

# IMMINGHAM EASTERN RO-RO TERMINAL



Funding Statement

Document Reference 4.3

APFP Regulations 2009 – Regulation 5(2)(h)

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## 1 Introduction

- 1.1 Associated British Ports (“ABP”) has submitted an application to the Secretary of State for Transport for development consent under the provisions of section 37 of the Planning Act 2008 (“PA 2008”). ABP is seeking the approvals required to enable the construction and consequent operation of a new three berth Ro-Ro facility at the Port of Immingham, to be known as the Immingham Eastern Ro-Ro Terminal (“IERRT”).
- 1.2 As the new facility, once operational, will be capable of exceeding the prescribed throughput threshold of 250,000 units per year, the project is being promoted as a Nationally Significant Infrastructure Project (“NSIP”), consent for which – if the application is approved – will be made by way of a Development Consent Order (“DCO”).
- 1.3 Whilst it is not anticipated that ABP will be seeking powers of compulsory acquisition in relation to the acquisition of land *per se*, ABP has included within its submitted draft DCO powers of compulsory acquisition with regards to rights and interests over land.
- 1.4 Regulation 5(2)(h) of The Infrastructure Planning (Applications: Prescribed Forms and Procedure) Regulations 2009 (the “APFP Regulations”) provide that if a proposed DCO –
- “ would authorise the compulsory acquisition of land or an interest in land or right over land, a statement of reasons and a statement to indicate how an order that contains the authorisation of compulsory acquisition is proposed to be funded.”*
- 1.5 This Funding Statement is submitted in support of ABP’s application for development consent for the IERRT project.
- 1.6 The purpose of this Statement, which forms part of a suite of application documents, is to explain how the powers of compulsory acquisition sought within the draft Development Consent Order (“the DCO”), should it prove necessary for those powers to be exercised, will be funded.
- 1.7 This Funding Statement has, therefore, been prepared to meet the requirements of the APFP Regulations and should be read in conjunction with the Statement of Reasons (**Application Document Reference number 4.2**) which explains and justifies why the powers of compulsory acquisition are being sought.



## 2 The IERRT Project

- 2.1 ABP is the owner and operator of the Port of Immingham. It is seeking development consent to construct the IERRT.
- 2.2 The new harbour facility will be designed to service the embarkation and disembarkation of principally commercial cargo carried either by accompanied trailer (where the HGV/driver travels with the trailered 'wheeled' cargo) or unaccompanied cargo (where the trailered cargo is delivered to and left at the port of embarkation, loaded, and collected at the port of disembarkation). The new facility will also be capable of handling a small element of passengers (travelling by vehicle, not on foot), when space allows during quiet commercial periods.
- 2.3 The proposed development will comprise on the marine side, (on intertidal and subtidal land in the ownership of the Crown Estate but subject to a long lease in favour of ABP), three new berths served by an approach jetty for vehicular access. The project will also require a capital dredge to accommodate the new berths.
- 2.4 On the landside, the IERRT will comprise, within ABP's statutory port estate, the upgrading of areas to provide a surface suitable for the handling and parking of wheeled cargo, trailers and HGVs together with storage as appropriate. In the draft Order which has been submitted as part of this application (**Application Document Reference number 3.1**), ABP has included powers that will authorise the compulsory acquisition of rights held by third parties within the development site. Possession of these interests in land and variation of the rights to cross the IERRT site are required to enable the construction and delivery of the IERRT.
- 2.5 Insofar as is possible, ABP hopes to acquire the defined land interests and rights required for the Project by agreement. That said, however, ABP recognises that it may not be possible to secure all of the required interests and rights within a timescale that meets the urgent need to deliver the IERRT development. Accordingly, ABP has had no option but to include powers of compulsory acquisition in the submitted draft DCO. This is because, whilst at the time of making the application, negotiations with the interested parties are still ongoing, they have not yet been formally concluded. Further details as to the status of these negotiations is set out in the Statement of Reasons (**Application Document Reference number 4.2**)
- 2.6 In light of this, as powers of compulsory acquisition are included within the draft DCO, ABP is required to submit this Funding Statement as part of its application for development consent for the IERRT. This Funding Statement addresses how funds for the acquisition of the required land and interests required and any related liabilities arising will be secured.

## 3 Associated British Ports

- 3.1 ABP (Company No. ZC000195) is a statutory body corporate constituted by the Transport Act 1981, ("the 1981 Act") and is effectively a reconstitution of the former British Transport Docks Board.
- 3.2 **Principal activities** – The principal activities of ABP comprise the ownership, operation and development of port facilities and the provision of related services in the United Kingdom. The company owns and operates 21 general cargo ports within the UK and also provides other transport facilities including the Hams Hall rail freight terminal.

- 3.3 ***Development, performance and financial position of ABP's business*** – the year 2021 saw significant growth in cargo and passenger volumes and consequently revenues as a result of the recovery from the Covid-19 pandemic and strong underlying performance.
- 3.4 ABP's latest published accounts (to 31 December 2021) are attached at **Appendix 1** to this statement. These serve to show ABP's strong financial standing.

## 4 Compulsory Acquisition

- 4.1 ABP is the freehold owner of all of the landside element of the proposed IERRT development, save for part of the East Gate improvement works where the public highway is in the ownership of North East Lincolnshire Council. It has for some time been in negotiations with a single holder of a leasehold interest and that leaseholder's three sub-tenants located on part of the IERRT development site. The current position regarding negotiations with landowners and those with interests in the land affected by the Order is summarised in the Statement of Reasons (**Application Document Reference number 4.2.**).
- 4.2 ABP is seeking to secure all of the rights in land required for the IERRT through voluntary negotiation and will only use the powers of compulsory acquisition available in the DCO should that prove unavoidable. ABP has issued offers of terms for voluntary agreements to all of the affected parties identified in the Book of Reference (**Application Document Reference number 4.1**) and will continue to negotiate those during the course of the examination.
- 4.3 ABP has taken expert advice from specialist property consultants as to the potential costs of funding the acquisition of all those interests and rights in land identified and described in the Book of Reference. These costs include the potential cost of claims under Part 1 of the Land Compensation Act 1973 (although it should be noted that ABP does not believe that any claims under Part 1 will arise).
- 4.4 The total estimated costs to acquire land and rights required for the infrastructure corridor, together with relevant claims (being claims under Part 1 of the Land and Compensation Act 1973, section 10 of the Compulsory Purchase Act 1965 and/or section 152(3) of the PA 2008), either voluntarily or through compulsion, have been based on national, regional and local data. These provide direct comparables for similar property to that over which the rights are required and independent third party valuations.
- 4.5 The cost of acquisition is estimated at being in the order of £2.545 million. This will include the costs of acquiring permanent easement rights, interests in land for above ground facilities, disturbance compensation, injurious affection and professional fees. The cost of any payment of compensation should it be necessary to exercise the powers of compulsory acquisition sought within the draft DCO, will be met by ABP and is not dependent on any external source of funds outside of the ABP group of companies.
- 4.6 As noted above, ABP is actively pursuing a strategy to secure commercial agreements with all affected entities and it is anticipated that most, if not all, affected entities will have entered into the necessary agreements before the decision date. Nevertheless, as shown by the accounts at Appendix 1 to this Statement, ABP has sufficient funds on account to exercise the compulsory acquisition powers sought in the DCO.

## 5 Project Funding

- 5.1 The cost of the construction, development and management of the IERRT will be met by ABP and is not dependent on any external source of funds outside of the ABP group of companies.

- 5.2 ABP actively manages its finances to ensure it has sufficient available funds for its operations. ABP understands (and reports in its accounts) that the ABP group will continue to provide suitable resources to ABP to meet its needs.
- 5.3 ABP's year-end accounts show £98.3 million of cash as at 31 December 2021.
- 5.4 It should be noted in this context that ABP makes long-term investments in developing port infrastructure. ABP generates positive operating cash flow which it uses to make further long-term investments. In 2021 ABP generated £250 million in operating cash flow, £145.4 million of which was reinvested in port related assets.
- 5.5 Please refer to ABP's audited accounts as at 31 December 2021 which are attached as **Appendix 1**.

## 6 **Conclusion**

- 6.1 ABP has sufficient financial resources to meet any compensation obligations as they fall due.

## Glossary

<b>Abbreviation / Acronym</b>	<b>Definition</b>
ABP	Associated British Ports
APFP Regulations	Infrastructure Planning (Applications: Prescribed Forms and Procedure) Regulations 2009
DCO	Development Consent Order
HGV	Heavy Goods Vehicles
IERRT	Immingham Eastern Ro-Ro Terminal
Ro-Ro	Roll-on/roll-off
UK	United Kingdom

## **Appendix 1 - Associated British Ports Annual Account**



**ASSOCIATED BRITISH PORTS**

**(Reference Number ZC000195)**

**ANNUAL REPORT AND ACCOUNTS 2021**

# ASSOCIATED BRITISH PORTS

## ANNUAL REPORT AND ACCOUNTS 2021

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## Strategic report

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

### 1. Principal activities

The principal activities of Associated British Ports (“ABP” or 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

- Bulk cargo volumes handled by the company’s ports (excluding Southampton conservancy only volumes) increased by 14.2% to 56.3m tonnes in 2021 (2020: 49.3m tonnes) and unitised cargo increased by 1.2% to 3.0m units (2020: 3.0m units) primarily due to improved trading conditions as the Covid-19 pandemic stabilises.
- The company’s revenue increased by 6.8% to £579.0m (2020: £542.0m) primarily driven by an increase in cruise (+95.9% to £24.9m (2020: £12.7m)), break bulk (+10.4% to £77.5m (2020: £70.2m)) and pilotage and conservancy activity (+13.1% to £60.5m (2020: £53.5m)), partly offset by a decrease in biomass, vehicle and ro/ro revenue.
- Underlying operating profit (before movement in the fair value of investment properties, net unrealised gains/losses on fuel derivatives, impairment of fixed assets and exceptional items), which is considered by the Board to provide a good representation of the performance of the business, increased by 8.8% to £216.0m (2020: £198.4m). The 2021 review of the company’s investment property portfolio led to an increase in carrying values of £59.9m (2020: £4.4m).
- Pre-tax profit amounted to £228.1m (2020: £139.1m) and the company recognised a tax charge for the year of £102.4m (2020: £44.1m). Cash generated by operations totalled £268.4m (2020: £323.3m).

The company’s activities form the principal activities of the group of its intermediate parent undertaking, 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 £2,714.3m as at 31 December 2021 (2020: £2,659.2m) including cash of £98.3m (2020: £183.2m). 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 undertaking, 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

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

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

Strategic report (continued)

3. Principal risks and uncertainties (continued)

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

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

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

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

**Strategic report** (continued)

**3. Principal risks and uncertainties** (continued)

Treasury matters throughout ABP 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 group. 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.

