

**ASSOCIATED BRITISH PORTS**

**(Reference Number ZC000195)**

**ANNUAL REPORT AND ACCOUNTS 2018**



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	<b>Page</b>
Strategic report	1
Directors' report	10
Statement of directors' responsibilities	13
Independent auditor's report	14
Income statement	17
Statement of comprehensive income	17
Balance sheet	18
Statement of cash flows	19
Statement of changes in equity	20
Notes to the financial statements	21

## Strategic report

The directors present their strategic report for the year ended 31 December 2018.

### 1. Principal activities

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

### 2. Strategy

The company’s strategy is aimed at retaining and improving the company’s position as the largest and leading port operator in the UK and is formulated around a largely “landlord” business model. Under this model, the company selectively grants licences to and/or enters into contracts with third parties to provide certain services at its ports whilst the company retains ownership of and responsibility for maintaining and developing port infrastructure. As a result, a relatively low proportion of the company’s revenues are generated through port operations, which differentiates ABP from its competitors. This strategy results in ABP having a lower exposure to operating risk than its competitors.

The company prioritises strategic opportunities in sectors and locations with good prospects for growth and focuses on delivering growth in its operating performance primarily by investment in infrastructure and equipment in partnership with quality customers. Where land available at ports exceeds present and future requirements, the company pursues alternative non-port uses, development or disposal.

ABP is the UK’s largest ports operator handling £149 billion of trade every year. Together with its customers, its ports support 119,000 jobs across the country and contribute £7.5 billion Gross Value Added to the national economy. ABP’s ongoing investment programme will ensure it continues to support its customers, drive economic growth and fulfil its mission of ‘keeping Britain trading’.

The company’s corporate vision is **“To maximise the profitable and sustainable growth of our business by being our customers’ first choice provider of port services and infrastructure; and ensuring our people achieve their potential, can fulfil their ambitions and go home safe every day.”**

The corporate vision is supported by six strategic “pillars”:

- **Working safely and sustainably** – being able to identify hazards, evaluate risks and use appropriate precautions to carry out activities without endangering employees, others or the environment; reporting accidents and incidents and understanding their causes and learning from them so they are not repeated.
- **Continually improving the operations and services the company provides** – listening to the views of customers, employees and others to identify areas where productivity and quality of service can improve; measuring and evaluating performance, encouraging and creating new ways of working, developing internal and external expertise.
- **Putting customers first** – gaining a thorough understanding of customers’ specific needs and expectations; then not just meeting but exceeding them; effective and efficient service and delivering exceptional value is key to building customer loyalty.

**Strategic report (continued)**

- **Creating a great place to work** – investing in employees, allowing them to be the best they can be; trusting and empowering them to help others achieve their goals and drive business performance.
- **Being good neighbours** – engaging with stakeholders and communities at local, regional, national and supra-national levels that impact or are impacted by the company's business; providing consistent, timely and accurate messaging to support corporate objectives.
- **Providing effective infrastructure and equipment** – optimising the whole life cost of new and existing assets; taking account of customer and employee views in defining asset capability; using technology and innovation to drive efficiency.

The company has established a programme of projects aligned to each of the above six strategic pillars designed to improve every aspect of the business. As part of this programme of change, the company is investing in new IT systems and developing new processes to transform productivity (further details of which can be found in section 2.4).

The company continues to pursue a number of major investments which have the potential to contribute significant profitable growth during the coming years. Further information on major investments which are yet to be completed and potential opportunities is provided below.

### **2.1 Immingham Bulk Terminal (IBT)**

In December 2018 ABP took over the operation of the Immingham Bulk Terminal from British Steel, which is located on the west side of the port in Immingham. IBT handles over 5.5 million tonnes of bulk cargoes such as iron ore, coal and coke each year destined for British Steel's steelworks in Scunthorpe. The project will help to strengthen the long-term future of British Steel's manufacturing operations in the region as well as the long association of the Humber Ports in supporting the steel industry.

ABP has agreed to commit £65m to the Terminal and will invest in new cranes, equipment and infrastructure to underpin the safe and reliable operation of the site for the future use. The investment will help support the long-term future of steel manufacturing in the Humber region.

### **2.2 Humber Container Terminals**

ABP operates two major container terminals on opposite sides of the Humber estuary, at Hull and Immingham. In 2018 ABP continued its investment programme to increase the capacity of both Humber container terminals from 295,000 units per annum to around 500,000 units per annum. The upgrade is necessary to meet increasing demand, with the total volume of containers passing through ABP's Humber ports having risen 63% from 2013 to 2018.

In 2017 ABP announced it was investing a further £50m in its container terminals across the Ports of Hull and Immingham, the first phase of which (amounting to around £14m) saw the expansion of the Hull Container Terminal and the arrival in the first quarter of 2018 of two purpose-built gantry cranes to support its operations.

The second phase commenced in 2018 with £36m planned investment in the container terminal at Immingham. The investment covers various aspects, including improvements to safety and terminal efficiency, in addition to unlocking further landside capacity allowing for growth from 2018's 168,000 containers to 272,000 containers by 2024.

As well as increasing capacity, the improvements to the terminals demonstrate ABP's commitment to customer service, with improved quayside handling times and reduced waiting times for hauliers.

**Strategic report (continued)**

**2.3 Car Storage Facilities**

As the UK's leading vehicle-handling port, handling around 900,000 import and export vehicles a year, Southampton continues to invest in facilities to support this important trade. A recent focus has been on further increasing capacity to meet the needs of automotive customers. In addition to the seven multi-story car parks ("MSCPs") already established future investment will see the eighth MSCP built at Southampton with completion due in the third quarter of 2019, adding an additional 3,000 spaces and bringing the port's total automotive storage capacity to 50,000 vehicles.

In addition to its Southampton facilities, around 800,000 vehicles a year are handled by ABP's ports on the Humber. A 103 acre site in Grimsby was acquired in 2016 and is planned to be developed on a phased basis into a major new storage and distribution facility. The first stage will see the development of 25 acres for additional vehicle storage. Development work has commenced with this initial phase expected to complete during the second quarter of 2019, increasing ABP's storage capacity by approximately 5,000 vehicles.

**2.4 Business Transformation Programme**

As part of the company's strategic ambition to put customers first and to continually improve the operations and services it provides, ABP launched a company-wide change programme in 2015, tasked with the transformation of the company's business processes and IT hardware and software, including the implementation of SAP.

The business transformation programme has made significant progress and will underpin ABP's ability to deliver new, flexible and innovative solutions for its customers well into the future. ABP has now successfully gone live with "back office" functions including finance and procurement.

Significant work will continue throughout 2019 with the full involvement of ABP's stakeholders throughout the business to develop further business functions and processes across all its regions.

**2.5 Cruise Facilities**

Construction work has begun to upgrade Ocean Cruise Terminal at the Port of Southampton to support continued growth in the cruise sector. This £12m project will enable access for the increased size of next generation cruise ships with completion expected at the end of 2019. The company considers it likely that future investment will be required in the medium term to support increasing demand from cruise lines for peak demand days and growth in passenger volumes.

**2.6 Port Master Planning**

ABP is continuing its master planning initiatives with the objective of improving the efficiency of port configuration, allowing the business to plan for the infrastructure required to sustain future long term growth. Master plans take into account a wide variety of commercial, social, technical, environmental and political drivers of change and bring together a wide range of perspectives from across the business in order to build a robust but flexible picture.

The coming year will see ABP extend Humber master planning across the whole region which will integrate a strategic view of development opportunities, using a granular understanding of the opportunities at the individual ports; further development of the Swansea & Port Talbot work carried out in 2017; and support emerging plans for Fleetwood and Ipswich Island sites.

**Strategic report (continued)**

In Southampton, following on from the published draft master plan, a leading maritime consultancy company is looking at a number of market studies including forecasting, land allocation and master planning of all land holdings in the Southampton portfolio. ABP is exploring a number of options to meet the needs of its customers and anticipate to be in a position to start consultation on its longer term development plans in 2019.

