.

12. Investments

	Interest in subsidiary undertakings £m
At 1 January 2018	47.8
Acquisition of subsidiary undertaking	13.2
Impairment of investment in subsidiary undertaking	(6.4)
At 31 December 2018	54.6
At 31 December 2019	54.6

On 1 February 2018, the company acquired 100% of the issued share capital of W.E. Dowds (Shipping) Limited for consideration of £13.2m. The company and its wholly owned subsidiary undertaking, W.E.D. (Services) Limited ("Dowds group"), are based at the Port of Newport in the United Kingdom. The principal operation is the discharge, storage and forwarding of imported steel coils.

Impairment of investment in subsidiary undertaking in 2018 relates to the company's investment in RPM Industrial Site Services Limited ("RPM") following the sale of RPM's only asset to the company and the subsequent non-cash payment from profits of a dividend of £6.3m extinguishing the net assets of RPM. The investment in RPM has been written down to its recoverable amount.

A list of the company's subsidiary undertakings is set out in note 28.

Notes to the financial statements

13. Trade and other receivables

	2019 £m	2018* £m
Non-current		
Accrued income	1.3	1.4
Other receivables	5.2	5.2
Total non-current trade and other receivables	6.5	6.6
Current		
Gross trade receivables	69.8	73.8
Allowance for expected credit losses	(3.9)	(1.4)
Net trade receivables	65.9	72.4
Amounts due from group undertakings	3.5	3.1
Amounts due from subsidiary undertakings	0.5	0.2
Prepayments	7.8	7.1
Accrued income	18.8	24.6
Other receivables	21.7	14.6
Total current trade and other receivables	118.2	122.0

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

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

Amounts due from group and subsidiary undertakings are not overdue for repayment and are not considered impaired. Details of the amounts due from related parties are disclosed in note 24.

All trade receivables are non-interest bearing. Disclosure of the financial risks related to these financial instruments is in note 18.

As at 31 December 2019, contract assets of £0.4m (2018: £0.4m) were included in current accrued income net of an allowance for expected credit losses of £nil (2018: £nil).

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

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

	2019 £m	2018 £m
At 1 January	1.4	1.8
Provision for expected credit losses	3.4	0.8
Expected credit losses reversed	(0.7)	(0.4)
Receivables written off as uncollectable	(0.2)	(0.8)
At 31 December	3.9	1.4

Notes to the financial statements

13. Trade and other receivables (continued)

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

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

	2019 £m	2018 £m	2019 %	2018 %
Not yet overdue	70.3	80.3	0.5	0.3
Up to 3 months	14.4	14.8	1.5	1.1
3 to 6 months	1.7	1.6	12.5	12.2
Over 6 months	2.2	1.7	55.0	53.3

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

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

The ageing of these trade receivables is as follows:

	2019 £m	2018 £m
Up to 3 months	13.2	14.7
3 to 6 months	1.6	1.6
Over 6 months	1.7	1.7
Total past due but not impaired receivables	16.5	18.0

There are no significant receivables of the company that are denominated in foreign currencies. The company does not hold any collateral as security.

14. Property and land held for sale

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

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

Notes to the financial statements

15. Pension commitments

The group participates in a number of pension schemes:

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

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

Summary**Income statement**

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

	2019	2018
	£m	£m
ABPGPS and unfunded retirement benefit arrangements	2.5	3.8
Industry wide schemes	(0.1)	0.1
Defined contribution arrangements	9.3	7.8
Net pension charge recognised within operating profit	11.7	11.7
Net interest charge on net defined benefit liabilities	0.4	1.3
Net pension charge recognised in profit before tax	12.1	13.0

Balance sheet

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

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

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

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

Notes to the financial statements

15. Pension commitments (continued)

Schemes accounted for on a defined benefit basis

ABPGPS and unfunded retirement benefit arrangements

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

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

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

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

The Pilots National Pension Fund ("PNPF")

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

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

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

Notes to the financial statements

15. Pension commitments (continued)

Schemes accounted for on a defined benefit basis (continued)