**4. Important events after the reporting period**

Since the balance sheet date the political unrest between Russia and Ukraine has heightened, culminating with a territorial invasion of Ukraine by Russian armed forces. This situation has continued to escalate and most governments, including that of the UK, have imposed economic sanctions on Russia. The company is the principal operating entity in the wider group owned by the company's ultimate parent undertaking ABP Jersey Ltd ("ABPJ") and may be impacted by the consequence of these sanctions and the resulting reduced trade flows with Russia. As these sanctions were not in place at the balance sheet date, management have concluded that the economic impact of the Ukraine / Russia conflict is a non-adjusting post balance sheet event.

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

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

**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 and also their responsibilities and duties to stakeholders. ABP's key stakeholders are its employees, customers, local and national government, suppliers, the communities in which ABP operates and the environment.

To support the directors and assist them in complying with their duties, management is required to provide feedback on their engagement with relevant stakeholders which the Board takes into account when considering matters and making decisions. 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 Employees**

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

**Strategic report** (continued)

**5.1 Employees** (continued)

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

**5.2 Customers**

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

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

**Strategic report** (continued)

**5.3 Local Authorities and National Government**

ABP has a unique position as the UK’s largest port operator and is an essential part of the supply chain for key industries throughout the UK. Government policy in respect of matters such as trade and the environment impact the way that businesses operate and accordingly, engagement with local and national government helps ABP to understand topical issues and to work with both government and our customers on areas of shared interest.

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

**5.4 Suppliers**

ABP relies on its suppliers to provide products and services that enable us to deliver our strategy. We seek to engage the best supply chain partners to sustainably deliver value and performance for the business and we regularly work with local and small businesses in our port communities.

We recognise that strong relationships, regular communication and engagement with our suppliers are key to delivering our projects in a timely and cost-efficient manner and ensuring that specifications are aligned with the needs of the business and our customers.

<i>How ABP measures</i>	
<ul style="list-style-type: none"> <li>By seeking regular feedback from suppliers in respect of payment processes and use of the supplier portal</li> </ul>	
<i>How ABP engages</i>	
<ul style="list-style-type: none"> <li>Through the use of a supplier portal to enable organisations to register and tender for contracts, complete due diligence and correspond directly with ABP</li> </ul>	<ul style="list-style-type: none"> <li>Through close collaboration with suppliers and contractors to ensure projects are delivered on time and in budget</li> </ul>



**Strategic report** (continued)

**5.4 Suppliers** (continued)

<i>How the Board complements the engagement efforts</i>	
<ul style="list-style-type: none"> <li>Reviewing and approving policies on credit risk and whistleblowing</li> </ul>	<ul style="list-style-type: none"> <li>Receiving reports on project progress updates</li> </ul>
<i>Actions and Decisions</i>	
<ul style="list-style-type: none"> <li>Developing framework agreements with suppliers to ensure cost efficiency and quality of services</li> </ul>	<ul style="list-style-type: none"> <li>Providing support to suppliers during the Covid-19 pandemic</li> </ul>

**5.5 Communities**

ABP recognises the importance of local communities to its continued success and the impact its decisions can have on those communities across its port estate. We seek to develop relationships based on mutual trust and respect and to understand the issues that matter locally.

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

**5.6 Environment**

ABP is committed to developing its business to meet the needs of its customers in a sustainable way, with due regard for both its operations and the environment. Engaging with stakeholders is key to supporting our planning and licence applications and ensuring we are able to meet legislative requirements. When planning projects, ABP also works with stakeholders to ensure sustainability and mitigate or reduce the impact of its projects on the environment where possible.

Further information on energy consumption, including disclosures under The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018, can be found in the annual report and accounts of ABPA Holdings Limited.

**Strategic report** (continued)

**5.6 Environment** (continued)

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

**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 Safety and Security Investment**

*Stakeholders, Issues and Factors Considered: Employees, Customers, Suppliers, Safety*

The safety and security of all our port users is of key importance to ABP. Across the 21 ports, ABP has c.12,000 acres of developed and undeveloped land and river/seabeds, ensuring this remains secure and protected is a large undertaking and represents a significant investment by the business. This is particularly important in high-risk areas, including containers and cruise ship operations. Ensuring only authorised people are accessing the port is crucial to maintaining safety and to meet our regulatory responsibilities.

In 2021, following a rigorous and thorough tendering process, the Board approved the award of a large contract to provide security staffing across all of ABP’s ports, including the resource intensive cruise operations. By building a positive partnership with the supplier, both parties are able to succeed in providing a high-quality service which meets the needs of ABP and its stakeholders.

When deciding to award this significant contract, the directors considered a range of factors, weighing the cost of the contract against the quality of service. Consideration was also given to the benefits the service would provide to employees and customers and the need to ensure the staff employed by the contractor would receive appropriate remuneration, training and support.

**Strategic report** (continued)

**6.2 Historic Area Regeneration**

*Stakeholders, Issues and Factors Considered: Local Communities and Residents, Local Authorities, Charities*

ABP has land which is of historical and national importance and forms part of the heritage of local communities. Over the last c.6 years, ABP has worked closely with the Local Authority ('LA'), Historic England and a charitable trust to collectively develop a sustainable strategy to regenerate and re-purpose a number of buildings located in a conservation area within the port boundary.

During 2021, the Board considered a proposal to grant a long-term lease to the LA at a peppercorn rent in addition to capital to reconnect utilities to support re-letting. Alongside the reduced rent, the LA successfully bid for funding from Arts Council England to support the regeneration of three dilapidated buildings in the area. The intention is to develop community creative workspaces including studios, workshops and exhibition space. This scheme complements other similar leases which have been granted in the area e.g. one to a local charitable trust and it is hoped that further regeneration of other properties in the area will be possible in the future.

When considering the proposal, directors considered the positive impact the regeneration would have on the local community and area, which was a key focus for the Local Authority and Historic England. In addition, the directors believe that ABP will also benefit in the long-term should the scheme be successful, with new tenants being attracted to the area supporting future revenue generation.

**6.3 Customer Investment**

*Stakeholders, Issues and Factors Considered: Customers, Infrastructure Investment*

Throughout the year, the Board has considered and approved a number of capital expenditure projects which support customers across the regions. One such example was the directors' approval of a project to contribute significant capital expenditure to build a new customer facility on our port estate, with the potential to expand in the future. The new facility would enable the transfer of the customer's operation, providing them with long-term security and potential for growth. This was balanced by entering into a long-term customer contract and lease to generate a long-term revenue stream and increase ABP's market share.

Additional capital expenditure was also approved to ensure current customers were not negatively impacted by the scheme. Alternative facilities and road infrastructure would allow existing operations to be relocated and all affected tenants and customers will be consulted as required by the planning process. The Board received in depth management proposals following internal assessments, environmental modelling and negotiation with the customer. ABP will also utilise its existing habitat compensation scheme to offset any environmental loss which may occur as part of this project, in line with the Habitats Regulation.

By Order of the Board



**Marina Wyatt**  
**Director**  
**19 April 2022**

## Directors' report

The directors present their report and the audited accounts of the company (number ZC000195) for the year ended 31 December 2021.

### 1. Principal office

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

### 2. Dividends

The company paid interim dividends of £130m during the current year (2020: £nil). The directors do not recommend the payment of a final dividend (2020: £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
Harston, AF	Regional Director, Wales and Short Sea Ports
McCartain, MBW	Director, Safety, Engineering and Marine
Pedersen, HL	Chief Executive Officer
Rumsey, AJ	Chief HR Officer
van Weezel, HA	Chief Information Officer
Walker, JW	Chief Commercial Officer
Welch, AJM	Regional Director, Southampton
Wyatt, MM	Chief Financial Officer

### 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. 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.

**Directors' report** (continued)

**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.

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').

The Board benefits from directors who have a broad range of skills, backgrounds and knowledge. Their experience of the ports industry, in addition to other sectors and industries, allows them 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 diversity across the Maritime Industry, remaining a signatory of the Women in Maritime Taskforce Charter. In January 2021, ABP also joined Maritime UK's Diversity in Maritime Charter programme.

**Directors' report** (continued)

**6.2 Principle Two – Board Composition** (continued)

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 have historically been 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 Ernst & Young LLP ("EY"), with internal audit services provided by appropriate 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 interest they have in any matters that are to be discussed. If conflicts of interest are raised, appropriate safeguards are put in place.

**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.

**Directors' report** (continued)

**6.4 Principle Four – Opportunity and Risk** (continued)

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 pages 1 to 3.

**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 the RemCo. The 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, the RemCo seeks to provide responsible incentives that encourage enhanced performance and reward individual contributions to the long-term strategic goals of the group. When considering the remuneration of the ABP Board, and annual salary increases, the RemCo takes into account the pay and conditions across the wider ABP group.

The Board annually publishes ABP's Gender Pay Gap Report, which details the progress made to reduce the pay gap between men and women.

**6.6 Principle Six – Stakeholder Relationships and Engagement**

The 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 pages 3 to 7.

**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, the need to foster business relationships with stakeholders and the impact on the environment, 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**  
**19 April 2022**

**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 financial statements for each financial year. Under that law the directors have elected to prepare the company financial statements in accordance with UK adopted International Accounting Standards ('IAS'). Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the company and of the profit or loss of the company. In preparing these financial statements, the directors are required to:

- select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IAS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the company financial position and financial performance;
- in respect of the company financial statements, state whether IAS, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is appropriate to presume that the company will not continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the company financial statements 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.

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

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

### Opinion

We have audited the financial statements of Associated British Ports (the Company) for the year ended 31 December 2021 which comprise the Income Statement, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Cash Flows, the 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 UK adopted international accounting standards.

In our opinion, the financial statements:

- ▶ give a true and fair view of the Company's affairs as at 31 December 2021 and of its profit for the year then ended;
- ▶ have been properly prepared in accordance with UK adopted international accounting standards.; 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. 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 as applied to other entities of public interest, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:-

- In conjunction with our walkthrough of ABP (Jersey) Limited ('the Ultimate Parent Company') financial close process, we confirmed our understanding of the Group's Going Concern assessment process and also engaged with management early to ensure all key factors were considered in their assessment.
- We obtained management's going concern assessment, including the Group's cash forecast and covenant calculation on the external borrowings for the going concern period. We obtained a letter of support from the Ultimate Parent Company to 30 June 2023. The Group headed by the Ultimate Parent Company has modelled a number of adverse scenarios in their cash forecasts and covenant calculations in order to incorporate unexpected changes to the forecasted liquidity of the group.

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

- We have tested the factors and assumptions included in each modelled scenario for the cash forecast and covenant calculation and we have tested the impact of Covid-19 included in each forecasted scenario. We considered the appropriateness of the methods used to calculate the cash forecasts and covenant calculations and determined through inspection and testing of the methodology and calculations that the methods utilised were appropriately sophisticated to be able to make an assessment for the entity.
- We considered the mitigating factors included in the cash forecasts and covenant calculations that are within control of the group. This includes review of the group's non-operating cash outflows and evaluating the group's ability to control these outflows as mitigating actions if required. We also agreed credit facilities available to the group.