In 2018 ABP has continued to work on its Lowestoft master plan which supports the potential of the port for future growth, particularly in the offshore wind operations and maintenance sector, and is expected to be relevant in determining the potential impact on the port of Suffolk County Council's application to build a new bridge which, if approved, will cross ABP's land and statutory harbour area.

**2.7 Offshore Wind**

In recent years the company's ports have increasingly supported the offshore wind industry through the provision of port facilities for construction, operation and maintenance of offshore wind related infrastructure. Many of the company's ports are in close proximity to existing and planned offshore wind development zones, in particular those in the North and Irish Seas. Additional land has been leased to Siemens Gamesa in Hull in 2019 highlighting further growth opportunities in this sector. The company continues to work with the offshore wind supply chain to cater for their growing needs, which may provide future opportunities for investment in new port infrastructure.

**2.8 Swansea Bay Tidal Lagoon**

Swansea Bay Tidal Lagoon is a proposed 320MW tidal lagoon power plant designed to harness the tidal energy resource in Swansea Bay, South Wales, which has the second highest tidal range in the world. The scheme, which consists of 16 hydro turbines and a six mile breakwater wall, has attracted equity investors including Prudential and InfraRed Capital Partners. ABP has an agreement in place with the developer Tidal Lagoon (Swansea Bay) Plc for the lease of land and foreshore to support the scheme's development. In June 2018 the government announced that it will not be supporting the Swansea Bay Tidal Lagoon through the Contract for Difference mechanism. Parent company Tidal Lagoon Power Limited is continuing to review options for alternative funding mechanisms without government CfD support. The timescales and likelihood of these funding mechanisms are not yet clear.

**2.9 New Nuclear Power Plant Opportunities**

The government has identified eight sites in England and Wales that are suitable to build new nuclear power stations totalling up to 16GW by 2030. EDF Energy's Hinkley Point C new nuclear plant is already under construction and is expected to begin operations around 2025. Developers are also proposing building new nuclear power stations at other designated sites including Moorside in Cumbria, Sizewell in Suffolk and Bradwell in Essex. Discussions are ongoing with potential suppliers to these projects about the possible utilisation of a number of ABP's ports to support these developments.

The large scale of new nuclear construction, coupled with the proximity of ABP's ports to key sites and ABP's proven experience in delivering world-class major infrastructure, means the company is well placed to benefit from this second phase of nuclear development in the UK.

**Strategic report (continued)**

**2.10 Group Renewable Energy Projects**

ABP continues to invest in renewable energy generating schemes and signed a three year framework agreement with a solar delivery partner to progress this work across its UK locations. The further roll out of solar arrays and wind energy reached a total installed capacity (“TIC”) of 17.2MWp by the end of 2018, an increase of 17.6% on 2017, with a further 25% increase currently being installed, taking the TIC to 21.5MWp in the first half of 2019. The energy generated by these investments in 2018 was 16.3GWh. Around 9.8GWh is used within the ports at which they are located, with around 6.5GWh/y of green electricity being exported to the National Grid.

In tandem with the increase in renewable energy generation the use of electric vehicles is also enabling ABP to reduce GHG emissions and improve air quality. Southampton now has a fleet of 13 electric vehicles and 1 hybrid, with a further 9 on order. In addition, to accelerate the use of electric vehicles in and around the port, Southampton has installed 22 charging points at Ocean Gate in the Eastern Docks and 18 charging points at West Bay House in the Western Docks. There are also 2 charging points at Town Quay. A further 8 charging points will be installed at the cruise terminals in 2019. Short Sea Ports has also taken delivery of their first electric vehicle with another 7 on order.

Throughout 2019 and beyond, ABP will continue to assess potential energy efficiency, renewable generation, alternative fuels and energy storage projects across its portfolio.

**3. Development, performance and financial position of the business**

- Cargo volumes handled by the company’s ports (excluding Southampton conservancy only volumes) increased by 1.9% to 87.6m tonnes in 2018 (2017: 86.0m tonnes) primarily due to strong ESI coal imports compared to 2017 driven by re-stocking following the cold winter.
- The company’s revenue increased by 4.3% to £563.1m (2017: £540.1m) primarily driven by an increase in ESI coal of 44.7% to £17.8m (2017: £12.3m), unitised revenue (roll on - roll off (ro/ro), vehicles and containers) of 5.4% to £141.7m (2017: £134.4m), cruise of 9.5% to £28.8m (2017: £26.3m) and non commodity property rental income of 15.8% to £23.5m (2017: £20.3m). The increase in ESI coal revenue was driven by strong volumes of ESI coal imports as outlined above. The increase in unitised revenue was principally driven by higher access channel dredge charges for containers at Southampton, increased storage revenues for vehicles at Southampton as new capacity became available and higher volumes and property rental from ro/ro at Immingham. The increase in cruise revenue was due to higher passenger numbers versus prior year, the annual rate increase and additional parking charges. A large portion of the increase in property rental income was due to the acquisition of Eling Wharf in January 2018.
- Underlying operating profit (before movement in the fair value of investment properties, net unrealised gains/losses on fuel derivatives and exceptional items), which is considered by the Board to provide a good representation of the performance of the business, decreased by 2.4% to £259.7m (2017: £253.7m). The 2018 review of the company’s investment property portfolio led to an increase in carrying values of £35.6m (2017: increase of £54.6m).
- Pre-tax profit amounted to £243.7m (2017: £247.5m) and the company recognised a tax charge for the year of £52.5m (2017: £35.5m). Cash generated by operations totalled £281.0m (2017: £286.9m).

**Strategic report (continued)**

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

The company had net assets of £2,510.0m as at 31 December 2018 (2017: £2,279.9m) including cash of £34.0m (2017: £77.4m). The company's cash resources are managed through a centralised treasury function, which closely monitors and manages risks of the group owned by the company's ultimate parent, ABP (Jersey) Limited ("ABPJ"), in relation to liquidity, interest rate and capital risks, along with credit risk relating to cash.

The company completed a number of major investments during the year. Further information on these is provided below.

**3.1 Humber Container Terminals**

Nearly £30m has been invested in improving facilities at Hull Container Terminal ("HCT") including the purchase of four new Liebherr ship-to-shore cranes, two of which were delivered in June 2016, with the remaining two delivered in the first quarter of 2018. The investment allows up to three vessels to be loaded or discharged simultaneously. The additional capacity has enabled the terminal to support additional Lift On-Lift Off ("Lo-Lo") operators planning to offer services into Hull. On the back of the investment announcements were made for a brand new service of three sailings a week between Amsterdam and Hull in March 2018, a further new service of three sailings a week between Belgium and Hull in May 2018 and a twice weekly-route between Antwerp and Hull in October 2018. The additional services brings an extra 75,000 containers per year through the Port of Hull.

**3.2 W.E. Dowds (Shipping) Ltd**

In February 2018 ABP acquired 100% of W.E. Dowds (Shipping) Ltd ("Dowds group"). Established in 1960, Dowds group was among the UK's leading family-owned port operations businesses. The company operates a total of 10 separate warehouses with a combined area of over 50,000 sq. m based at ABP Newport, South Wales. The deal builds on Dowds group's excellent track record serving the UK steel market, enabling the business to grow. The transaction will also help secure further growth for the Port of Newport.

**4. Principal risks and uncertainties**

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

The principal risks and uncertainties of the company are summarised below:

- *Potential impacts from accidents, natural disasters and terrorist incidents* - Accidents (e.g. from the use of heavy machinery, related to workplace transport or handling of dangerous cargo), natural disasters (principally flooding) and acts of terrorism (land, marine and cyber), all have the potential to negatively impact the company's ability to undertake its operations. The company proactively manages these risks through implementation of a range of policies and procedures, and through its Beyond Zero behavioural safety programme. In addition contingency plans and insurance are in place to mitigate any losses.