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

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

Assumptions

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

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

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

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

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

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

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

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

Notes to the financial statements

15. Pension commitments (continued)

Schemes accounted for on a defined benefit basis (continued)

Sensitivities

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

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

Balance sheet

Changes in fair value of scheme assets were as follows:

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

Changes in fair value of scheme obligations were as follows:

	ABPGPS		PNPF	
	2019	2018	2019	2018
	£m	£m	£m	£m
Fair value of scheme obligations at 1 January	(550.2)	(620.5)	(167.8)	(183.7)
Amounts recognised in income statement:				
Current and past service costs	(2.5)	(4.3)	-	(0.1)
Interest cost	(15.3)	(16.1)	(4.7)	(4.3)
Remeasurement gain in OCI:				
Remeasurement gain from changes in demographic assumptions	-	28.6	3.4	1.2
Remeasurement (loss)/ gain from changes in financial assumptions	(65.9)	14.5	(14.1)	9.2
Experience (loss)/gain	(3.6)	15.0	(2.4)	(2.4)
Contributions by employees	(0.2)	(0.2)	-	-
Benefits paid directly by the company	0.2	0.2	-	-
Benefits paid	31.9	31.3	12.4	11.6
Administrative expenses paid	1.5	1.3	0.7	0.7
Fair value of scheme obligations at 31 December	(604.1)	(550.2)	(172.5)	(167.8)

Notes to the financial statements

15. Pension commitments (continued)

Schemes accounted for on a defined benefit basis (continued)

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

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

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

The scheme's assets were represented by investments in:

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

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

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

Notes to the financial statements

15. Pension commitments (continued)

Schemes accounted for on a defined benefit basis (continued)

Historical record – ABPGPS and unfunded retirement benefit arrangements

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

Historical record – PNPf

Amounts for the current and previous years are as follows:	2019 £m	2018 £m	2017 £m	2016 £m	2015 £m
Fair value of scheme assets	114.0	108.3	117.5	115.3	106.4
Present value of funded scheme obligations	(172.6)	(167.8)	(183.7)	(194.5)	(174.7)
Net liabilities recognised in the balance sheet	(58.6)	(59.5)	(66.2)	(79.2)	(68.3)
Remeasurement (loss)/gain due to changes in assumptions	(10.8)	10.4	8.6	(23.6)	4.2
Experience loss on scheme obligations	(2.3)	(2.4)	(4.9)	(2.0)	(0.6)
Experience gain/(loss) on scheme assets	10.1	(5.1)	6.0	11.9	(1.2)
Remeasurement (loss)/gain relating to net retirement benefit liabilities recognised in other comprehensive income	(3.0)	2.9	9.7	(13.7)	2.4

Schemes accounted for on a defined contribution basis

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

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

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

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

Notes to the financial statements

15. Pension commitments (continued)

Schemes accounted for on a defined contribution basis (continued)

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

The Merchant Navy Officers Pension Fund (“MNOPF”)

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

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

The Ensign Retirement Plan (“ERP”)

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

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

Defined contribution arrangements

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

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

Notes to the financial statements

16. Borrowings

	2019 £m	2018* £m
Current		
Obligations under finance leases	-	0.4
Lease liabilities	2.4	-
Total current borrowings	2.4	0.4
Non-current		
Amounts due to parent undertaking	591.4	615.4
Obligations under finance leases	-	1.3
Lease liabilities	8.8	-
Total non-current borrowings	600.2	616.7

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

Amounts due to parent undertaking represents a loan from the company's immediate parent undertaking, Associated British Ports Holdings Limited. More detail on the company's related party borrowings is set out in note 24.

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

	Lease liabilities £m
At 31 December 2018*	-
Impact of adopting IFRS 16*	12.7
At 1 January 2019	12.7
Additions	1.6
Interest expense	0.9
Payments	(3.0)
Disposals	(1.1)
Remeasurement	0.1
At 31 December 2019	11.2

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

Lease liabilities are secured on the related leased assets.