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

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

**Other information**

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

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

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

We have nothing to report in this regard.

**Opinions on other matters prescribed by the Companies Act 2006**

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

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

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

**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.

**Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 14, 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.

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

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

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

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are those that relate to the reporting framework (Companies Act 2006 and UK adopted international accounting standards).
- We understood how Associated British Ports is complying with those frameworks by making enquiries of the Group's management and those responsible for legal and compliance procedures and the Company Secretary. We corroborated our enquiries through our review of board minutes and papers provided to the Audit and Risk Committees and noted that there was no contradictory evidence.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by meeting with management within various parts of the business to understand where they considered there was susceptibility of fraud. We also considered performance targets and their influence on efforts made by management to manage Key Performance Indicators. We performed audit procedures to address the fraud risk on revenue recognition and management override of controls. We updated our understanding of the significant revenue streams, processes used to determine revenue to be recognised and the controls contained within those processes. This process has been performed using enhanced data analytics. In addition, we tested manual journals designed to provide reasonable assurance that the financial statements were free from fraud or error.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved a review of board minutes to identify any noncompliance with laws and regulations, a review of the reporting to the Audit and Risk Committee on compliance with regulations, enquiries of Legal Counsel and of Management.

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

**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, Statutory Auditor  
London  
20 April 2022

**Income statement for the year ended 31 December**

	<i>Note</i>	<b>2021</b>	<b>2020</b>
		<b>£m</b>	<b>£m</b>
<b>Revenue</b>	2	<b>579.0</b>	542.0
Cost of sales		<b>(259.5)</b>	(248.9)
<b>Gross profit</b>		<b>319.5</b>	293.1
Administrative expenses		<b>(105.2)</b>	(104.3)
Other income		<b>1.9</b>	3.6
Increase/(decrease) in fair value of investment properties	11	<b>45.0</b>	(13.2)
<b>Operating profit</b>	3	<b>261.2</b>	179.2
Analysed between:			
Underlying operating profit before the following items:		<b>216.0</b>	198.4
Impairment of fixed assets	8	-	(0.6)
Increase/(decrease) in fair value of investment properties	11	<b>45.0</b>	(13.2)
Net unrealised gain/(loss) on fuel derivatives		<b>2.7</b>	(1.4)
Exceptional items	3	<b>(2.5)</b>	(4.0)
		<b>261.2</b>	179.2
Finance costs	6	<b>(33.2)</b>	(40.3)
Finance income	6	<b>0.1</b>	0.2
<b>Profit before taxation</b>		<b>228.1</b>	139.1
Taxation charge	7	<b>(102.4)</b>	(44.1)
<b>Profit for the year attributable to equity shareholder</b>		<b>125.7</b>	95.0

The company declared interim dividends of £130.0m in the current year (2020: £nil).

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

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



## Statement of comprehensive income for the year ended 31 December

	<i>Note</i>	<b>2021</b>	<b>2020</b>
		<b>£m</b>	<b>£m</b>
<b>Profit for the year attributable to equity shareholder</b>		<b>125.7</b>	<b>95.0</b>
<b>Other comprehensive income/(expense):</b>			
<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	<b>14.9</b>	17.6
Deferred tax on revaluation of investment property	22	<b>(3.6)</b>	(10.1)
Remeasurement gain/(loss) relating to net retirement benefit liabilities	15	<b>60.4</b>	(18.1)
Deferred tax associated with remeasurement of retirement benefit liabilities	22	<b>(12.3)</b>	3.9
<b>Other comprehensive income/(loss) for the year, net of tax</b>		<b>59.4</b>	<b>(6.7)</b>
<b>Total comprehensive income for the year, net of tax, attributable to equity shareholder</b>		<b>185.1</b>	<b>88.3</b>

**Balance sheet as at 31 December**

	<i>Note</i>	<b>2021</b> £m	<b>2020</b> £m
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	8	51.0	50.7
Property, plant and equipment	9	1,406.0	1,335.9
Right of use assets	10	5.8	6.8
Investment property	11	2,224.4	2,145.0
Investments	12	54.6	54.6
Retirement benefit assets	15	62.8	4.2
Derivative financial instruments	17	0.5	-
Trade and other receivables	13	4.9	6.2
		<b>3,810.0</b>	<b>3,603.4</b>
<b>Current assets</b>			
Property and land held for sale	14	0.8	0.5
Derivative financial instruments	17	0.7	-
Trade and other receivables	13	102.3	87.1
Cash and cash equivalents including restricted cash		98.3	183.2
		<b>202.1</b>	<b>270.8</b>
<b>Total assets</b>		<b>4,012.1</b>	<b>3,874.2</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Borrowings	16	(1.7)	(3.0)
Derivative financial instruments	17	-	(0.8)
Trade and other payables	19	(155.8)	(183.5)
Deferred income	20	(37.8)	(28.5)
Provisions	21	(19.3)	(8.3)
Current tax liability		(2.1)	-
		<b>(216.7)</b>	<b>(224.1)</b>
<b>Non-current liabilities</b>			
Borrowings	16	(598.4)	(613.6)
Derivative financial instruments	17	-	(0.7)
Retirement benefit liabilities	15	(41.1)	(52.5)
Trade and other payables	19	(66.9)	(57.8)
Deferred income	20	(90.8)	(72.1)
Provisions	21	(19.8)	(20.0)
Deferred tax liabilities	22	(264.1)	(174.2)
		<b>(1,081.1)</b>	<b>(990.9)</b>
<b>Total liabilities</b>		<b>(1,297.8)</b>	<b>(1,215.0)</b>
<b>Net assets</b>		<b>2,714.3</b>	<b>2,659.2</b>
<b>Holding company's equity</b>			
Revaluation reserve		1,687.5	1,627.6
Accumulated retained earnings		1,026.8	1,031.6
<b>Total holding company's equity</b>		<b>2,714.3</b>	<b>2,659.2</b>

The financial statements were approved by the Board on 19 April 2022 and signed on its behalf by:



**MM Wyatt**  
**Director**

## Statement of cash flows for the year ended 31 December

	Note	2021 £m	2020 £m
<b>Cash flows from operating activities</b>			
Cash generated by operations	23	268.4	323.3
Interest paid		(13.1)	(24.6)
Interest received		0.1	0.2
Lease interest paid		(0.7)	(0.7)
Income tax (paid)/refunded		(4.7)	4.8
<b>Net cash inflow from operating activities</b>		<b>250.0</b>	<b>303.0</b>
<b>Cash flows from investing activities</b>			
Net proceeds from sale of property, plant and equipment		1.1	2.3
Net proceeds from sale of investment property		0.9	4.2
Net proceeds from sale of land held for sale		(0.7)	3.5
Government grants received		32.0	-
Purchase of intangible assets		(8.5)	(10.4)
Purchase of property, plant and equipment		(151.8)	(95.7)
Purchase of investment property		(18.4)	(24.3)
<b>Net cash outflow from investing activities</b>		<b>(145.4)</b>	<b>(120.4)</b>
<b>Cash flows from financing activities</b>			
Repayment of borrowings		(186.6)	(27.6)
Payment of principal portion of lease liabilities		(2.9)	(1.9)
<b>Net cash outflow from financing activities</b>		<b>(189.5)</b>	<b>(29.5)</b>
<b>Change in cash and cash equivalents including restricted cash during the year</b>			
		<b>(84.9)</b>	153.1
Cash and cash equivalents including restricted cash at 1 January		183.2	30.1
Increase in restricted cash	23	1.3	8.8
Change in cash and cash equivalents during the year		(86.2)	144.3
<b>Cash and cash equivalents including restricted cash at 31 December</b>		<b>98.3</b>	<b>183.2</b>
<b>Cash and cash equivalents including restricted cash at 31 December is analysed between:</b>			
Bank accounts		69.6	71.8
Deposits		18.0	102.0
<b>Cash and cash equivalents at 31 December</b>		<b>87.6</b>	<b>173.8</b>
Restricted cash (rent related security deposits)		10.7	9.4
<b>Cash and cash equivalents including restricted cash at 31 December</b>		<b>98.3</b>	<b>183.2</b>

**Statement of changes in equity for the year ended 31 December**

	<b>Revaluation reserve</b>	<b>Retained earnings</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
At 1 January 2021	1,627.6	1,031.6	2,659.2
Profit for the year	45.0	80.7	125.7
Other comprehensive income	14.9	44.5	59.4
Total comprehensive income	59.9	125.2	185.1
Dividends declared	-	(130.0)	(130.0)
<b>At 31 December 2021</b>	<b>1,687.5</b>	<b>1,026.8</b>	<b>2,714.3</b>

	<b>Revaluation reserve</b>	<b>Retained earnings</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
At 1 January 2020	1,622.4	948.5	2,570.9
Profit for the year	(13.2)	108.2	95.0
Other comprehensive income/(loss)	17.6	(24.3)	(6.7)
Total comprehensive income	4.4	83.9	88.3
Realisation of revaluation reserve	0.8	(0.8)	-
<b>At 31 December 2020</b>	<b>1,627.6</b>	<b>1,031.6</b>	<b>2,659.2</b>

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

## 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 2021 the company generated cash from operations of £268.4m and the company expects to maintain strong cashflow generation;
- The company has net current liabilities of £14.6m; and
- The company has net assets of £2,714.3m.

The company's future viability is ultimately dependent upon the performance of the wider trading group owned by the company's intermediate parent undertaking, ABPA Holdings Limited ("ABPAH"), and group management's decisions on the flow of capital. ABP (Jersey) Ltd, the company's ultimate parent undertaking, has confirmed that it will continue to finance the company to enable it to meet its liabilities as they fall due.

The group's business plan was developed taking in consideration the developments of the Covid-19 pandemic and its impact on business performance. Management continues to monitor the impact of the virus and potential business impacts and do not expect it to adversely impact the going concern assumption, based on the significant proportion of revenue that is contractually guaranteed, limited impact from the pandemic on 2020 and 2021 performance, and the group's ability to take effective mitigating actions to counter downside scenarios. The group has demonstrated the ability to deliver cost control measures and cost saving initiatives and to establish strict criteria for capital investment. Management will continue to forecast the group's results as new information becomes available and have modelled different scenarios, including a severe downside scenario, where headroom against the leverage covenant becomes limited within the going concern period, before mitigating actions are applied. If the actual results are significantly worse than forecast, the group has the option of pursuing further mitigating measures that are under its own control to cut costs and preserve cash. These include further reductions in variable staff and other variable costs to match reduced activity, delaying or holding back its capital programme, reassess amounts distributed to shareholders and, if the downside period persists, structurally reviewing costs for further savings. As a result of the successful actions taken in the past and having identified contingency plans to react to potential adverse scenarios, management have concluded that the group should generate sufficient cash and EBITDA to continue as a going concern and to avoid breaching its loan covenants.