Strategic report (continued)

- *Regulatory backdrop* - The General Data Protection Regulation and Data Protection Act 2018 came into force on 25 May 2018, introducing higher standards and additional requirements for companies handling personal data. The European Union Port Services Regulation was adopted by the European Council of Minister in January 2017 and enters into effect in the UK on 24 March 2019. ABP is working to ensure the necessary preparations are made to comply with the Regulation prior to implementation, with a view to minimising the impact on customers at affected ports. We are also compliant with The Network and Information Systems Directive (NIS D), which became law in May 2018, with the objective to prevent (where possible) and improve the levels of protection against NIS incidents across the EU.
- *Government energy policy* - ABP derives a significant proportion of its revenue from the electricity supply industry. The UK's energy mix has changed significantly in recent years, with coal's share of electricity generation continuing to fall and the government aiming for the closure of all unabated coal-fired power stations by 2025 in favour of low-carbon alternatives such as renewables and nuclear. The decline in coal has been partly offset by increasing volumes of biomass for the UK's largest power station, Drax. Legislation was enacted in July 2018 that caps the level of Renewables Obligation ("RO") Certificates power stations can receive for biomass conversion and co-firing. The RO places an obligation on UK electricity suppliers to source an increasing proportion of the electricity they supply from renewables sources. Government policy favours the development of other renewables such as offshore wind and tidal energy, as well as low-carbon alternatives to coal such as nuclear energy. The company is well-placed to benefit from this with a number of offshore wind farms planned for areas close to its ports. Furthermore, the development of new nuclear power stations in England and Wales could provide opportunities for the company's ports to handle construction and project cargoes.
- *Brexit* - The industry faces ongoing uncertainty ahead of the UK's departure from the European Union. ABP continues to engage with government departments and other industry stakeholders to ensure trade can continue to flow between the UK and EU Member States in any eventuality, including in the event of a no-deal outcome to the negotiations. ABP has continued to invest in port infrastructure and facilities throughout the Brexit process to ensure its ports are prepared to meet the requirements of existing customers and those concerned about potential disruption at other ports.
- *Operational efficiency* - The company has a number of operational efficiency targets, some that will be enabled by a programme of system and process transformation aimed at delivering effective and efficient business systems and processes that support the company's strategy (the Business Transformation Programme) and other regional productivity initiatives. There is a risk that these initiatives fail to deliver the anticipated benefits. A project governance structure has been implemented with stage gate reviews, quality assurance reviews by KPMG and regular progress reporting to the Board.
- *Asset maintenance and capital project management* - The efficient maintenance of the company's assets and the effective delivery of new assets (e.g. developing new port facilities) are required to safeguard the ongoing operation and development of the company's business.
- *Market and competition* - The ports market could become more competitive resulting in downwards price pressure from existing and new competitors or threat of customer loss. Despite weakness in domestic growth and signs of a weakening world economy, the impact of changes in the market environment are largely mitigated by the company's diverse cargo base, its long-term contracts with a broad mix of customers and a proportion of the company's revenues being either guaranteed or not varying with throughput volumes.

**Strategic report (continued)**

- *Management of environmental matters* - The company and its customers operate a diverse range of operations across the company's c.12,100 acres of land and seabed, including heavy industrial operations. As such these could present a pollution risk or nuisance to neighbouring communities if not effectively managed, affecting the company's ability to develop the estate. The company has an environmental management system in place which incorporates a process of risk assessment, audit, review and training in order to control such risks.
- *Defined benefit pension liabilities* - The valuation and service costs associated with the defined benefit pension schemes in which the company participates can vary depending on market conditions. A deterioration in the funding levels of such schemes could lead to the need for additional contributions.
- *Failure of third party infrastructure* - The failure of third party infrastructure such as the electrical supplies, road or rail infrastructure to the company's ports could cause severe disruption to the company's operations.
- *People* - Failure to attract, retain, motivate and manage capable employees across the business could limit the company's ability to deliver its strategy.

Treasury matters throughout the company are controlled centrally and carried out in compliance with policies approved by the Board of Associated British Ports Holdings Limited, the company's immediate parent undertaking. The company's liquidity, interest rate and capital risks, along with credit risk relating to cash, are managed by the 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 17 to the accounts.

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

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

Following a statutory consultation with all employees in the last quarter of 2018 the company agreed to provide future pension provision to employees via a mastertrust arrangement with the Legal & General Group from 1 March 2019. As a result the defined contribution section of the Associated British Ports Group Pension Scheme will be closed to new contributions. A bulk transfer of the assets held for employees in the defined contribution section will be transferred to the mastertrust in May 2019.

**Strategic report** (continued)

**6. Future outlook**

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

By Order of the Board

A handwritten signature in black ink, appearing to read 'GSM Bull', written in a cursive style.

**GSM Bull**  
**Director**  
**27 March 2019**

## Directors' report

The directors present their report and the audited accounts of the company (number ZC000195) for the year ended 31 December 2018.

## Principal office

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

## Dividends

The company paid no dividend during the current year (2017: £40.0m). The directors do not recommend the payment of a final dividend (2017: £nil).

## Directors

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

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Bird, SA	
Bull, GSM	
Cooper, JNS	resigned 29 June 2018
Garton, CC	resigned 30 March 2018
Harston, AF	
Kennerley, MB	
McCartain, MBW	
Nielsen, JS	resigned 30 November 2018
Pedersen, HL	appointed 13 August 2018
Penney, YK	resigned 12 October 2018
Welch, AJM	
Wyatt, MM	appointed 14 March 2019

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Marina Wyatt joined Associated British Ports on 7 February 2019 to replace Sebastian Bull as Chief Financial Officer and has been appointed to the Board of the company with effect from 14 March 2019. Sebastian Bull has tendered his resignation from the Board with effect from 29 March 2019.

## 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.

## Charitable donations

The company donated £90,976 (2017: £112,453) to charities during the year.

**Directors' report** (continued)

**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 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 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.

The group monitors the gender diversity of all employees, senior managers and directors and a detailed review of the information can be found within the strategic report in the accounts of ABPA Holdings Limited ("ABPAH"). The group also monitors the ethnic diversity of its employees and is committed to ensuring that all segments of its communities have the opportunity to participate in and contribute towards the success of its business.

**Employee involvement**

The group is committed to the development of its employees and provides relevant training for career progression. There is regular communication with employees through in-house publications and the intranet. This communication includes information in respect of financial and economic factors affecting the performance of the group. The group also consults with its employees about both the methods and substance of communication.

The group operates incentive schemes available to all employees that seek to reward good group performance.

A description of the management of social and community issues relating to the group can be found within the strategic report of ABPAH.

**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; and
- Important events which have occurred since the end of the financial year.

**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.

**Directors' report** (continued)

**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



**AC Garner**  
**Secretary**  
**25 Bedford Street**  
**London, WC2E 9ES**  
**27 March 2019**

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

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

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

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

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

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

**Opinion**

We have audited the financial statements of Associated British Ports for the year ended 31 December 2018 which comprise the Income Statement, Statement of Comprehensive Income, Balance Sheet, Statement of Cash Flows, Statement of Changes in Equity and the related notes 1 to 28, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Basis for opinion**

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

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

**Conclusions relating to going concern**

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

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

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

**Other information**

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

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

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

We have nothing to report in this regard.