Disclosure of the financial risks related to these financial instruments is disclosed in note 18. Details of contingent liabilities in relation to the ultimate parent undertaking's group borrowings are set out in note 26.

The company's borrowings are denominated in sterling.

Notes to the financial statements

17. Derivative financial instruments

The company uses derivatives to manage its exposure to fuel prices. As the company does not designate any of its derivatives as hedges, the fair value changes are recognised in the income statement in accordance with the company's accounting policy set out in note 1.

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

2019	Expiry	Notional	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				
Forward foreign exchange contracts	None	£3.7m	-	(0.2)
Fuel swaps and caps	2019-2020	24m litres	0.1	(0.3)
Fair value of derivative financial instruments			0.1	(0.5)
Derivatives not offset in the balance sheet*			(0.1)	0.1
Net amount			-	(0.4)

*Right to offset under master netting arrangements.

2018	Expiry	Notional	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				
Fuel swaps and caps	2019-2020	15.6m litres	0.1	(0.2)
Fair value of derivative financial instruments			0.1	(0.2)
Derivatives not offset in the balance sheet*			-	-
Net amount			0.1	(0.2)

*Right to offset under master netting arrangements.

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

	2019 £m	2018 £m
Current assets	0.1	0.1
Non-current assets	-	-
Total assets	0.1	0.1
Current liabilities	(0.2)	(0.2)
Non-current liabilities	(0.3)	-
Total liabilities	(0.5)	(0.2)

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

Notes to the financial statements

18. Financial instruments

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

Fair value of financial instruments

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

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 cash and cash equivalents, current trade and other receivables and current trade and other payables approximate to their carrying amounts due to the short-term maturities of these instruments;
- The fair value of amounts due to parent undertaking approximates to their carrying amounts as they bear interest at a rate linked to the group's weighted average cost of debt, which is mostly linked to LIBOR and there have been no significant changes in credit risk since the issue of the instruments. A cash flow projection approach has been used with reference to observed market returns and accords to Level 2 in the fair value hierarchy;
- The 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 fuel prices and implied volatilities, and rely as little as possible on entity specific estimates and accords to Level 2 in the fair value hierarchy; and

Financial risk management

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

The company does not use financial instruments for speculative purposes.

Liquidity risk

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

Notes to the financial statements

18. Financial instruments (continued)

Financial risk management (continued)

The table below analyses the company's financial liabilities, excluding finance leases (only applicable to 2018) which are disclosed further below, based on undiscounted contractual payments:

	Borrowings (excluding lease liabilities) £m	Lease liabilities £m	Derivative financial instruments £m	Trade and other payables and other non- current liabilities £m	Total £m
2019					
Not later than one year	41.3	3.0	0.1	175.2	219.6
More than one year but not more than two years	82.4	2.4	0.2	46.0	131.0
More than two years but not more than five years	123.8	4.8	0.1	-	128.7
More than five years	1,210.1	51.9	-	0.2	1,262.2
Total payments	1,457.6	62.1	0.4	221.4	1,741.5

	Borrowings £m	Derivative financial instruments £m	Trade and other payables and other non- current liabilities £m	Total* £m
2018				
Not later than one year	46.8	0.2	167.4	214.4
More than one year but not more than two years	662.3	-	46.9	709.2
More than two years but not more than five years	-	-	-	-
More than five years	-	-	0.2	0.2
Total payments	709.1	0.2	214.5	923.8

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

Principal and interest on borrowings due to parent undertaking are payable on final maturity in 2020, however payments may be required prior to this date should the borrowing facility limit be reached. The maturity analysis above reflects interest payments being made in line with the year in which it arises, with no compounding, in order for the borrowing to remain within the facility limits.

Notes to the financial statements

18. Financial instruments (continued)

Financial risk management (continued)

The company had the following committed but undrawn borrowing facilities available at 31 December, through its immediate parent undertaking, Associated British Ports Holdings Limited ("ABPH"), in respect of which all conditions precedent had been met:

	2019 £m	2018 £m
Expiring in:		
More than one year but not more than two years	-	184.6
More than five years	208.6	-
Undrawn borrowing facilities	208.6	184.6

This facility is only available up to the committed undrawn borrowing facilities available to the wider group through ABPH's immediate parent undertaking, ABP Acquisitions UK Limited, which as at 31 December 2019 was £365.0m (2018: £400.0m).