## Notes to the financial statements

### 1. Accounting policies (continued)

#### 1.1 Basis of preparation (continued)

##### **Going concern basis** (continued)

Liquidity risk is principally managed by maintaining cash and borrowing facilities at a level that is forecast to provide reasonable headroom in excess of the expected future needs of the group. As at 31 December 2021, the group had access to £350.0m of committed and undrawn borrowing facilities, which are available for between one and three years. Debt maturities are spread over a range of dates, ensuring the group is not exposed to a material refinancing in any one year. In addition, the group has in place £160.0m of debt service reserve liquidity facilities to cover annual interest costs. These are renewed annually.

Given the nature, maturity dates and counterparties of the above liabilities, as well as the group's track record of its ability to refinance debt and generate cash flows, notwithstanding the impact of the Covid-19 pandemic, the directors are confident that the company has the ability to continue to meet its liabilities as they fall due for the period to 30 June 2023 and therefore the financial statements have been prepared on a going concern basis.

##### *Statement of compliance*

These financial statements have been prepared in accordance with UK adopted International Accounting Standards ("IAS").

#### 1.2 Changes in accounting policies

##### *New standards and amendments adopted*

None of the new standards effective for the first time for the annual reporting period commencing 1 January 2021 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 these 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.

## Notes to the financial statements

### 1. Accounting policies (continued)

#### 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:

- 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

#### 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.

## Notes to the financial statements

### 1. Accounting policies (continued)

#### 1.4 Significant accounting policies (continued)

##### Revenue recognition (continued)

###### *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.
- 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 the 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.



## Notes to the financial statements

### 1. Accounting policies (continued)

#### 1.4 Significant accounting policies (continued)

##### Revenue recognition (continued)

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

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

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

## Notes to the financial statements

### 1. Accounting policies (continued)

#### 1.4 Significant accounting policies (continued)

##### Investment property

Property (including land held for development and property held by the 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.

##### Property, plant and equipment

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

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

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

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

## Notes to the financial statements

### 1. Accounting policies (continued)

#### 1.4 Significant accounting policies (continued)

##### **Property, plant and equipment** (continued)

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.

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).

## Notes to the financial statements

### 1. Accounting policies (continued)

#### 1.4 Significant accounting policies (continued)

##### Financial instruments (continued)

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.

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.

## Notes to the financial statements

### 1. Accounting policies (continued)

#### 1.4 Significant accounting policies (continued)

##### **Financial instruments (continued)**

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

##### **Interest income**

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

## Notes to the financial statements

### 1. Accounting policies (continued)

#### 1.5 Other accounting policies (continued)

##### **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**

###### *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.

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)

#### 1.5 Other accounting policies (continued)

##### Leases (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.

##### *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.

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.

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

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

## Notes to the financial statements

### 1. Accounting policies (continued)

#### 1.5 Other accounting policies (continued)

##### **Property and land held for sale**

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

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

##### **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 including restricted cash**

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

##### **Government grants**

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

##### **Provisions**

Provisions are recognised when the 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.

##### **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.



**Notes to the financial statements**

**1. Accounting policies (continued)**

**1.5 Other accounting policies (continued)**

**Taxation (continued)**

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 income statement 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.

## Notes to the financial statements

## 2. Revenue

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

	2021	2020
	£m	£m
<b>Revenue</b>		
Call	98.9	91.9
Traffic	234.3	219.6
Cargo operations	35.3	29.0
Shortfall	10.5	13.5
Utilities	17.7	18.6
Dredging	8.3	8.8
Fixed	18.4	11.9
Other	14.4	14.9
<b>Total revenue from contracts with customers</b>	<b>437.8</b>	408.2
Rental income from investment properties	141.2	133.8
<b>Total lease income</b>	<b>141.2</b>	133.8
<b>Total revenue</b>	<b>579.0</b>	542.0

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

Lease income excluding variable lease income amounted to £141.1m (2020: £133.8m) and variable lease income amounted to £0.1 (2020: £nil). Income from subleasing right of use assets amounted to £nil (2020: £nil).

**Revenue from contracts with customers**

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

	2021	2020
	£m	£m
Not later than one year	1.1	0.8
<b>Total</b>	<b>1.1</b>	0.8

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 2021.

**Notes to the financial statements****3. Operating profit**

Operating profit is stated after charging/(crediting):

	<b>2021</b>	<b>2020</b>
	<b>£m</b>	<b>£m</b>
<i>Depreciation</i>		
Property, plant and equipment - included in cost of sales	<b>82.9</b>	77.5
Property, plant and equipment - included in administrative expenses	<b>2.6</b>	2.5
Right of use assets - included in cost of sales	<b>1.5</b>	1.3
Right of use assets - included in administrative expenses	<b>0.8</b>	0.8
<i>Amortisation</i>		
Intangible assets - included in cost of sales	<b>0.4</b>	0.6
Intangible assets - included in administrative expenses	<b>7.4</b>	5.7
<i>Impairment of fixed assets</i>		
Intangible assets - included in administrative expenses	<b>-</b>	0.6
<i>Loss on write off of intangibles and disposal of property, plant and equipment, investment property, property and land held for sale and right of use assets</i>	<b>3.1</b>	0.6
<i>Expense relating to short term leases</i>	<b>2.0</b>	2.0
<i>Expense relating to leases of low value assets</i>	<b>0.1</b>	0.1
<i>Variable lease expenses</i>	<b>0.2</b>	0.2
<i>Repairs and maintenance expenditure on investment property and property, plant and equipment</i>	<b>24.5</b>	23.5
<i>Third party labour and sub-contractor haulage</i>	<b>31.6</b>	28.4
<i>Utilities and fuel</i>	<b>32.2</b>	29.9
<i>Expected credit losses of trade and other receivables (released)/provided</i>	<b>(0.2)</b>	7.2
<i>Exceptional items</i>		
Staff costs provided	<b>0.8</b>	0.9
Other costs (released)/provided	<b>(0.1)</b>	0.5
Staff costs charged directly to the income statement	<b>0.5</b>	1.1
Other costs charged directly to the income statement	<b>1.3</b>	1.5

**4. Audit fees**

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

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
Fees payable to the company's auditor for the audit of the company's annual accounts	<b>257</b>	248
Fees payable to the company's auditor in respect of:		
Audit of the accounts of the group companies	<b>415</b>	424
Other services	<b>10</b>	10

**Notes to the financial statements****4. Audit fees** (continued)

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 £25,000 (2020: £44,068).

**5. Directors and employees**

Staff costs are analysed as follows:

	<b>2021</b>	<b>2020</b>
	<b>£m</b>	<b>£m</b>
<b>Staff costs</b>		
Wages and salaries	<b>107.8</b>	101.6
Social security costs	<b>11.9</b>	11.1
Pension costs (note 15)	<b>12.3</b>	11.4
	<b>132.0</b>	124.1
Exceptional items	<b>1.3</b>	2.0
<b>Total staff costs</b>	<b>133.3</b>	126.1

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

The monthly average number of people employed during the year was 2,245 (2020: 2,257).

Directors emoluments are analysed as follows:

	<b>2021</b>	<b>2020</b>
	<b>£m</b>	<b>£m</b>
<b>Emoluments paid to directors of the company</b>		
Short-term employee benefits	<b>5.1</b>	4.6
Post-employment benefits	<b>0.5</b>	0.4
<b>Total directors emoluments</b>	<b>5.6</b>	5.0

Emoluments comprise amounts paid to the directors of the company by the company, with two (2020: two) directors being paid by the immediate parent undertaking.

Key management compensation is analysed as follows:

	<b>2021</b>	<b>2020</b>
	<b>£m</b>	<b>£m</b>
<b>Key management compensation</b>		
Short-term employee benefits	<b>5.1</b>	4.6
Post-employment benefits	<b>0.5</b>	0.4
<b>Total key management compensation</b>	<b>5.6</b>	5.0

**Notes to the financial statements****5. Directors and employees** (continued)

Key management comprises the directors of the company, including two directors (2020: two) who were also directors of the immediate parent undertaking.

Nine (2020: nine) of the directors are eligible to join the Legal & General Worksave Mastertrust (MyPension Plan) (“Mastertrust”). At 31 December 2021 four (2020: four) directors were contributing members of Mastertrust. No (2020: none) director was a deferred member of the defined benefit section of the ABPGPS and nine (2020: eight) directors received an allowance for contributions towards pensions schemes unconnected with the company.

	2021	2020
	£m	£m
<b>Highest paid director</b>		
Short-term employee benefits	1.5	1.3
Post-employment benefits	0.1	0.1
<b>Total highest paid director</b>	<b>1.6</b>	<b>1.4</b>

**6. Finance costs/(income)**

	2021	2020
	£m	£m
Interest on amounts due to parent undertaking	35.5	41.4
Interest on lease liabilities	0.7	0.8
Net interest charge on net defined benefit liabilities	0.7	0.6
Other finance costs	0.2	0.4
Less: interest capitalised on non-current assets under construction	(3.9)	(2.9)
<b>Finance costs</b>	<b>33.2</b>	<b>40.3</b>
Other finance income	(0.1)	(0.2)
<b>Finance income</b>	<b>(0.1)</b>	<b>(0.2)</b>
<b>Net finance costs</b>	<b>33.1</b>	<b>40.1</b>

**7. Taxation**

	2021	2020
	£m	£m
<b>Analysis of charge/(credit) for the year</b>		
Current year tax	29.8	27.9
Prior period adjustments	(1.4)	(0.1)
<b>Current tax</b>	<b>28.4</b>	<b>27.8</b>
Current year deferred tax	13.3	(1.3)
Rate change adjustments	60.1	17.8
Prior period adjustments	0.6	(0.2)
<b>Deferred tax (note 22)</b>	<b>74.0</b>	<b>16.3</b>
<b>Taxation</b>	<b>102.4</b>	<b>44.1</b>

Current taxation in 2021 and 2020 represents a charge for group relief surrendered by a parent undertaking and tax on profits remaining after offset of group relief.

## Notes to the financial statements

## 7. Taxation (continued)

The deferred tax charge (2020: charge) results from the fair value movements on investment property and pensions and movements resulting from qualifying additions to capital allowances pools. This has been further impacted by the change in tax rate that affects the periods in which the deferred tax is expected to crystallise.

	2021	2020
	£m	£m
<b>Tax on items credited/(charged) to other comprehensive income</b>		
Deferred tax associated with remeasurement gain/loss relating to net retirement benefit liabilities	(12.3)	3.9
Deferred tax on revaluation of investment property	(3.6)	(10.1)

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

	2021	2020
	£m	£m
<b>Profit before taxation</b>	<b>228.1</b>	139.1
Profit before taxation multiplied by standard rate of corporation tax in the UK of 19.0% (2020: 19.0%)	43.3	26.4
Effects of:		
Items allowable for tax	(0.3)	(0.3)
Increase in deferred taxes due to change in tax rates	60.1	17.8
Tax in respect of prior years	(0.7)	0.2
<b>Total tax charge for the company</b>	<b>102.4</b>	44.1
<b>Effective tax rate</b>	<b>44.9%</b>	31.7%
<b>Total tax charge for the company</b>	<b>102.4</b>	44.1
Effects of permanent differences:		
Related party debt - disregarded	1.0	1.1
Depreciation on non-qualifying assets	(1.2)	(0.4)
Other non-qualifying	0.5	(0.4)
Prior year adjustment	0.7	(0.2)
Rate change adjustment	(60.1)	(17.8)
<b>Tax charge for the company after removing permanent differences</b>	<b>43.3</b>	26.4
<b>Tax rate after permanent differences</b>	<b>19.0%</b>	19.0%

In 2021, the tax in respect of prior years related predominantly to revised allocation of capital expenditure in the filed corporation tax returns after detailed review by external specialist consultants.