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

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

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

**Matters on which we are required to report by exception**

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

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

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

**Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 13, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

**Auditor's responsibilities for the audit of the financial statements**

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

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

**Use of our report**

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

*Ernst & Young LLP*

Matthew Williams (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
London

29 March 2019

## Income statement for the year ended 31 December

	Note	2018 £m	2017* £m
<b>Revenue</b>	2	<b>563.1</b>	540.1
Cost of sales		<b>(228.8)</b>	(216.3)
<b>Gross profit</b>		<b>334.3</b>	323.8
Administrative expenses		<b>(80.6)</b>	(78.7)
Increase in fair value of investment properties	10	<b>35.6</b>	54.6
<b>Operating profit</b>	3	<b>289.3</b>	299.7
Analysed between:			
Underlying operating profit before the following items:		<b>259.7</b>	253.7
Increase in fair value of investment properties	10	<b>35.6</b>	54.6
Net unrealised loss on fuel derivatives		<b>(0.7)</b>	(0.1)
Exceptional items	3	<b>(5.3)</b>	(8.5)
		<b>289.3</b>	299.7
Finance costs	6	<b>(50.3)</b>	(52.5)
Finance income	6	<b>11.1</b>	0.3
Impairment of investment in subsidiary undertaking	11	<b>(6.4)</b>	-
<b>Profit before taxation</b>		<b>243.7</b>	247.5
Taxation charge	7	<b>(52.5)</b>	(35.5)
<b>Profit for the year attributable to holding company</b>		<b>191.2</b>	212.0

The company declared no dividend during the current year (2017: interim dividends of £40.0m).

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

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

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

	Note	2018 £m	2017* £m
<b>Profit for the year attributable to holding company</b>		<b>191.2</b>	212.0
<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	10	<b>4.5</b>	3.3
Deferred tax on revaluation of investment property	21	<b>5.3</b>	5.2
Remeasurement gain relating to net retirement benefit liabilities	14	<b>36.4</b>	51.4
Deferred tax associated with remeasurement gain relating to net retirement benefit liabilities	21	<b>(6.5)</b>	(10.4)
<b>Other comprehensive income for the year, net of tax</b>		<b>39.7</b>	49.5
<b>Total comprehensive income for the year, net of tax, attributable to holding company</b>		<b>230.9</b>	261.5

\* At 1 January 2018, the company adopted IFRS 15 using the modified retrospective method. Under this method the 2017 comparative is not restated. Further details are set out in note 1.2.

## Balance sheet as at 31 December

	Note	2018 £m	2017* £m
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	8	104.1	67.7
Property, plant and equipment	9	1,258.1	1,236.9
Investment property	10	2,026.0	1,952.9
Investments in subsidiaries	11	54.6	47.8
Retirement benefit assets	14	43.3	9.8
Derivative financial instruments	16	-	0.1
Trade and other receivables	12	6.6	6.6
		<b>3,492.7</b>	<b>3,321.8</b>
<b>Current assets</b>			
Property and land held for sale	13	3.7	5.6
Derivative financial instruments	16	0.1	0.5
Trade and other receivables	12	122.0	111.9
Cash and cash equivalents		34.0	77.4
		<b>159.8</b>	<b>195.4</b>
<b>Total assets</b>		<b>3,652.5</b>	<b>3,517.2</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Borrowings	15	(0.4)	(0.3)
Derivative financial instruments	16	(0.2)	-
Trade and other payables	18	(167.4)	(156.0)
Deferred revenue	19	(23.1)	(24.3)
Provisions	20	(8.0)	(9.8)
		<b>(199.1)</b>	<b>(190.4)</b>
<b>Non-current liabilities</b>			
Borrowings	15	(616.7)	(729.7)
Retirement benefit liabilities	14	(61.7)	(68.7)
Trade and other payables	18	(45.8)	(45.8)
Deferred revenue	19	(68.3)	(72.3)
Provisions	20	(14.0)	(13.9)
Deferred tax liabilities	21	(135.6)	(114.8)
Other non-current liabilities		(1.3)	(1.7)
		<b>(943.4)</b>	<b>(1,046.9)</b>
<b>Total liabilities</b>		<b>(1,142.5)</b>	<b>(1,237.3)</b>
<b>Net assets</b>		<b>2,510.0</b>	<b>2,279.9</b>
<b>Holding company's equity</b>			
Revaluation reserve		1,566.8	1,526.7
Retained earnings		943.2	753.2
<b>Total holding company's equity</b>		<b>2,510.0</b>	<b>2,279.9</b>

\* At 1 January 2018, the company adopted IFRS 15 using the modified retrospective method. Under this method the 2017 comparative is not restated but has been reanalysed to conform to current presentation. Further details are set out in note 1.2.

The financial statements were approved by the Board on 27 March 2019 and signed on its behalf by:



**GSM Bull**  
Director

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

	Note	2018 £m	2017* £m
<b>Cash flows from operating activities</b>			
Cash generated by operations	22	281.0	286.9
Interest paid		(49.0)	(45.0)
Interest received		0.3	0.4
Income tax paid		(8.0)	-
<b>Net cash inflow from operating activities</b>		<b>224.3</b>	<b>242.3</b>
<b>Cash flows from investing activities</b>			
Acquisition of subsidiary undertaking	11	(13.2)	-
Proceeds from sale of property, plant and equipment		0.8	0.2
Proceeds from sale of investment property		-	0.8
Proceeds from sale of property and land held for sale		4.7	-
Purchase of intangible assets		(37.3)	(22.2)
Purchase of property, plant and equipment		(79.6)	(105.3)
Purchase of investment property		(31.8)	(15.6)
Withdrawal from money market deposits		-	15.0
<b>Net cash outflow from investing activities</b>		<b>(156.4)</b>	<b>(127.1)</b>
<b>Cash flows from financing activities</b>			
Repayment of borrowings		(115.2)	(38.3)
Repayment of obligations under finance leases		(0.6)	(0.7)
Dividends received/(paid)		4.5	(40.0)
<b>Net cash outflow from financing activities</b>		<b>(111.3)</b>	<b>(79.0)</b>
<b>Change in cash and cash equivalents during the year</b>			
Cash and cash equivalents at 1 January		77.4	41.2
<b>Cash and cash equivalents at 31 December</b>		<b>34.0</b>	<b>77.4</b>

\* At 1 January 2018, the company adopted IFRS 15 using the modified retrospective method. Under this method the 2017 comparative is not restated. Further details are set out in note 1.2.

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

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

	Revaluation reserve £m	Retained earnings £m	Total* £m
At 1 January 2017	1,468.8	589.6	2,058.4
Profit for the year	54.6	157.4	212.0
Other comprehensive income	3.3	46.2	49.5
Total comprehensive income	57.9	203.6	261.5
Dividend	-	(40.0)	(40.0)
<b>At 31 December 2017</b>	<b>1,526.7</b>	<b>753.2</b>	<b>2,279.9</b>

\* At 1 January 2018, the company adopted IFRS 15 using the modified retrospective method. Under this method the 2017 comparative is not restated. Further details are set out in note 1.2.

**Revaluation reserve**

The revaluation reserve is used to record unrealised increases in the fair value of fixed assets, primarily investment properties. Decreases in fair values are taken to the revaluation reserve only to the extent that an increase on the same asset has already been recognised in the reserve. The balance of any decrease in fair value of an asset would be charged to the income statement. At the end of the year unrealised changes in the fair value of investment properties, recognised in the income statement, are transferred from retained earnings to the revaluation reserve. The deferred tax associated with the revaluation of investment property is included within retained earnings.

## 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 2018 the company generated cash from operations of £281.0m and the company's strategic plan forecasts this strong performance to continue in the future;
- The company had net current liabilities of £39.3m, these include:
  - deferred revenue of £23.1m which does not require future cash outflow; and
  - amounts due to intermediate parent undertaking ABP Acquisitions UK Limited of £18.1m, amounts due to group undertakings of £50.2m and amounts due to subsidiary undertakings of £11.7m. Further details are set out in notes 18 and 23.
- The company's ultimate parent undertaking, ABP (Jersey) Limited, has confirmed that it will continue to finance the company to enable it to meet its liabilities.

Given the nature, maturity dates and counterparties of these liabilities (as set out in notes 18, 19 and 23), as well as the company's track record of its ability to refinance debt and generate cash flows, the directors are confident that the company has the ability to continue to meet its liabilities as they fall due for the foreseeable future and therefore the financial statements have been prepared on a going concern basis.