*Market risk*Interest rate risk

The company's loan with its immediate parent undertaking, ABPH, is linked to the wider group's cost of debt. Interest rate risk is managed on a group basis by the wider group, owned by the company's ultimate parent undertaking, ABP (Jersey) Limited, maintaining an appropriate balance between fixed and floating debt and using interest rate swaps when appropriate to economically hedge against changes in interest rates. Further detail on how the group manages interest rate risk is included in the strategic report of ABPA Holdings Limited.

Foreign exchange risk

The company 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.

Credit risk

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

Customer credit risk is managed locally in line with a company policy which is designed to ensure that the company'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 company's exposure to concentration of credit risk not to be material. The company uses external credit rating agencies to assess and monitor its trade receivables.

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

Notes to the financial statements

18. Financial instruments (continued)

Financial risk management (continued)

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

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

Capital risk

The company manages its capital to ensure that it will be able to continue as a going concern while 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 company's overall strategy remains unchanged from 2018.

19. Trade and other payables

	2019	2018*
	£m	£m
Current		
Trade payables**	15.7	33.2
Amounts due to parent undertaking	35.1	18.1
Amounts due to group undertakings	50.8	50.2
Amounts due to subsidiary undertakings	11.7	11.7
Accruals**	54.1	33.8
Other creditors	3.7	8.3
Taxation	4.1	12.1
Total current trade and other payables	175.2	167.4
Non-current		
Amounts due to subsidiary undertakings	45.8	45.8
Total non-current trade and other payables	45.8	45.8

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

** The comparatives for "Trade and other payables" and "Accruals" have been changed in the current year. The Group has reclassified £14.0m to align "Accruals" to the current year presentation.

All trade and other payables are non-interest bearing. Details on amounts due to related parties are disclosed in note 24.

Notes to the financial statements

20. Deferred revenue

	Contract liability £m	Deferred property income £m	Total £m
At 1 January 2018	15.5	81.9	97.4
Credited to income statement during the year	(7.0)	(14.5)	(21.5)
Amounts received in advance and deferred	4.0	11.5	15.5
At 31 December 2018	12.5	78.9	91.4
Credited to income statement during the year	(12.5)	(10.8)	(23.3)
Amounts received in advance and deferred	5.1	13.3	18.4
At 31 December 2019	5.1	81.4	86.5

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

	2019 £m	2018 £m
Current	23.8	23.1
Non-current	62.7	68.3
Total deferred revenue	86.5	91.4

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

21. Provisions

	Restructuring: £m	Self insurance £m	Other £m	Total £m
At 1 January 2019	3.7	17.5	0.8	22.0
Charged/(credited) to income statement during the year	1.7	(2.3)	2.3	1.7
Utilised in the year	(2.9)	(0.1)	-	(3.0)
Amortisation of discounting	-	0.5	-	0.5
At 31 December 2019	2.5	15.6	3.1	21.2
Expected utilisation within one year	2.5	1.9	3.1	7.5

	Restructuring £m	Self insurance £m	Other £m	Total £m
At 1 January 2018	4.3	18.7	0.7	23.7
Charged/(credited) to income statement during the year	0.8	(1.4)	0.8	0.2
Utilised in the year	(1.4)	(0.4)	(0.7)	(2.5)
Amortisation of discounting	-	0.6	-	0.6
At 31 December 2018	3.7	17.5	0.8	22.0
Expected utilisation within one year	3.7	3.5	0.8	8.0

Notes to the financial statements**21. Provisions (continued)**

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

	2019	2018
	£m	£m
Current	7.5	8.0
Non-current	13.7	14.0
Total provisions	21.2	22.0

Restructuring

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

Self insurance

The company 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 company's exposure in relation to retrospective industrial diseases have been subject to a full review in 2019 and an updated model constructed by an independent actuary. Potential liabilities have been projected forward until 2074 using information on incidence type, number of claims, life expectancy of claimants, value of claims and the group's share of the exposure. Cash flows, where appropriate, have been projected and discounted on a pre-tax basis using a discount rate of 2.6% (2018: 2.9%).