## Notes to the financial statements

## 8. Intangible assets

	Software £m	Other £m	Total £m
<b>Acquired intangible assets</b>			
<b>2021</b>			
<b>Cost</b>			
At 1 January	147.1	9.1	156.2
Additions	6.9	1.2	8.1
<b>At 31 December</b>	<b>154.0</b>	<b>10.3</b>	<b>164.3</b>
<b>Accumulated amortisation</b>			
At 1 January	(100.6)	(4.9)	(105.5)
Charge for the year	(6.7)	(1.1)	(7.8)
<b>At 31 December</b>	<b>(107.3)</b>	<b>(6.0)</b>	<b>(113.3)</b>
<b>Net book value</b>			
<b>At 1 January</b>	<b>46.5</b>	<b>4.2</b>	<b>50.7</b>
<b>At 31 December</b>	<b>46.7</b>	<b>4.3</b>	<b>51.0</b>

	Software £m	Other £m	Total £m
<b>Acquired intangible assets</b>			
<b>2020</b>			
<b>Cost</b>			
At 1 January	140.3	7.5	147.8
Additions	7.6	1.6	9.2
Disposals	(0.8)	-	(0.8)
<b>At 31 December</b>	<b>147.1</b>	<b>9.1</b>	<b>156.2</b>
<b>Accumulated amortisation</b>			
At 1 January	(95.3)	(4.1)	(99.4)
Charge for the year	(5.5)	(0.8)	(6.3)
Disposals	0.8	-	0.8
Impairment	(0.6)	-	(0.6)
<b>At 31 December</b>	<b>(100.6)</b>	<b>(4.9)</b>	<b>(105.5)</b>
<b>Net book value</b>			
<b>At 1 January</b>	<b>45.0</b>	<b>3.4</b>	<b>48.4</b>
<b>At 31 December</b>	<b>46.5</b>	<b>4.2</b>	<b>50.7</b>

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

## Notes to the financial statements

## 8. Intangible assets (continued)

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

There were no borrowing costs capitalised during the year ended 31 December 2021 (2020: £nil). The weighted average rate used to determine the amount of borrowing costs eligible for capitalisation was 6.3% (2020: 6.8%).

## 9. Property, plant and equipment

	Operational land	Buildings	Dock structures, quays and dredging	Floating craft	Plant and equipment	Assets in the course of construction	Total
	£m	£m	£m	£m	£m	£m	£m
<b>2021</b>							
<b>Cost</b>							
At 1 January	425.6	297.4	801.4	75.3	526.9	95.6	2,222.2
Additions	1.4	14.9	9.3	2.3	11.3	120.8	160.0
Transfers within property, plant and equipment	-	18.0	9.5	1.3	27.2	(56.0)	-
Transfers (to)/from investment property	(1.8)	(1.8)	0.6	-	(0.1)	-	(3.1)
Transfers (to)/from property and land held for sale	(0.5)	-	-	-	-	-	(0.5)
Disposals and write off	(2.2)	(0.4)	(0.7)	(0.2)	(5.1)	-	(8.6)
<b>At 31 December</b>	<b>422.5</b>	<b>328.1</b>	<b>820.1</b>	<b>78.7</b>	<b>560.2</b>	<b>160.4</b>	<b>2,370.0</b>
<b>Accumulated Depreciation</b>							
At 1 January	-	(137.9)	(393.1)	(53.4)	(301.9)	-	(886.3)
Charge for the year	-	(12.7)	(37.3)	(4.6)	(30.9)	-	(85.5)
Transfers to/(from) investment property	-	2.5	-	-	-	-	2.5
Disposals and write off	-	0.2	0.4	0.2	4.5	-	5.3
<b>At 31 December</b>	<b>-</b>	<b>(147.9)</b>	<b>(430.0)</b>	<b>(57.8)</b>	<b>(328.3)</b>	<b>-</b>	<b>(964.0)</b>
<b>Net book value</b>							
<b>At 1 January</b>	<b>425.6</b>	<b>159.5</b>	<b>408.3</b>	<b>21.9</b>	<b>225.0</b>	<b>95.6</b>	<b>1,335.9</b>
<b>At 31 December</b>	<b>422.5</b>	<b>180.2</b>	<b>390.1</b>	<b>20.9</b>	<b>231.9</b>	<b>160.4</b>	<b>1,406.0</b>



## 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
<b>2020</b>							
<b>Cost</b>							
At 1 January	428.3	279.5	749.6	71.0	475.6	100.8	2,104.8
Additions	2.5	7.0	13.7	2.7	18.2	62.6	106.7
Transfers within property, plant and equipment	-	9.3	21.9	2.3	31.5	(65.0)	-
Transfers from /(to) investment property	(5.2)	0.2	0.4	-	2.8	(2.8)	(4.6)
Transfer of grants due to change in accounting policy	-	1.4	15.8	-	2.6	-	19.8
Disposals and write off	-	-	-	(0.7)	(3.8)	-	(4.5)
<b>At 31 December</b>	<b>425.6</b>	<b>297.4</b>	<b>801.4</b>	<b>75.3</b>	<b>526.9</b>	<b>95.6</b>	<b>2,222.2</b>
<b>Accumulated depreciation</b>							
At 1 January	-	(125.2)	(345.8)	(50.0)	(274.4)	-	(795.4)
Charge for year	-	(11.4)	(36.1)	(4.1)	(28.4)	-	(80.0)
Transfer of grants due to change in accounting policy	-	(1.3)	(11.2)	-	(2.5)	-	(15.0)
Disposals and write off	-	-	-	0.7	3.4	-	4.1
<b>At 31 December</b>	<b>-</b>	<b>(137.9)</b>	<b>(393.1)</b>	<b>(53.4)</b>	<b>(301.9)</b>	<b>-</b>	<b>(886.3)</b>
<b>Net book value</b>							
At 1 January	428.3	154.3	403.8	21.0	201.2	100.8	1,309.4
<b>At 31 December</b>	<b>425.6</b>	<b>159.5</b>	<b>408.3</b>	<b>21.9</b>	<b>225.0</b>	<b>95.6</b>	<b>1,335.9</b>

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

## Notes to the financial statements

## 10. Right of use assets

	Operational land £m	Buildings £m	Plant and equipment £m	Total £m
<b>2021</b>				
<b>Cost</b>				
At 1 January	2.2	4.1	6.7	13.0
Additions	0.2	0.2	0.9	1.3
Disposals and write off	-	-	(0.5)	(0.5)
<b>At 31 December</b>	<b>2.4</b>	<b>4.3</b>	<b>7.1</b>	<b>13.8</b>
<b>Accumulated Depreciation</b>				
At 1 January	(0.2)	(1.2)	(4.8)	(6.2)
Charge for the year	(0.2)	(0.5)	(1.6)	(2.3)
Disposals and write off	-	-	0.5	0.5
<b>At 31 December</b>	<b>(0.4)</b>	<b>(1.7)</b>	<b>(5.9)</b>	<b>(8.0)</b>
<b>Net book value</b>				
<b>At 1 January</b>	<b>2.0</b>	<b>2.9</b>	<b>1.9</b>	<b>6.8</b>
<b>At 31 December</b>	<b>2.0</b>	<b>2.6</b>	<b>1.2</b>	<b>5.8</b>
<b>2020</b>				
<b>Cost</b>				
At 1 January	2.2	3.9	6.3	12.4
Additions	-	0.2	0.4	0.6
<b>At 31 December</b>	<b>2.2</b>	<b>4.1</b>	<b>6.7</b>	<b>13.0</b>
<b>Accumulated depreciation</b>				
At 1 January	(0.1)	(0.6)	(3.4)	(4.1)
Charge for year	(0.1)	(0.6)	(1.4)	(2.1)
<b>At 31 December</b>	<b>(0.2)</b>	<b>(1.2)</b>	<b>(4.8)</b>	<b>(6.2)</b>
<b>Net book value</b>				
At 1 January	2.1	3.3	2.9	8.3
<b>At 31 December</b>	<b>2.0</b>	<b>2.9</b>	<b>1.9</b>	<b>6.8</b>

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.

## Notes to the financial statements

## 11. Investment property

	Port- related investment properties £m	Other investment properties £m	Land at ports held for development £m	Total £m
<b>2021</b>				
<b>At valuation</b>				
At 1 January	1,876.3	219.9	48.8	2,145.0
Additions	14.5	1.8	3.5	19.8
Disposal	(0.3)	(0.3)	-	(0.6)
Transfers within investment property	1.7	(0.4)	(1.3)	-
Transfers (to)/from property, plant and equipment	(1.1)	1.7	-	0.6
Transfers from/(to) property and land held for sale	-	0.1	(0.4)	(0.3)
	<b>1,891.1</b>	<b>222.8</b>	<b>50.6</b>	<b>2,164.5</b>
Surplus on revaluation	13.0	1.9	-	14.9
Increase/(decrease) in fair value of investment properties	36.7	11.0	(2.7)	45.0
<b>At 31 December</b>	<b>1,940.8</b>	<b>235.7</b>	<b>47.9</b>	<b>2,224.4</b>

	Port-related investment properties £m	Other investment properties £m	Land at ports held for development £m	Total £m
<b>2020</b>				
<b>At valuation</b>				
At 1 January	1,860.1	209.5	48.2	2,117.8
Additions	23.4	2.5	2.2	28.1
Disposals	(9.1)	-	(0.8)	(9.9)
Transfers within investment property	(8.9)	8.9	-	-
Transfers (to)/from property, plant and equipment	5.3	0.4	(1.1)	4.6
	<b>1,870.8</b>	<b>221.3</b>	<b>48.5</b>	<b>2,140.6</b>
Surplus on revaluation	14.9	2.2	0.5	17.6
Decrease in fair value of investment properties	(9.4)	(3.6)	(0.2)	(13.2)
<b>At 31 December</b>	<b>1,876.3</b>	<b>219.9</b>	<b>48.8</b>	<b>2,145.0</b>

During the year £14.9m (2020: £17.6m) 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 £45.0m (2020: decrease of £13.2m) 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 2021 was £0.8m (2020: £0.3m). The weighted average rate used to determine the amount of borrowing costs eligible for capitalisation was 6.3% (2020: 6.8%).

## Notes to the financial statements

### 11. Investment property (continued)

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.

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.