#### *Statement of compliance*

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

## Notes to the financial statements

### 1. Accounting policies (continued)

#### 1.2 Changes in accounting policies

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

In preparing these financial statements the company has implemented the following new standard effective for the first time for the annual reporting period commencing 1 January 2018:

##### *IFRS 9 Financial instruments*

IFRS 9 replaces IAS 39 *Financial Instruments: Recognition and Measurement* and is effective for annual periods beginning on or after 1 January 2018. The standard brings together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory.

IFRS 9 has changed the accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss ("ECL") approach. IFRS 9 requires entities to recognise an allowance for ECLs for contract assets and all debt instruments not held at fair value through profit or loss.

The company adopted the new standard on 1 January 2018 using the full retrospective approach. The company performed a detailed impact assessment of IFRS 9 and the adoption of the standard did not have a material impact on its financial statements other than extending disclosure requirements as set out in notes 1.4 and 17.

##### *IFRS 15 Revenue from contracts with customers*

IFRS 15 supersedes IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards.

The company adopted the new standard on 1 January 2018 using the modified retrospective approach. Under this approach, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The company elected to apply the standard only to contracts that are not completed as at 1 January 2018. The cumulative effect of initially applying IFRS 15 is recognised at the date of initial application as an adjustment to the opening balance of retained earnings. Therefore, the comparative information was not restated and continues to be reported under IAS 11, IAS 18 and related Interpretations.

The implementation of IFRS 15 did not have a material impact on the company's recognition of revenue. Most of the company's revenue relates to relatively simple charging mechanisms where there are clear and easily identifiable performance obligations that take place over a short period of time and where the implementation of the standard does not have a material impact on the timing or value of revenue recognition. However, there are two areas where the implementation of IFRS 15 has led to revisions to the company's accounting policy for revenue recognition:

- 1) Bundled charging arrangements – in some cases the company charges its customers a single rate that covers several performance obligations that are satisfied over an extended period of time. Under IFRS 15 such bundled charges must be allocated to each component performance obligation and the relevant proportion of revenue only recognised as each obligation is completed. This caused a deferral of revenue when compared to the company's former approach to revenue recognition; and

**Notes to the financial statements**1. **Accounting policies** (continued)1.2 **Changes in accounting policies** (continued)*New standards and amendments adopted* (continued)

- 2) Vessels calling at the ports over the period end – where vessels were at the ports over the period end then performance obligations could be satisfied either side of the period end and IFRS 15 requires a more precise allocation of revenue to each period than was the case under the company's former approach to revenue recognition.

The effect of adopting IFRS 15 as at 1 January 2018 was as follows:

	<b>Prior to adoption of IFRS 15 £m</b>	<b>Adjustments £m</b>	<b>After adoption of IFRS 15 £m</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Deferred revenue	(24.3)	(0.8)	(25.1)
<b>Total current liabilities</b>	(190.4)	(0.8)	(191.2)
<b>Total liabilities</b>	(1,237.3)	(0.8)	(1,238.1)
<b>Net assets</b>	2,279.9	(0.8)	2,279.1
<b>Holding company's equity</b>			
Retained earnings	753.2	(0.8)	752.4
<b>Total holding company's equity</b>	2,279.9	(0.8)	2,279.1

## Notes to the financial statements

## 1. Accounting policies (continued)

## 1.2 Changes in accounting policies (continued)

*New standards and amendments adopted* (continued)

The following table summarises the impact of the adoption of IFRS 15 on the company's financial statements as at 31 December 2018:

Balance sheet as at 31 December 2018:

	IFRS 15 as reported £m	Adjustments £m	Previous IFRS £m
<b>Assets</b>			
<b>Current assets</b>			
Trade and other receivables	122.0	(0.4)	121.6
<b>Total current assets</b>	<b>159.8</b>	<b>(0.4)</b>	<b>159.4</b>
<b>Total assets</b>	<b>3,652.5</b>	<b>(0.4)</b>	<b>3,652.1</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Deferred revenue	(23.1)	1.2	(21.9)
<b>Total current liabilities</b>	<b>(199.1)</b>	<b>1.2</b>	<b>(197.9)</b>
<b>Total liabilities</b>	<b>(1,142.5)</b>	<b>1.2</b>	<b>(1,141.3)</b>
<b>Net assets</b>	<b>2,510.0</b>	<b>0.8</b>	<b>2,510.8</b>
<b>Holding company's equity</b>			
Retained earnings	943.2	0.8	944.0
<b>Total holding company's equity</b>	<b>2,510.0</b>	<b>0.8</b>	<b>2,510.8</b>

The adoption of IFRS 15 had no material impact on the company's income statement as the net impact on revenue is £nil.

The adoption of IFRS 15 had no impact on the company's statement of cash flows as there was no impact on the cash and cash equivalents from or used in operating, financing or investing activities.

*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 following is expected to have an impact on the company:

*IFRS 16 Leases*

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

**Notes to the financial statements**

**1. Accounting policies (continued)**

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

***New standards, amendments and interpretations issued but not yet effective (continued)***

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach.

IFRS 16 requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees; leases of 'low-value' assets and short-term leases (i.e. leases with a lease term of 12 months or less). At the commencement date of a lease a lessee will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset).

Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from the accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

The company plans to adopt the new standard on the required effective date using the modified retrospective approach that is to apply the standard retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The company will elect to apply the standard to contracts that were previously identified as leases applying IAS 17 and IFRIC 4. The company will therefore not apply the standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.

The company will elect to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value.

During 2018 the company has performed an impact assessment of IFRS 16. In summary the impact of adopting IFRS 16 is expected to be as follows:

## Notes to the financial statements

## 1. Accounting policies (continued)

## 1.2 Changes in accounting policies (continued)

*New standards, amendments and interpretations issued but not yet effective* (continued)

Impact on the balance sheet as at 31 December 2018:

	Increase/(decrease) £m
<b>Assets</b>	
<b>Non-current assets</b>	
Property, plant and equipment	(1.3)
Property, plant and equipment (right-of-use assets)	11.8
<b>Total non-current assets</b>	<b>10.5</b>
<b>Current assets</b>	
Trade and other receivables	(0.3)
<b>Total current assets</b>	<b>(0.3)</b>
<b>Total assets</b>	<b>10.2</b>
	<b>(Increase)/decrease £m</b>
<b>Liabilities</b>	
<b>Current liabilities</b>	
Borrowings	(1.4)
Trade and other payables	0.3
<b>Total current liabilities</b>	<b>(1.1)</b>
<b>Non-current liabilities</b>	
Borrowings	(9.8)
Trade and other payables	0.7
<b>Total non-current liabilities</b>	<b>(9.1)</b>
<b>Total liabilities</b>	<b>(10.2)</b>

Due to the adoption of IFRS 16, the company's lease expense will decrease while its interest expense and depreciation expense will increase. This is due to the change in the accounting for expenses of leases that were classified as operating leases under IAS 17.

*Other changes*

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

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

## 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 10
- Valuation of defined benefit pension scheme liabilities – note 14

#### 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

From 1 January 2018 revenue was recognised under IFRS 15. Revenue comprises the amounts receivable in respect of contracts with customers and rental income from investment properties.

##### *Revenue from contracts with customers*

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

- Call revenue is related directly to the visit of a vessel to the port and includes fees for pilotage, conservancy, environmental charges, dues for accessing the port, and mooring fees. Each service is a performance obligation and revenue is recognised once provision of the service is complete. All call related performance obligations are completed once a vessel has docked at the port.
- Traffic revenue is related to the volumes of cargo crossing the quay and primarily consists of consolidated rate charges covering multiple services. 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.

**Notes to the financial statements**

**1. Accounting policies (continued)**

**1.4 Significant accounting policies (continued)**

**Revenue recognition (continued)**

- Cargo operations revenue relates to the handling, processing and storage of cargo. 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.
- Other revenue consists of individual services provided to customers, primarily sales of utilities to customers at the port, dredging activities and provision of marina facilities. Each service is a performance obligation and revenue is recognised at a point in time when the performance obligation is complete or, where appropriate, over time as the service is provided. Where revenue is recognised over time the transaction price is allocated based on the time spent on the performance obligation in the period of recognition against the time the performance obligation will take to complete.