The actuarial assessment identified a reasonable discounted estimate of the reserves to be £11m with an estimated range of liabilities between £5m and £25m (£5m - £17m discounted). In the light of uncertainty associated with asbestos related claims, the company continues to provide at towards the top end of the range.

Other

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

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

Notes to the financial statements

22. Deferred tax

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

The movement on deferred tax is shown below:

	2018 £m	Adjustments in respect of previous periods charged to income statement £m	Charged/ (credited) to income statement £m	Charged/ (credited) to OCI £m	2019 £m
Accelerated tax depreciation	65.3	3.7	2.7	-	71.7
Revaluation of operational land and investment properties	86.6	-	5.9	4.5	97.0
Capital losses	(9.3)	0.4	(0.1)	-	(9.0)
Retirement benefit obligations	(4.9)		1.7	(3.6)	(6.8)
Other	(2.1)		0.9	-	(1.2)
Net deferred tax liability	135.6	4.1	11.1	0.9	151.7

	2017 £m	Adjustments in respect of previous periods charged to income statement £m	Charged to income statement £m	Charged/ (credited) to OCI £m	2018 £m
Accelerated tax depreciation	52.6	7.0	5.7	-	65.3
Revaluation of operational land and investment properties	85.8	0.1	6.0	(5.3)	86.6
Capital losses	(9.3)	-	-	-	(9.3)
Retirement benefit obligations	(11.8)	-	0.4	6.5	(4.9)
Other	(2.5)	-	0.4	-	(2.1)
Net deferred tax liability	114.8	7.1	12.5	1.2	135.6

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

Notes to the financial statements

23. Cash generated by operations

	2019	2018*
	£m	£m
Reconciliation of profit before taxation to cash generated by operations:		
Profit before taxation	152.7	243.7
Dividend income	-	(10.8)
Finance costs	41.1	50.3
Finance income	(0.2)	(0.3)
Net unrealised loss on operating derivatives	-	0.7
Depreciation of property, plant and equipment	76.6	74.1
Amortisation of intangible assets	10.4	2.8
Impairment of property, plant and equipment	1.6	-
Impairment of intangible assets	70.7	-
Impairment of investment in subsidiary undertaking	-	6.4
Profit on write off of intangibles and disposal of property, plant and equipment, investment property, property and land held for sale and right of use assets	(4.8)	(2.9)
(Gain) / loss on disposal of leases and right of use assets	(0.1)	-
(Decrease)/increase in provisions	(1.4)	(2.3)
Increase in fair value of investment properties	(35.0)	(35.6)
Difference between pension contributions paid and defined benefit pension charge through profit and loss	(11.3)	(5.5)
Operating cash flows before movements in working capital	300.3	320.6
Increase in trade and other receivables	14.3	(11.9)
Decrease in trade and other payables	(22.0)	(27.7)
Cash generated by operations	292.6	281.0

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

	At 31 December 2018 liability* £m	Impact of adopting IFRS 16* £m	At 1 January liability £m	Cash flows £m	Non-cash changes £m	At 31 December liability £m
2019						
Long-term intercompany borrowings	(615.4)	-	(615.4)	63.1	(39.1)	(591.4)
Obligations under finance leases	(1.7)	1.7	-			-
Lease liabilities	-	(14.4)	(14.4)	3.0	0.2	(11.2)
Total	(617.1)	(12.7)	(629.8)	66.1	(38.9)	(602.6)

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

Notes to the financial statements

23. Cash generated by operations

2018	At 1 January liability £m	Cash flows £m	Non-cash changes £m	At 31 December liability* £m
Long-term				
intercompany				
borrowings	(728.0)	115.2	(2.6)	(615.4)
Obligations under				
finance leases	(2.0)	0.6	(0.3)	(1.7)
Total	(730.0)	115.8	(2.9)	(617.1)

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

24. Related party transactions

The company's UK retirement benefit schemes are managed by The Associated British Ports Group Pension Scheme ("ABPGPS") (see note 15). During the year, the company charged ABPGPS £0.2m (2018: £0.2m) in respect of administrative services. At 31 December 2019, £nil (2018: £nil) remained owing to the company by ABPGPS in respect of these charges.