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

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

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

<b>2021</b>	<b>Port-related investment properties</b>	<b>Other investment properties and land held for development</b>	<b>Total</b>
<b>Observable</b>			
Average income per acre £'000	96.7	8.1	48.4
Income range per acre £'000	0 - 523	0 - 157	0 - 523
<b>Unobservable</b>			
Yield – average %	11.4	12.0	11.6
Yield – range %	6.0 – 33.3	5.8 – 17.5	5.8 – 33.3
<b>Other assumptions</b>			
Other purchasers' costs %	1.8	1.8	1.8

<b>2020</b>	<b>Port-related investment properties</b>	<b>Other investment properties and land held for development</b>	<b>Total</b>
<b>Observable</b>			
Average income per acre £'000	91.2	8.4	45.8
Income range per acre £'000	0 - 489	0 - 164	0 - 489
<b>Unobservable</b>			
Yield – average %	11.5	12.2	11.8
Yield – range %	6.0 – 33.3	6.0 – 17.5	6.0 – 33.3
<b>Other assumptions</b>			
Other purchasers' costs %	1.8	1.8	1.8

The most sensitive input to the valuation of investment property is the yield, which for 2021 averages 11.6% (2020: 11.8%). A decrease in the average yield of 0.5% would result in an increase in the aggregate valuation of £100.2m (2020: £94.9m) and an increase in the average yield of 0.5% would result in a decrease in the aggregate valuation of £91.9m (2020: £87.2m). 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 £141.2m (2020: £133.8m) and related operating expenses amounted to £2.5m (2020: £2.4m). Direct operating expenses relating to vacant property are considered to be immaterial.

## Notes to the financial statements

## 12. Investments

	Interest in subsidiary undertakings £m
At 31 December 2020	54.6
<b>At 31 December 2021</b>	<b>54.6</b>

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

## 13. Trade and other receivables

	2021 £m	2020 £m
<b>Non-current</b>		
Accrued income	1.6	1.3
Other receivables	3.3	4.9
<b>Total non-current trade and other receivables</b>	<b>4.9</b>	<b>6.2</b>
<b>Current</b>		
Gross trade receivables	70.4	51.5
Amounts due from group undertakings	1.5	1.5
Prepayments	7.2	5.7
Accrued income	22.1	27.1
Other receivables	11.5	11.9
<b>Gross current trade and other receivables</b>	<b>112.7</b>	<b>97.7</b>
Allowance for expected credit losses	(10.4)	(10.6)
<b>Total current trade and other receivables</b>	<b>102.3</b>	<b>87.1</b>

During the year the company ended use of an invoice receivable sale facility, which allowed the sale of receivables of up to £25.0m to the counterparty bank. The counterparty bank has no recourse to the company in respect of unpaid amounts. At 31 December 2021, no invoices (2020: £10.6m) were sold as part of this facility and derecognised from the balance sheet.

Amounts due from group 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 2021, contract assets of £1.3m (2020: £1.1m) were included in current accrued income net of an allowance for expected credit losses of £nil (2020: £nil).

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

## Notes to the financial statements

## 13. Trade and other receivables (continued)

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

	2021 £m	2020 £m
At 1 January	(10.6)	(3.9)
Provision for expected credit losses	(3.6)	(11.4)
Expected credit losses reversed	3.3	4.2
Receivables written off as uncollectable	0.5	0.5
<b>At 31 December</b>	<b>(10.4)</b>	<b>(10.6)</b>

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

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

	2021 £m	2020 £m	2021 %	2020 %
Not yet overdue	81.3	70.6	11.0	12.3
Up to 3 months	10.4	6.9	7.3	14.6
3 to 6 months	0.2	0.6	55.0	51.1
Over 6 months	0.6	0.6	100.0	99.7

As at 31 December 2021 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:

	2021 £m	2020 £m
Up to 3 months	9.8	5.9
3 to 6 months	0.1	0.3
Over 6 months	-	-
<b>Total past due but not impaired receivables</b>	<b>9.9</b>	<b>6.2</b>

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

**Notes to the financial statements****14. Property and land held for sale**

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

The historical cost of property and land held for sale is £0.8m (2020: £0.3m).

**15. Pension commitments**

The company participates in a number of pension schemes:

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

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

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

**Summary*****Income statement***

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

	<b>2021</b>	<b>2020</b>
	<b>£m</b>	<b>£m</b>
ABPGPS and unfunded retirement benefit arrangements	<b>2.2</b>	2.3
Industry wide schemes	<b>0.1</b>	0.2
Defined contribution arrangements	<b>10.0</b>	8.9
<b>Net pension charge recognised within operating profit</b>	<b>12.3</b>	11.4
Net interest charge on net defined benefit liabilities	<b>0.7</b>	0.6
<b>Net pension charge recognised in loss before taxation</b>	<b>13.0</b>	12.0



**Notes to the financial statements****15. Pension commitments** (continued)***Balance sheet***

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

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

The use of the latest best estimate mortality assumptions and the investment return being higher than the return implied by the discount rate has led to a decrease in liabilities and an actuarial gain in the ABPGPS during the year. The result is that the scheme's surplus has increased to £60.8m (2020: £2.0m surplus).

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

**Schemes accounted for on a defined benefit basis*****ABPGPS and unfunded retirement benefit arrangements***

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

The last triennial valuation of the ABPGPS was as at 31 December 2020 and was finalised on 15 December 2021. The valuation of the liabilities as at 31 December 2021 has been derived by projecting forward the position as at 31 December 2020. This exercise was performed by an independent actuary, Willis Towers Watson. The present value of the defined benefit obligations and the related current service cost were measured using the Projected Unit Credit method. The present value of pension liabilities has been determined by discounting pension commitments (including an allowance for salary growth) using a high-quality corporate bond yield.

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

**Notes to the financial statements****15. Pension commitments (continued)****Schemes accounted for on a defined benefit basis (continued)**

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

Based on summary membership data, and taking a simplified approach to determine an estimate, with no explicit margins for prudence, it has been estimated by the actuary, Willis Towers Watson, that the financial effect of equalizing benefits due to the Guaranteed Minimum Pensions (GMPs) in the ABPGPS was approximately 0.1% increase in the Scheme's liabilities as at 31 December 2018 and this view is unchanged. Willis Towers Watson have subsequently estimated that the additional uplift required allowing for GMP equalization of past transfers, following the Lloyds court case at the end of November 2020, would be nil (when rounded to the nearest £0.1m).

***The Pilots National Pension Fund ("PNPF")***

The PNPF is an industry-wide defined benefit scheme, with all categories of members being either employed or self-employed. The triennial valuation as at 31 December 2019, which was approved on 23 March 2021, revealed a deficit falling short of that anticipated by the Recovery Plan put in place following completion of the 2010 valuation. This has resulted in a further Recovery Plan being put in place with Participating Bodies from 1 January 2021. No change has been made to the first Recovery Plan and these payments will continue as planned.

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

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

Other risks associated with the group's share of the net liabilities of the scheme include potential challenges from participating bodies to the allocation of liabilities in relation to self-employed members to sponsoring employers and the impact of participating bodies leaving the scheme (e.g. under Section 75 of the Pensions Act).

On 1 January 2021 the PNPF was closed to new entrants and a Cash Balance Section established. In previous years the group provided for an impending s75 debt, which would be payable upon the retirement of the group's last remaining member of the PNPF. Following the introduction of the Cash Balance Section of the PNPF the risk associated with this obligation no longer exists and consequently the provision was reduced to £nil.

## Notes to the financial statements

## 15. Pension commitments (continued)

## Schemes accounted for on a defined benefit basis (continued)

*Assumptions*

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

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

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

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

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

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

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

	ABPGPS		PNPF	
	2021	2020	2021	2020
	Years	Years	Years	Years
Male life expectancy retiring at age 60 in 15 years	<b>26.6</b>	27.4	<b>27.0</b>	26.7
Female life expectancy retiring at age 60 in 15 years	<b>28.9</b>	29.9	<b>29.7</b>	29.0

*Sensitivities*

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

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

## Notes to the financial statements

## 15. Pension commitments (continued)

## Schemes accounted for on a defined benefit basis (continued)

*Balance sheet*

Changes in fair value of scheme assets were as follows:

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

Changes in fair value of scheme obligations were as follows:

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

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

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

## Notes to the financial statements

## 15. Pension commitments (continued)

## Schemes accounted for on a defined benefit basis (continued)

Returns on assets and interest on liabilities are determined by reference to the actuarial assumptions adopted at the beginning of each financial period. The actual return on assets for 2021 was a gain of £25.2m (2020: gain of £48.4m) for the ABPGPS and unfunded retirement benefit arrangements and a gain of £2.4m (2020: loss of £8.5m) for the PNPf.

The scheme's assets were represented by investments in:

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

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

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

*Historical record – ABPGPS and unfunded retirement benefit arrangements*

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

## Notes to the financial statements

## 15. Pension commitments (continued)

## Schemes accounted for on a defined benefit basis (continued)

*Historical record – PNPf*

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

## Schemes accounted for on a defined contribution basis

*The Merchant Navy Officers Pension Fund (“MNOF”)*

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 2021 and 2020 the group had no contributions to this scheme.

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

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

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

*The Ensign Retirement Plan (“ERP”)*

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

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

**Notes to the financial statements****15. Pension commitments** (continued)**Schemes accounted for on a defined contribution basis** (continued)

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

**Schemes accounted for on a cash balance basis*****The Pilots' National Pension Fund Cash Balance Section***

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

**16. Borrowings**

	<b>2021</b>	<b>2020</b>
	<b>£m</b>	<b>£m</b>
<b>Current</b>		
Lease liabilities	1.7	3.0
<b>Total current borrowings</b>	<b>1.7</b>	<b>3.0</b>
<b>Non-current</b>		
Amounts due to parent undertaking	591.9	606.8
Lease liabilities	6.5	6.8
<b>Total non-current borrowings</b>	<b>598.4</b>	<b>613.6</b>

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:

	<b>2021</b>	<b>2020</b>
	<b>£m</b>	<b>£m</b>
At 1 January	9.8	11.2
Additions	0.5	0.6
Interest expense	0.7	0.8
Payments	(3.6)	(2.8)
Remeasurement	0.8	-
<b>At 31 December</b>	<b>8.2</b>	<b>9.8</b>

Lease liabilities are secured on the related leased assets.

**Notes to the financial statements****16. Borrowings (continued)**

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.

**17. Derivative financial instruments**

The company uses derivatives to manage its exposure to fuel prices and foreign exchange rates. 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:

<b>2021</b>	<b>Expiry</b>	<b>Notional</b>	<b>Net amounts of financial assets presented in the balance sheet £m</b>	<b>Net amounts of financial liabilities presented in the balance sheet £m</b>
<b>At fair value through profit and loss</b>				
Fuel swaps and caps	2022-2024	26.4m litres	1.2	-
Forward foreign exchange contracts	2022	£3.4m	-	-
<b>Fair value of derivative financial instruments</b>			<b>1.2</b>	<b>-</b>
Derivatives not offset in the balance sheet*			-	-
<b>Net amount</b>			<b>1.2</b>	<b>-</b>

\*Right to offset under master netting arrangements.