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

*Rental income from investment properties*

Minimum lease payments from operating leases are recognised as rental income over the lease term on a straight line basis. Contingent rents are recognised as rental income in the period in which they are earned.

Until the adoption of IFRS 15 on 1 January 2018, revenue was recognised under IAS 11, IAS 18 and related Interpretations:

- Revenue from the provision of ports and transport services was principally generated through long term contracts and includes dues and fees, cargo handling charges, infrastructure charges, marine operations, utilities and fuel, service fees and other sundry income. Revenue from the provision of ports and transport services was recognised when the service was provided. Contracts with customers often include minimum volume guarantees, which if not achieved by the customer resulted in additional revenue to the company to cover the shortfall. These shortfall revenues were recognised at the point that the underperformance on the contract could be reliably measured and the underperformance was reasonably certain, taking into account the period and other terms specified in the contract.
- Minimum lease payments from operating leases were recognised as rental income over the lease term on a straight line basis. Contingent rents were recognised as rental income in the period in which they were earned.

## Notes to the financial statements

### 1. Accounting policies (continued)

#### 1.4 Significant accounting policies (continued)

##### **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 to sell and its value in use, and is determined for an individual asset unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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

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

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the company estimates the asset's recoverable amount.

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

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

##### **Investment property**

Property (including land held for development) 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.

**Notes to the financial statements**

1. **Accounting policies** (continued)

1.4 **Significant accounting policies** (continued)

**Investment property** (continued)

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.

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.

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

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

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

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

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

**Notes to the financial statements**

1. **Accounting policies** (continued)

1.4 **Significant accounting policies** (continued)

**Retirement benefits**

In respect of defined benefit plans, obligations are measured at their discounted present value using the projected unit credit method, while 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 14.

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.

The provision for expected credit losses of receivables are recorded within administrative expenses.

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.

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.

## Notes to the financial statements

### 1. Accounting policies (continued)

#### 1.4 Significant accounting policies (continued)

##### Financial instruments (continued)

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 on financial assets is recognised when it is probable that the economic benefits will flow to the company and the amount of income can be measured reliably. Interest income is included in finance income in the income statement.

##### Borrowing costs

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

##### Leases – company as lessee

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

## Notes to the financial statements

### 1. Accounting policies (continued)

#### 1.5 Other accounting policies (continued)

##### Leases – company as lessee (continued)

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

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

##### Leases – company as lessor

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

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

##### Intangible assets

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

Software is amortised over periods of between 2 years and 10 years on a straight-line basis from the time the asset is available for use.

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

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**

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

##### **Taxation**

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

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

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

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

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

##### **Foreign currencies**

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

**Notes to the financial statements****1. Accounting policies (continued)****1.5 Other accounting policies (continued)****Provisions**

Provisions are recognised when the company has an obligation in respect of a past event, it is more likely than not that a payment (or a non-cash settlement) will be required to settle the obligation and where the amount can reliably be estimated. Provisions are discounted when the time value of money is considered material.

**Dividends**

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

**2. Revenue**

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

	2018 £m	2017* £m
<b>Revenue</b>		
Call	94.6	91.5
Traffic	252.4	237.0
Cargo operations	32.4	33.5
Shortfall	8.2	11.0
Fixed	11.6	12.8
Other	32.3	32.3
<b>Total revenue from contracts with customers</b>	<b>431.5</b>	418.1
Rental income from investment properties	131.6	122.0
<b>Total revenue</b>	<b>563.1</b>	540.1

\* At 1 January 2018, the company adopted IFRS 15 using the modified retrospective method. Under this method the 2017 comparative is not restated but has been reanalysed to conform to current presentation. Further details are set out in note 1.2.

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

**Revenue from contracts with customers**

The transaction price allocated to performance obligations that are unsatisfied or partially satisfied as at 31 December 2018 is as follows:

	Total £m
Not later than one year	1.6
<b>Total</b>	<b>1.6</b>

**Notes to the financial statements****2. Revenue (continued)**

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 2018.

**3. Operating profit**

Operating profit is stated after charging/(crediting):

	<b>2018</b>	<b>2017</b>
	<b>£m</b>	<b>£m</b>
<i>Depreciation</i>		
Property, plant and equipment – included in cost of sales	72.3	65.7
Property, plant and equipment – included in administrative expenses	1.8	1.8
<i>Amortisation</i>		
Intangible assets – included in cost of sales	1.1	1.3
Intangible assets – included in administrative expenses	1.7	1.6
<i>Profit on write off of intangibles and disposal of property, plant and equipment, investment property and property and land held for sale</i>	<b>(2.9)</b>	<b>(0.4)</b>
<i>Operating lease rentals payable</i>		
Property, plant and equipment	3.6	3.7
<i>Repairs and maintenance expenditure on investment property and property, plant and equipment</i>		
	17.2	16.1
<i>Third party labour and sub-contractor haulage</i>		
	22.7	24.5
<i>Utilities and fuel</i>		
	18.4	16.4
<i>Expected credit losses of trade and other receivables</i>		
	0.4	0.2
<i>Exceptional items</i>		
<i>Associated British Ports' change programme</i>		
Staff costs provided (note 5)	1.4	3.9
Other costs provided	0.3	0.1
Staff costs charged directly to the income statement (note 5)	1.6	1.7
Other costs charged directly to the income statement	2.0	2.8

**4. Audit fees**

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

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Fees payable to the company's auditor for the audit of the company's annual accounts	194.5	300.9
Fees payable to the company's auditor in respect of:		
Audit of the accounts of the group companies	360.5	331.0
Other services	9.0	27.2

**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 £16,977 (2017: £22,502).

**5. Directors and employees**

Staff costs are analysed as follows:

	2018	2017
	£m	£m
<b>Staff costs</b>		
Wages and salaries	91.2	83.3
Social security costs	10.1	8.9
Pension costs (note 14)	11.7	10.5
	113.0	102.7
Exceptional items	3.0	5.6
<b>Total staff costs</b>	<b>116.0</b>	<b>108.3</b>

During 2018 exceptional staff costs of £3.0m (2017: £5.6m) were recognised as part of the £5.3m (2017: £8.5m) restructuring costs in relation to Associated British Ports' change programme.

The monthly average number of people employed during the year was 2,169 (2017: 2,076).

Directors emoluments are analysed as follows:

	2018	2017
	£m	£m
<b>Emoluments paid to directors of the company</b>		
Short-term employee benefits	5.0	3.7
Post-employment benefits	0.3	0.4
Other long-term benefits	2.1	1.7
Termination benefits	0.2	-
<b>Total directors emoluments</b>	<b>7.6</b>	<b>5.8</b>

Emoluments comprise amounts paid to the directors of the company by the company, with two (2017: one) directors being paid by the immediate parent undertaking.

Key management compensation is analysed as follows:

	2018	2017
	£m	£m
<b>Key management compensation</b>		
Short-term employee benefits	5.0	3.7
Post-employment benefits	0.3	0.4
Other long-term benefits	2.1	1.7
Termination benefits	0.2	-
<b>Total key management compensation</b>	<b>7.6</b>	<b>5.8</b>

Key management comprises the directors of the company, including three directors (2017: two) who were also directors of the immediate parent undertaking.

## Notes to the financial statements

## 5. Directors and employees (continued)

Eleven (2017: eleven) of the directors are eligible to join the defined contribution section of the Associated British Ports Group Pension Scheme (“ABPGPS”). At 31 December 2018 two (2017: five) directors were members of the defined contribution section of the ABPGPS, one (2017: one) director was a deferred member of the defined benefit section of the ABPGPS and eleven (2017: eleven) directors received an allowance for contributions towards pensions schemes unconnected with the company.