Notes to the financial statements

24. Related party transactions (continued)

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

Name	Relationship
Associated British Ports Holdings Limited	Immediate parent
ABP Acquisitions UK Limited	Intermediate parent
ABP (Aldwych) Limited	Group undertaking
ABP Marchwood Limited	Group undertaking
ABP Marine Environmental Research Limited	Group undertaking
ABP Property Development Company Limited	Group undertaking
ABP Security Limited	Group undertaking
ABP Southampton Properties Limited	Group undertaking
Auto Shipping Limited	Group undertaking
Grosvenor Waterside Asset Management Limited	Group undertaking
Grosvenor Waterside Investments Limited	Group undertaking
Immingham Bulk Terminal Limited	Group undertaking
Millbay Development Company Limited	Group undertaking
UK Dredging Management Limited	Wholly owned subsidiary
Whitby Port Services Limited	Wholly owned subsidiary
Aldwych Logistics Investments Limited	Wholly owned subsidiary
The Teignmouth Quay Company Limited	Wholly owned subsidiary
Colchester Dock Transit Company Limited	Wholly owned subsidiary
Exxtor Shipping Services Limited	Wholly owned subsidiary
Humber Pilotage (C.H.A.) Limited	Wholly owned subsidiary
Ipswich Port Limited	Wholly owned subsidiary
Northern Cargo Services Limited	Wholly owned subsidiary
Southampton Free Trade Zone Limited	Wholly owned subsidiary
ABP Safeguard Limited	Wholly owned subsidiary
RPM Industrial Site Services Limited	Wholly owned subsidiary
W.E. Dowds (Shipping) Limited	Wholly owned subsidiary

The company has the following borrowings with the related party:

Entity	Due date	Rate per annum	2019 £m	2018 £m
Associated British Ports Holdings Limited	2020	7.0%	(591.4)	(615.4)

The following table shows the borrowing transactions that have been entered into by the company with Associated British Ports Holdings Limited, together with period end balances, for the relevant financial year:

Associated British Ports Holdings Limited	2019 £m	2018 £m
Intercompany borrowing at start of the year	(615.4)	(728.0)
Decrease in payable	2.1	1.4
Interest charged – 7.0% per annum (2018: 7.6%)	(41.2)	(53.0)
Interest paid	38.0	49.0
Net cash paid	25.1	115.2
Intercompany borrowing at end of the year	(591.4)	(615.4)

Notes to the financial statements

24. Related party transactions (continued)

The company also has the following balances due from/(to) related parties:

	2019 £m	2018 £m
ABP (Aldwych) Limited	1.5	1.5
Immingham Bulk Terminal Limited	2.0	1.6
W.E. Dowds (Shipping) Limited	0.5	0.2
Grosvenor Waterside Investments Limited	(38.5)	(38.5)
ABP Acquisitions UK Limited	(35.1)	(18.1)
The Teignmouth Quay Company Limited	(11.7)	(11.7)
ABP Property Development Company Limited	(5.0)	(5.0)
ABP Southampton Properties Limited	(4.1)	(4.1)
ABP Marine Environmental Research Limited	(2.4)	(1.9)
Auto Shipping Limited	(0.5)	(0.5)
ABPH Marine (Guernsey) Limited	(0.1)	-
Grosvenor Waterside Asset Management Limited	(0.1)	(0.1)
Millbay Development Company Limited	(0.1)	(0.1)
Total current balances	(93.6)	(76.7)
Colchester Dock Transit Company Limited	(5.3)	(5.3)
Exxtor Shipping Services Limited	(11.2)	(11.2)
Humber Pilotage (C.H.A.) Limited	(2.0)	(2.0)
Ipswich Port Limited	(24.7)	(24.7)
Northern Cargo Services Limited	(1.1)	(1.1)
Southampton Free Trade Zone Limited	(1.5)	(1.5)
Total non-current balances	(45.8)	(45.8)