<b>2020</b>	<b>Expiry</b>	<b>Notional</b>	<b>Net amounts of financial assets presented in the balance sheet £m</b>	<b>Net amounts of financial liabilities presented in the balance sheet £m</b>
<b>At fair value through profit and loss</b>				
Fuel swaps and caps	2021-2023	24.0m litres	-	(1.5)
<b>Fair value of derivative financial instruments</b>			<b>-</b>	<b>(1.5)</b>
Derivatives not offset in the balance sheet*			-	-
<b>Net amount</b>			<b>-</b>	<b>(1.5)</b>

\*Right to offset under master netting arrangements.



**Notes to the financial statements****17. Derivative financial instruments** (continued)

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

	<b>2021</b>	<b>2020</b>
	<b>£m</b>	<b>£m</b>
Current assets	<b>0.7</b>	-
Non-current assets	<b>0.5</b>	-
<b>Total assets</b>	<b>1.2</b>	-
Current liabilities	-	(0.8)
Non-current liabilities	-	(0.7)
<b>Total liabilities</b>	-	(1.5)

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

**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 ABPA Holdings group weighted average cost of external debt and there have been no significant changes in credit risk since the issue of the instruments. A cash flow projection approach has been used with reference to observed market returns and accords to Level 2 in the fair value hierarchy; and
- 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.
- The fair value of foreign exchange contracts is based on market price, corresponding to Level 1 in the fair value hierarchy.

**Notes to the financial statements****18. Financial instruments (continued)****Financial risk management**

Treasury matters throughout the 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 in accordance with the Treasury Policy which applies to the entire group of the company’s ultimate parent undertaking, ABP (Jersey) Limited. This ensures that cash and committed borrowing facilities are maintained at levels that provide a reasonable headroom in excess of the forecast requirements of all entities within the group. Management monitors rolling forecasts of the group’s liquidity reserves (comprised of committed undrawn borrowing facilities and cash and cash equivalents) on the basis of expected cash flows.

The table below analyses the company’s financial liabilities, excluding finance leases which are disclosed further below, based on undiscounted contractual payments:

	<b>Borrowings (excluding lease liabilities) £m</b>	<b>Lease liabilities £m</b>	<b>Derivative financial instruments £m</b>	<b>Trade and other payables £m</b>	<b>Total £m</b>
<b>2021</b>					
Not later than one year	37.1	2.6	-	155.8	195.5
More than one year but not more than two years	74.3	1.6	-	45.8	121.7
More than two years but not more than five years	111.3	3.2	-	10.3	124.8
More than five years	1,055.4	50.6	-	10.8	1,116.8
<b>Total payments</b>	<b>1,278.1</b>	<b>58.0</b>	<b>-</b>	<b>222.7</b>	<b>1,558.8</b>

## Notes to the financial statements

## 18. Financial instruments (continued)

## Financial risk management (continued)

	Borrowings (excluding lease liabilities) £m	Lease liabilities £m	Derivative financial instruments £m	Trade and other payables £m	Total £m
<b>2020</b>					
Not later than one year	40.0	2.5	0.7	183.6	226.8
More than one year but not more than two years	80.1	2.3	0.5	45.8	128.7
More than two years but not more than five years	120.2	4.1	0.3	2.6	127.2
More than five years	1,142.8	50.7	-	9.4	1,202.9
<b>Total payments</b>	<b>1,383.1</b>	<b>59.6</b>	<b>1.5</b>	<b>241.4</b>	<b>1,685.6</b>

Principal and interest on borrowings due to parent undertaking are payable on final maturity in 2040, 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.

The table below analyses the company's forward foreign exchange contracts which will be settled on a gross basis, into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	2021		2020	
	Total outflows £m	Total inflows £m	Total outflows £m	Total inflows £m
<b>Forward foreign exchange contracts</b>				
Not later than one year	-	-	-	-
<b>Total forward foreign exchange contracts</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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:

	2021 £m	2020 £m
Expiring in:		
More than five years	208.1	193.2
<b>Undrawn borrowing facilities</b>	<b>208.1</b>	<b>193.2</b>

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 2021 was £350.0m (2020: £400.0m).

**Notes to the financial statements**

**18. Financial instruments (continued)**

**Financial risk management (continued)**

*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 3 days from 31 December 2021.

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.

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 2021 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 2020.

## Notes to the financial statements

## 19. Trade and other payables

	2021 £m	2020 £m
<b>Current</b>		
Trade payables	24.6	22.8
Amounts due to parent undertaking	-	35.2
Amounts due to group undertakings	59.0	60.0
Amounts due to subsidiary undertakings	12.6	12.9
Accruals	52.8	45.7
Other creditors	3.4	3.6
Taxation	3.4	3.3
<b>Total current trade and other payables</b>	<b>155.8</b>	<b>183.5</b>
<b>Non-current</b>		
Amounts due to subsidiary undertakings	45.8	45.8
Accruals	10.3	2.6
Security deposits	10.8	9.4
<b>Total non-current trade and other payables</b>	<b>66.9</b>	<b>57.8</b>

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

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

## 20. Deferred income

	Contract liability £m	Deferred property income £m	Government grants £m	Total £m
At 1 January 2020	5.1	81.4	-	86.5
Grants transferred from property, plant and equipment	-	-	4.8	4.8
Credited to income statement during the year	(4.4)	(25.4)	(0.4)	(30.2)
Amounts received in advance and deferred	7.5	30.1	1.9	39.5
<b>At 31 December 2020</b>	<b>8.2</b>	<b>86.1</b>	<b>6.3</b>	<b>100.6</b>
Credited to income statement during the year	(3.7)	(27.6)	(1.4)	(32.7)
Amounts received in advance and deferred	4.8	23.9	32.0	60.7
<b>At 31 December 2021</b>	<b>9.3</b>	<b>82.4</b>	<b>36.9</b>	<b>128.6</b>

## Notes to the financial statements

## 20. Deferred income (continued)

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

	2021 £m	2020 £m
Current	37.8	28.5
Non-current	90.8	72.1
<b>Total deferred income</b>	<b>128.6</b>	<b>100.6</b>

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.

Government grants received during the year of £32.0m related predominantly to the Border Control Posts scheme overseen by the Port Infrastructure Fund and the new Horizon Cruise Terminal in Southampton. These relate to projects that are not yet complete and the granting authority reserves the right to claw back funding granted in the event that the project is not delivered successfully.

## 21. Provisions

	Restructuring £m	Self Insurance £m	Other £m	Total £m
<b>2021</b>				
At 1 January	0.9	15.6	11.8	28.3
Charged to income statement during the year	0.4	-	13.7	14.1
Utilised in the year	(1.0)	(0.3)	(2.2)	(3.5)
Amortisation of discounting	-	0.2	-	0.2
<b>At 31 December</b>	<b>0.3</b>	<b>15.5</b>	<b>23.3</b>	<b>39.1</b>
Expected utilisation within one year	0.3	0.5	18.5	19.3

	Restructuring £m	Self insurance £m	Other £m	Total £m
<b>2020</b>				
At 1 January	2.5	15.6	3.1	21.2
Charged to income statement during the year	0.5	-	9.7	10.2
Utilised in the year	(2.1)	(0.2)	(1.0)	(3.3)
Amortisation of discounting	-	0.2	-	0.2
<b>At 31 December</b>	<b>0.9</b>	<b>15.6</b>	<b>11.8</b>	<b>28.3</b>
Expected utilisation within one year	0.9	0.5	6.9	8.3

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

	2021 £m	2020 £m
Current	19.3	8.3
Non-current	19.8	20.0
<b>Total provisions</b>	<b>39.1</b>	<b>28.3</b>

## Notes to the financial statements

### 21. Provisions (continued)

#### 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 was been raised for restructuring in relation to these programmes, which primarily includes staff and consultancy related costs. These are ongoing in 2022 and the remaining provision is expected to be utilised within one year.

#### Self insurance

The company self-insures various matters 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 has 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 company's share of the exposure. Cash flows, where appropriate, have been projected and discounted on a pre-tax basis using a discount rate of 2.63% (2020: 1.68%). The actuarial assessment identified a reasonable discounted estimate of the reserves to be £10.4m with an estimated high end of the range of £15.7m. In the light of uncertainty associated with asbestos related claims, the group continues to provide at close to the top end of the range.

The remaining parts of the provision are reviewed by the company's internal insurance department and updated in line with insurance claims expectations. The company has an amount within trade and other receivables of £1.2m (2020: £1.2m) expected to be recoverable from insurers relating to these provisions.

#### Other

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

In January 2020, the Health and Safety Executive commenced legal action against the company in relation to an accident which occurred in 2015 and the company made a provision for this which was utilised during 2021 on conclusion of the case.

### 22. Deferred tax

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

## Notes to the financial statements

## 22. Deferred tax (continued)

The movement on deferred tax is shown below:

	2020 £m	Adjustments in respect of previous periods charged/ (credited) to income statement £m	Adjustments in respect of previous periods charged to OCI £m	Charged/ (credited) to income statement £m	Charged/ (credited) to OCI £m	2021 £m
Accelerated tax depreciation	79.7	0.7	-	29.6	-	110.0
Revaluation of operational land and investment properties	116.2	-	-	45.4	3.6	165.2
Capital losses	(9.5)	-	-	(3.2)	-	(12.7)
Retirement benefit obligations	(9.4)	-	0.2	2.5	12.1	5.4
Other	(2.8)	(0.1)	-	(0.9)	-	(3.8)
<b>Net deferred tax liability</b>	<b>174.2</b>	<b>0.6</b>	<b>0.2</b>	<b>73.4</b>	<b>15.7</b>	<b>264.1</b>

	2019 £m	Adjustments in respect of previous periods charged/ (credited) to income statement £m	Adjustments in respect of previous periods charged to OCI £m	Charged/ (credited) to income statement £m	Charged/ (credited) to OCI £m	2020 £m
Accelerated tax depreciation	71.7	(0.3)	-	8.3	-	79.7
Revaluation of operational land and investment properties	97.0	-	-	9.1	10.1	116.2
Capital losses	(9.0)	0.1	-	(0.6)	-	(9.5)
Retirement benefit obligations	(6.8)	-	1.6	1.3	(5.5)	(9.4)
Other	(1.2)	-	-	(1.6)	-	(2.8)
<b>Net deferred tax liability</b>	<b>151.7</b>	<b>(0.2)</b>	<b>1.6</b>	<b>16.5</b>	<b>4.6</b>	<b>174.2</b>

The company has unrecognised capital losses of £314.1m (2020: £314.1m) that have no expiry date and are only available for offset against gains from future sales of land and buildings from the port estates. These have not been recognised, as gains from future property sales cannot be projected with sufficient certainty.