	2018	2017
	£m	£m
<b>Highest paid director</b>		
Short-term employee benefits	1.0	0.9
Post-employment benefits	-	0.1
Other long-term benefits	0.5	0.5
<b>Total highest paid director</b>	<b>1.5</b>	<b>1.5</b>

## 6. Finance costs/(income)

	2018	2017
	£m	£m
Interest on amounts due to parent undertaking	53.0	52.7
Net interest charge on net defined benefit liabilities	1.3	2.8
Other finance costs	0.9	0.9
Less: interest capitalised on non-current assets under construction	(4.9)	(3.9)
<b>Finance costs</b>	<b>50.3</b>	<b>52.5</b>
Dividend income	(10.8)	-
Other finance income	(0.3)	(0.3)
<b>Finance income</b>	<b>(11.1)</b>	<b>(0.3)</b>
<b>Net finance costs on financial assets and financial liabilities held at amortised cost</b>	<b>39.2</b>	<b>52.2</b>

## 7. Taxation

	2018	2017
	£m	£m
<b>Analysis of charge for the year</b>		
Current tax	32.9	31.0
Deferred tax (note 21)	19.6	4.5
<b>Taxation</b>	<b>52.5</b>	<b>35.5</b>

Current taxation in 2018 represents a charge for group relief surrendered by another group undertaking and tax on profits remaining after offset of group relief. Current taxation in 2017 represents a charge for group relief surrendered by another group undertaking, with the net amount being added to amounts due to parent undertaking.

	2018	2017
	£m	£m
<b>Tax on items (charged)/credited to other comprehensive income</b>		
Deferred tax associated with remeasurement gain relating to net retirement benefit liabilities	(6.5)	(10.4)
Deferred tax on revaluation of investment property	5.3	5.2

## Notes to the financial statements

## 7. Taxation (continued)

The taxation charge (2017: charge) for the year is higher (2017: lower) than the standard rate of taxation in the UK of 19.00% (2017: 19.25%). The differences are explained below:

	2018 £m	2017 £m
<b>Profit before taxation</b>	<b>243.7</b>	<b>247.5</b>
Profit before taxation multiplied by standard rate of corporation tax in the UK of 19.00% (2017: 19.25%)	46.3	47.6
Effects of:		
Items (allowable)/not deductible for tax	(0.6)	1.0
Decrease in deferred taxes due to reduction in tax rate	(0.3)	(1.3)
Tax in respect of prior years	7.1	(2.0)
Deferred tax asset recognised	-	(10.8)
Deferred tax on assets transferred from subsidiary undertaking	-	1.0
<b>Total tax charge for the company</b>	<b>52.5</b>	<b>35.5</b>

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

Deferred tax assets of £11.4m were not recognised in 2016 as it was not sufficiently certain when profits of the right type would be available against which the underlying deductible temporary difference could be utilised. In 2017 sufficient profits were identified to recognise this deferred tax which, after accounting for the change in the corporation tax rate, amounted to £10.8m.

The deferred tax on assets transferred from subsidiary undertaking in 2017 relates to the transfer of the harbour authority for the port of Teignmouth under The Port of Teignmouth (Transfer of Undertaking) Harbour Revision Order 2017.

## 8. Intangible assets

	Software £m	Other £m	Total £m
<b>Acquired intangible assets</b>			
<b>2018</b>			
<b>Cost</b>			
At 1 January	69.1	14.1	83.2
Additions	37.2	2.1	39.3
Write off	-	(0.1)	(0.1)
<b>At 31 December</b>	<b>106.3</b>	<b>16.1</b>	<b>122.4</b>
<b>Accumulated amortisation</b>			
At 1 January	(7.7)	(7.8)	(15.5)
Charge for the year	(0.7)	(2.1)	(2.8)
<b>At 31 December</b>	<b>(8.4)</b>	<b>(9.9)</b>	<b>(18.3)</b>
<b>Net book value</b>			
At 1 January	61.4	6.3	67.7
<b>At 31 December</b>	<b>97.9</b>	<b>6.2</b>	<b>104.1</b>

## Notes to the financial statements

## 8. Intangible assets (continued)

	Software £m	Other £m	Total £m
<b>Acquired intangible assets</b>			
<b>2017</b>			
<b>Cost</b>			
At 1 January	39.7	12.4	52.1
Additions	29.5	1.7	31.2
Write off	(0.1)	-	(0.1)
<b>At 31 December</b>	<b>69.1</b>	<b>14.1</b>	<b>83.2</b>
<b>Accumulated amortisation</b>			
At 1 January	(7.2)	(5.4)	(12.6)
Charge for the year	(0.5)	(2.4)	(2.9)
<b>At 31 December</b>	<b>(7.7)</b>	<b>(7.8)</b>	<b>(15.5)</b>
<b>Net book value</b>			
At 1 January	32.5	7.0	39.5
<b>At 31 December</b>	<b>61.4</b>	<b>6.3</b>	<b>67.7</b>

Software comprise IT software acquisition and subsequent development costs primarily relating to the company's business transformation programme.

Other intangible assets cost at 31 December 2018 includes a 2011 payment in relation to the Transport Infrastructure Fund in connection with the expansion of rail infrastructure at Southampton of £5.9m (2017: £5.9m).

The amount of borrowing costs capitalised during the year ended 31 December 2018 was £4.7m (2017: £2.7m). The weighted average rate used to determine the amount of borrowing costs eligible for capitalisation was 7.0% (2017: 7.0%).

## Notes to the financial statements

## 9. Property, plant and equipment

	Operational land £m	Buildings £m	Dock structures, quays and dredging £m	Floating craft £m	Plant and equipment £m	Assets in the course of construction £m	Total £m
<b>2018</b>							
<b>Cost</b>							
At 1 January	412.8	264.8	673.2	78.2	413.5	54.8	1,897.3
Additions	9.9	7.5	19.5	2.5	22.5	32.8	94.7
Transfers within property, plant and equipment	(0.6)	2.8	11.8	(0.8)	21.5	(34.7)	-
Transfers from/(to) property and land held for sale	0.1	-	-	-	-	-	0.1
Transfers from /(to) investment property	1.3	(0.8)	2.6	-	0.2	-	3.3
Disposals and write off	-	-	0.9	(9.9)	(3.7)	-	(12.7)
<b>At 31 December</b>	<b>423.5</b>	<b>274.3</b>	<b>708.0</b>	<b>70.0</b>	<b>454.0</b>	<b>52.9</b>	<b>1,982.7</b>
<b>Accumulated depreciation</b>							
At 1 January	-	(103.1)	(274.1)	(53.1)	(230.1)	-	(660.4)
Charge for year	-	(11.6)	(32.9)	(4.4)	(25.2)	-	(74.1)
Transfers (from)/to investment property	-	0.3	(2.6)	-	(0.3)	-	(2.6)
Disposals and write off	-	-	(0.8)	9.9	3.4	-	12.5
<b>At 31 December</b>	<b>-</b>	<b>(114.4)</b>	<b>(310.4)</b>	<b>(47.6)</b>	<b>(252.2)</b>	<b>-</b>	<b>(724.6)</b>
<b>Net book value</b>							
<b>At 1 January</b>	<b>412.8</b>	<b>161.7</b>	<b>399.1</b>	<b>25.1</b>	<b>183.4</b>	<b>54.8</b>	<b>1,236.9</b>
<b>At 31 December</b>	<b>423.5</b>	<b>159.9</b>	<b>397.6</b>	<b>22.4</b>	<b>201.8</b>	<b>52.9</b>	<b>1,258.1</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>2017</b>							
<b>Cost</b>							
At 1 January	404.0	231.8	612.9	74.3	378.6	69.4	1,771.0
Additions	0.2	15.6	39.0	2.4	20.9	33.7	111.8
Transfers within property, plant and equipment	-	9.3	15.0	1.6	22.2	(48.1)	-
Transfers from/(to) investment property	7.4	3.6	-	-	-	-	11.0
Transfer from subsidiary undertaking*	1.2	4.5	6.3	-	4.2	0.4	16.6
Disposals	-	-	-	(0.1)	(12.4)	(0.6)	(13.1)
<b>At 31 December</b>	<b>412.8</b>	<b>264.8</b>	<b>673.2</b>	<b>78.2</b>	<b>413.5</b>	<b>54.8</b>	<b>1,897.3</b>
<b>Accumulated depreciation</b>							
At 1 January	-	(88.5)	(244.2)	(49.6)	(216.0)	-	(598.3)
Charge for year	-	(12.0)	(28.3)	(3.6)	(23.6)	-	(67.5)
Transfers (from)/to investment property	-	(0.4)	-	-	-	-	(0.4)
Transfers from subsidiary undertaking*	-	(2.2)	(1.6)	-	(2.4)	-	(6.2)
Disposals	-	-	-	0.1	11.9	-	12.0
<b>At 31 December</b>	<b>-</b>	<b>(103.1)</b>	<b>(274.1)</b>	<b>(53.1)</b>	<b>(230.1)</b>	<b>-</b>	<b>(660.4)</b>
<b>Net book value</b>							
<b>At 1 January</b>	<b>404.0</b>	<b>143.3</b>	<b>368.7</b>	<b>24.7</b>	<b>162.6</b>	<b>69.4</b>	<b>1,172.7</b>
<b>At 31 December</b>	<b>412.8</b>	<b>161.7</b>	<b>399.1</b>	<b>25.1</b>	<b>183.4</b>	<b>54.8</b>	<b>1,236.9</b>