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

Immingham Bulk Terminal Limited	2019 £m	2018 £m
Intercompany receivable at start of the year	1.6	-
Increase in receivable	0.4	1.6
Intercompany receivable at end of the year	2.0	1.6
W.E. Dowds (Shipping) Limited	2019 £m	2018 £m
Intercompany receivable at start of the year	0.2	-
Dividends receivable	-	4.5
Dividends received	-	(4.5)
Increase in receivable	0.3	0.2
Intercompany receivable at end of the year	0.5	0.2
UK Dredging Management Limited	2019 £m	2018 £m
Intercompany receivable at start of the year	-	-
Increase/(decrease) in receivable	-	-
Intercompany receivable at end of the year	-	-

Notes to the financial statements

24. Related party transactions (continued)

RPM Industrial Site Services Limited	2019	2018
	£m	£m
Intercompany payable at start of the year	-	-
Non-cash purchase of property, plant and equipment	-	(6.3)
Non-cash dividends received	-	6.3
Intercompany payable at end of the year	-	-
ABP Acquisitions UK Limited	2019	2018
	£m	£m
Intercompany payable at start of the year	(18.1)	(31.1)
Increase in payable	-	13.0
Intercompany payable at end of the year	(18.1)	(18.1)
ABP Marine Environmental Research Limited	2019	2018
	£m	£m
Intercompany payable at start of the year	(1.9)	(1.6)
Increase in payable	(0.5)	(0.3)
Intercompany payable at end of the year	(2.4)	(1.9)
Grosvenor Waterside Investments Limited	2019	2018
	£m	£m
Intercompany payable at start of the year	(38.5)	(38.4)
Increase in payable	-	(0.1)
Intercompany payable at end of the year	(38.5)	(38.5)
ABP Property Development Company Limited	2019	2018
	£m	£m
Intercompany payable at start of the year	(5.0)	(4.6)
Increase in payable	-	(0.4)
Intercompany payable at end of the year	(5.0)	(5.0)
The Teignmouth Quay Company Limited	2019	2018
	£m	£m
Intercompany payable at start of the year	(11.7)	(11.7)
(Increase)/decrease in payable	-	-
Intercompany payable at end of the year	(11.7)	(11.7)
ABP Security Limited	2019	2018
	£m	£m
Intercompany payable at start of the year	-	-
Port security services expenses	-	(0.2)
Expenses paid on behalf of the company	-	0.2
Intercompany payable at end of the year	-	-

Notes to the financial statements

25. Financial commitments

Capital commitments

	2019	2018
	£m	£m
Capital expenditure contracted but not provided for	62.0	55.7

Operating lease commitments – company as lessor

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

Maturity analysis of future minimum lease income receivable under non-cancellable operating leases is as follows:	2019	2018*
	£m	£m
Not later than one year	108.3	109.5
More than one year but not more than two years	79.4	85.3
More than two years but not more than three years	74.2	77.7
More than three years but not more than four years	66.8	71.2
More than four years but not more than five years	61.7	66.7
More than five years	976.4	1,012.4
Total	1,366.8	1,422.8

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

26. Contingent liabilities

As part of the security package for borrowing facilities of the wider group owned by the company's ultimate parent undertaking, certain wider 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 the rights of the company's immediate parent undertaking, Associated British Ports Holdings Limited's rights in relation to its principal subsidiary undertaking, ABP. No guarantees or security have been granted by ABP or its subsidiary undertakings in respect of such borrowing facilities.