## Notes to the financial statements

## 23. Cash generated by operations

Reconciliation of profit before taxation to cash generated by operations:	<b>2021</b>	<b>2020</b>
	<b>£m</b>	<b>£m</b>
Profit before taxation	<b>228.1</b>	139.1
Finance costs	<b>33.2</b>	40.3
Finance income	<b>(0.1)</b>	(0.2)
Net unrealised (gain)/loss on operating derivatives	<b>(2.7)</b>	1.4
Depreciation of property, plant and equipment and right of use assets	<b>87.8</b>	82.1
Amortisation of intangible assets	<b>7.8</b>	6.3
Impairment of intangible assets	<b>-</b>	0.6
Loss on write off of intangibles and disposal of property, plant and equipment, investment property, property and land held for sale and right of use assets	<b>3.1</b>	0.6
Increase in provisions	<b>10.6</b>	6.9
(Increase)/decrease in fair value of investment properties	<b>(45.0)</b>	13.2
Difference between pension contributions paid and defined benefit pension charge through profit and loss	<b>(10.1)</b>	(9.9)
Operating cash flows before movements in working capital	<b>312.7</b>	280.4
(Increase)/decrease in trade and other receivables	<b>(16.3)</b>	24.8
Increase/(decrease) in trade and other payables	<b>(28.0)</b>	18.1
<b>Cash generated by operations</b>	<b>268.4</b>	323.3

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

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

	At 1 January	Cash	Non-cash	At 31
	liability	flows	changes	December
	£m	£m	£m	liability
2021	£m	£m	£m	£m
Long-term intercompany borrowings	(606.8)	199.7	(184.8)	<b>(591.9)</b>
Lease liabilities	(9.8)	3.6	(2.0)	<b>(8.2)</b>
<b>Total</b>	<b>(616.6)</b>	<b>203.3</b>	<b>(186.8)</b>	<b>(600.1)</b>

	At 1 January	Cash	Non-cash	At 31
	liability	flows	changes	December
	£m	£m	£m	liability
2020	£m	£m	£m	£m
Long-term intercompany borrowings	(591.4)	49.5	(64.9)	<b>(606.8)</b>
Lease liabilities	(11.2)	2.8	(1.4)	<b>(9.8)</b>
<b>Total</b>	<b>(602.6)</b>	<b>52.3</b>	<b>(66.3)</b>	<b>(616.6)</b>

**Notes to the financial statements****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 (2020: £0.2m) in respect of administrative services. At 31 December 2021 £nil (2020: £nil) remained owing to the company by ABPGPS in respect of these charges.

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

<b>Name</b>	<b>Relationship</b>
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
ABPH Marine (Guernsey) 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:

<b>Entity</b>	<b>Due date</b>	<b>Rate per annum</b>	<b>2021 £m</b>	<b>2020 £m</b>
Associated British Ports Holdings Limited	2040	6.5%	(591.9)	(606.8)

## Notes to the financial statements

## 24. Related party transactions (continued)

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:

<b>Associated British Ports Holdings Limited</b>	<b>2021</b>	<b>2020</b>
	<b>£m</b>	<b>£m</b>
Intercompany borrowing at start of the year	<b>(606.8)</b>	(591.4)
(Increase)/decrease in payable	<b>(24.1)</b>	(23.4)
Interest charged – 6.5% per annum (2020: 6.9%)	<b>(15.0)</b>	(41.5)
Dividends accrued	<b>(130.0)</b>	-
Dividends paid	<b>100.0</b>	-
Interest paid	<b>58.0</b>	24.6
Net cash paid	<b>26.0</b>	24.9
<b>Intercompany borrowing at end of the year</b>	<b>(591.9)</b>	(606.8)

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

	<b>2021</b>	<b>2020</b>
	<b>£m</b>	<b>£m</b>
ABP (Aldwych) Limited	<b>1.5</b>	1.5
Immingham Bulk Terminal Limited	<b>(8.6)</b>	(9.3)
W.E. Dowds (Shipping) Limited	<b>(0.9)</b>	(1.2)
Grosvenor Waterside Investments Limited	<b>(38.7)</b>	(38.7)
ABP Acquisitions UK Limited	<b>-</b>	(35.2)
The Teignmouth Quay Company Limited	<b>(11.7)</b>	(11.7)
ABP Property Development Company Limited	<b>(5.0)</b>	(5.0)
ABP Southampton Properties Limited	<b>(4.1)</b>	(4.1)
ABP Marine Environmental Research Limited	<b>(1.7)</b>	(2.0)
Auto Shipping Limited	<b>(0.5)</b>	(0.5)
ABPH Marine (Guernsey) Limited	<b>(0.1)</b>	(0.1)
Grosvenor Waterside Asset Management Limited	<b>(0.1)</b>	(0.1)
Millbay Development Company Limited	<b>(0.1)</b>	(0.1)
ABP Security Limited	<b>(0.1)</b>	(0.1)
<b>Total current balances</b>	<b>(70.1)</b>	(106.6)
Colchester Dock Transit Company Limited	<b>(5.3)</b>	(5.3)
Exxtor Shipping Services Limited	<b>(11.2)</b>	(11.2)
Humber Pilotage (C.H.A.) Limited	<b>(2.0)</b>	(2.0)
Ipswich Port Limited	<b>(24.7)</b>	(24.7)
Northern Cargo Services Limited	<b>(1.1)</b>	(1.1)
Southampton Free Trade Zone Limited	<b>(1.5)</b>	(1.5)
<b>Total non-current balances</b>	<b>(45.8)</b>	(45.8)

**Notes to the financial statements****24. Related party transactions (continued)**

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:

<b>Immingham Bulk Terminal Limited</b>	<b>2021</b>	<b>2020</b>
	<b>£m</b>	<b>£m</b>
Intercompany (payable)/receivable at start of the year	(9.3)	2.0
Movement for the year	0.7	(11.3)
Intercompany payable at end of the year	(8.6)	(9.3)
<b>W.E. Dowds (Shipping) Limited</b>	<b>2021</b>	<b>2020</b>
	<b>£m</b>	<b>£m</b>
Intercompany (payable)/receivable at start of the year	(1.2)	0.5
Movement for the year	0.3	(1.7)
Intercompany (payable)/receivable at end of the year	(0.9)	(1.2)
<b>ABP Acquisitions UK Limited</b>	<b>2021</b>	<b>2020</b>
	<b>£m</b>	<b>£m</b>
Intercompany payable at start of the year	(35.2)	(35.1)
Movement for the year	35.2	(0.1)
Intercompany payable at end of the year	-	(35.2)
<b>ABP Marine Environmental Research Limited</b>	<b>2021</b>	<b>2020</b>
	<b>£m</b>	<b>£m</b>
Intercompany payable at start of the year	(2.0)	(2.4)
Movement for the year	0.3	0.4
Intercompany payable at end of the year	(1.7)	(2.0)
<b>Grosvenor Waterside Investments Limited</b>	<b>2021</b>	<b>2020</b>
	<b>£m</b>	<b>£m</b>
Intercompany payable at start of the year	(38.7)	(38.5)
Movement for the year	-	(0.2)
Intercompany payable at end of the year	(38.7)	(38.7)

**25. Financial commitments****Capital commitments**

	<b>2021</b>	<b>2020</b>
	<b>£m</b>	<b>£m</b>
Capital expenditure contracted but not provided for	16.0	33.6

## Notes to the financial statements

### 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.

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.

On 28 February 2019 there was a fatal injury to a crew member on the UKD Cherry Sand which occurred during a berthing operation at the Port of Rosyth (a non-ABP port). In accordance with usual process, a Fatal Accident Inquiry took place in January 2022 and the Sheriff's determination is awaited. The Crown has not yet provided confirmation of their position in relation to whether it intends to prosecute ABP in relation to this accident.

### 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 18.

During the year the company had total cash outflows for leases of £5.9m (2020: £5.1m). Leases committed but not yet commenced is £nil (2020: £nil).

#### Company as lessor

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

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.

**Notes to the financial statements****27. Leases (continued)****Company as lessor (continued)**

Maturity analysis of future minimum lease income receivable under non-cancellable operating leases is as follows:	2021 £m	2020 £m
Not later than one year	96.5	101.5
More than one year but not more than two years	80.2	81.1
More than two years but not more than three years	70.5	71.3
More than three years but not more than four years	64.8	65.6
More than four years but not more than five years	60.0	62.6
More than five years	793.6	922.7
<b>Total</b>	<b>1,165.6</b>	<b>1,304.8</b>

**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.

	<b>% held by Company</b>
<b>Subsidiary undertakings: Ports and transport</b>	
W.E. Dowds (Shipping) Limited	100
<b>Subsidiary undertakings: Group services</b>	
UK Dredging Management Limited	100
W.E.D. (Services) Limited	100
<b>Subsidiary undertakings: Dormant</b>	
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
RPM Industrial Site 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

## Notes to the financial statements

**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 UK adopted International Accounting Standards ("IAS"). 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 International Financial Reporting Standards as adopted by the European Union 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.

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

<b>2021</b>	<b>% of A Ordinary shares</b>	<b>% of B Ordinary shares</b>	<b>% of Preference shares</b>
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
Wren House Infrastructure LP (controlled by Kuwait Investment Authority)	10.00	10.00	10.00
Anchorage Ports LLP (owned by Hermes GPE Infrastructure Fund LP, Hermes Infrastructure (SAP I) LP and Hermes Infrastructure (Alaska) LP)	6.12	6.12	6.12
	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

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

## Notes to the financial statements

## 29. Holding company and ultimate controlling parties (continued)

2020	% of A Ordinary shares	% of B Ordinary shares	of Preference shares
Borealis ABP Holdings B.V. (owned by OMERS Administration Corporation)	22.10	22.10	22.09
Borealis Ark Holdings B.V. (owned by OMERS Administration Corporation)	7.90	7.90	7.91
CPPIB (Hong Kong) Limited (owned by Canada Pension Plan Investment Board)	30.00	33.88	33.88
9348654 Canada Inc.	3.88	-	-
Cheyne Walk Investment Pte Limited (owned by GIC (Ventures) Pte Limited)	20.00	20.00	20.00
Kuwait Investment Authority	10.00	10.00	10.00
Anchorage Ports LLP (owned by Hermes GPE Infrastructure Fund LP, Hermes Infrastructure (SAP I) LP and Hermes Infrastructure (Alaska) LP)	6.12	6.12	6.12
	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

## 30. Events after the reporting period

Since the balance sheet date the political unrest between Russia and Ukraine has heightened, culminating with a territorial invasion of Ukraine by Russian armed forces. This situation has continued to escalate and most governments, including that of the UK, have imposed economic sanctions on Russia. The company is the principal operating entity in the wider group owned by the company's ultimate parent undertaking ABP Jersey Ltd ("ABPJ") and may be impacted by the consequence of these sanctions and the resulting reduced trade flows with Russia. As these sanctions were not in place at the balance sheet date, management have concluded that the economic impact of the Ukraine / Russia conflict is a non-adjusting post balance sheet event.

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

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