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

Notes to the financial statements

26. Contingent liabilities (continued)

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

27. Leases

Company 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 company's leasing activities, the carrying amounts of right of use assets recognised and the movements during the year are set out in note 10.

Right of use assets that meet the definition of investment property are included in note 11.

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 16.

~~During the year the company had total cash outflows for leases of £6.3m. Leases committed but not yet commenced is £nil.~~

Company as lessor

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

The nature of the company's operating lease activities and the maturity analysis of the company's future minimum lease income receivable under non-cancellable operating leases are set out in note 25.

28. 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 company's controlling interest in subsidiary undertakings is represented by ordinary shares. All ordinary shares have voting rights in the same proportion to the shareholding.

Notes to the financial statements

28. Subsidiary undertakings (continued)

	% held by Company
Subsidiary undertakings: Ports and transport	
W.E. Dowds (Shipping) Limited (acquired 1 February 2018)	100
Subsidiary undertakings: Property	
RPM Industrial Site Services Limited	100
Subsidiary undertakings: Group services	
UK Dredging Management Limited	100
W.E.D. (Services) Limited (acquired 1 February 2018)	100
Subsidiary undertakings: Dormant	
ABP (Pension Trustees) Limited	100
ABP Marchwood Limited	100
ABP Safeguard Limited	100
ABP Secretariat Services Limited	100
Aldwych Logistics Investments Limited	100
Colchester Dock Transit Company Limited	100
Exxtor Shipping Services Limited	100
Grosvenor Waterside (Cardiff Bay) Limited	100
Humber Pilotage (C.H.A.) Limited	100
Ipswich Port Limited	100
Northern Cargo Services Limited	100
Slater's Transport Limited	100
Southampton Free Trade Zone Limited	100
The Teignmouth Quay Company Limited	100
Whitby Port Services Limited	100

29. Holding company and ultimate controlling parties

Under the Transport Act 1981, Associated British Ports Holdings Limited has powers over Associated British Ports corresponding to the powers of a holding company over a wholly-owned subsidiary undertaking. The company's intermediate parent undertaking, ABPA Holdings Limited ("ABPAH"), produces consolidated financial statements that comply with IFRS. Copies of these financial statements may be obtained from ABPAH, at its registered office at 25 Bedford Street, London, WC2E 9ES, which is also the principal place of business of Associated British Ports ("ABP"). The consolidated financial statements of ABPAH are the smallest group in which ABP is included.

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.

Notes to the financial statements

29. Holding company and ultimate controlling parties (continued)

ABP (Jersey) Limited is owned by a consortium of investors as shown below:

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

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

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

Notes to the financial statements

30. Events after the reporting period

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

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

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

- Intangible assets impairment (note 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. Since the balance sheet date there have been no material customer losses or other material changes in contractual and commercial relationships, but if these were to occur as a result of a recession then an impairment of the value of customer relationships may be necessary.
- Valuation of investment property (note 11). The valuations adopt conventional investment valuation methodology by assessing the income from the investment assets and then capitalising against a property investment yield. A recession in the UK economy caused by the measures to slow the spread of the Covid-19 virus could cause both income from investment assets to fall, and property investment yields to increase, reducing the valuation of investment properties in the short-term. However the valuations are based on long-term estimates of income from investment assets so the impact of a short-term recession will be limited.
- Valuation of defined benefit pension scheme liabilities (note 15). The measures to slow the spread of the virus have led to volatility in investment markets which has affected both the valuation of pension scheme assets and the assessment of liabilities. The overall impact on the ABP Group Pension Scheme will be mitigated to some extent by the hedging of a significant proportion of the Scheme's interest rate and inflation exposure. Based on current market conditions asset values are likely to have decreased since the end of 2019 due to falls in return-seeking assets, together with changes in the values of bond and inflation-linked assets. However, liabilities are also likely to have decreased on account of lower expectations for inflation and increases in AA corporate bond yields.
- Valuation of derivatives (notes 17 and 18). Since the balance sheet date there has been a reduction in long term LIBOR and SONIA swap rates leading to a net increase in the adverse mark to market of the group's derivatives.