\* During 2017, The Port of Teignmouth (Transfer of Undertaking) Harbour Revision Order 2017 transferred the harbour authority for the Port of Teignmouth from the company's immediate subsidiary undertaking, The Teignmouth Quay Company Limited to Associated British Ports. On the transfer date of 1 April 2017, £16.6m of cost and £6.2m of accumulated depreciation were transferred to and vested in the company.

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

Plant and equipment held under finance leases includes marine vessels operated by the company's ports and transport business. The finance leased assets had a book cost and accumulated depreciation at 31 December 2018 totalling £3.2m (2017: £3.2m) and £1.9m (2017: £1.6m) respectively.

The amount of borrowing costs capitalised during the year ended 31 December 2018 was £0.2m (2017: £1.2m). The weighted average rate used to determine the amount of borrowing costs eligible for capitalisation was 7.0% (2017: 7.0%).

The net book values for property, plant and equipment are reported net of amortised government grants received of £3.8m (2017: £3.9m).

## Notes to the financial statements

## 10. Investment property

	Port-related investment properties £m	Other investment properties £m	Land at ports held for development £m	Total £m
<b>2018</b>				
<b>At valuation</b>				
At 1 January	1,750.6	168.3	34.0	1,952.9
Additions	18.9	15.2	0.1	34.2
Transfers within investment property	0.2	0.6	(0.8)	-
Transfers (to)/from property and land held for sale	0.6	(0.2)	(0.9)	(0.5)
Transfers (to)/from property, plant and equipment	(0.7)	-	-	(0.7)
	<b>1,769.6</b>	<b>183.9</b>	<b>32.4</b>	<b>1,985.9</b>
Surplus on revaluation	4.4	0.1	-	4.5
Increase/(decreases) in fair value of investment properties	27.2	9.4	(1.0)	35.6
<b>At 31 December</b>	<b>1,801.2</b>	<b>193.4</b>	<b>31.4</b>	<b>2,026.0</b>
<b>2017</b>				
<b>At valuation</b>				
At 1 January	1,700.4	164.3	31.7	1,896.4
Additions	8.1	1.4	4.9	14.4
Disposals	-	-	(0.2)	(0.2)
Transfers within investment property	(1.4)	1.4	-	-
Transfers (to)/from property and land held for sale	(0.8)	-	(4.2)	(5.0)
Transfers (to)/from property, plant and equipment	(10.9)	0.3	-	(10.6)
	<b>1,695.4</b>	<b>167.4</b>	<b>32.2</b>	<b>1,895.0</b>
Surplus on revaluation	3.0	0.3	-	3.3
Increase in fair value of investment properties	52.2	0.6	1.8	54.6
<b>At 31 December</b>	<b>1,750.6</b>	<b>168.3</b>	<b>34.0</b>	<b>1,952.9</b>

During the year £4.5m (2017: £3.3m) was credited directly to the revaluation reserve reflecting the increase to fair value of the properties transferred from property, plant and equipment to investment property (previously recorded at cost). An increase of £35.6m (2017: £54.6m) in the fair value of investment properties was recognised directly in the income statement.

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

The amount of borrowing costs capitalised within investment property during the year ended 31 December 2018 was £nil (2017: £nil). The weighted average rate used to determine the amount of borrowing costs eligible for capitalisation was 7.0% (2017: 7.0%).

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

Notes to the financial statements

10. Investment property (continued)

*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*

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.

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.

## Notes to the financial statements

## 10. Investment property (continued)

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

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

  

2017	Port-related investment properties	Other investment properties and land held for development	Total
<b>Observable</b>			
Average income per acre £'000	84.1	4.4	42.0
Income range per acre £'000	0 – 475	0 – 114	0 – 475
<b>Unobservable</b>			
Yield – average %	11.7	12.2	11.9
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 2018 averages 11.9% (2017: 11.9%). A decrease in the average yield of 0.5% would result in an increase in the aggregate valuation of £88.9m (2017: £85.7m) and an increase in the average yield of 0.5% would result in a decrease in the aggregate valuation of £81.8m (2017: £78.8m). Yields are not dependent on any other significant unobservable inputs used in the valuations.

*Rental income*

Rental income, excluding other income, generated from the company's investment property portfolio amounted to £131.6m (2017: £122.0m) and related operating expenses amounted to £2.3m (2017: £2.2m). Direct operating expenses relating to vacant property are considered to be immaterial.

## Notes to the financial statements

## 11. Investments

	Interest in subsidiary undertakings £m
At 1 January 2017	47.8
<b>At 31 December 2017</b>	<b>47.8</b>
Acquisition of subsidiary undertaking	13.2
Impairment of investment in subsidiary undertaking	(6.4)
<b>At 31 December 2018</b>	<b>54.6</b>

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

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

A list of the company’s subsidiary undertakings is set out in note 26.

## 12. Trade and other receivables

	2018 £m	2017* £m
<b>Non-current</b>		
Accrued income	1.4	1.3
Other receivables	5.2	5.3
<b>Total non-current trade and other receivables</b>	<b>6.6</b>	<b>6.6</b>
<b>Current</b>		
Gross trade receivables	73.8	62.8
Allowance for expected credit losses	(1.4)	(1.8)
Net trade receivables	72.4	61.0
Amounts due from group undertakings	3.1	1.5
Amounts due from subsidiary undertakings	0.2	-
Prepayments	7.1	10.3
Accrued income	24.6	22.7
Other receivables	14.6	16.4
<b>Total current trade and other receivables</b>	<b>122.0</b>	<b>111.9</b>

\* At 1 January 2018, the company adopted IFRS 15 using the modified retrospective method. Under this method the 2017 comparative is not restated but has been reanalysed to conform to current presentation. Further details are set out in note 1.2.

## Notes to the financial statements

## 12. Trade and other receivables (continued)

In December 2016 the company entered into an invoice receivable sale facility, which allows the sale of receivables of up to £25.0m to the counterparty bank. The counterparty bank has no recourse to the company in respect of unpaid amounts. As at 31 December 2018, invoices totalling £16.1m (2017: £16.4m) were sold as part of this facility and derecognised from the company balance sheet.

Amounts due from group and subsidiary undertakings are not overdue for repayment and are not considered impaired. Details of the amounts due from related parties are disclosed in note 23.

All trade receivables are non-interest bearing. Disclosure of the financial risks related to these financial instruments is in note 17.

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

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

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

	2018 £m	2017 £m
At 1 January	1.8	9.6
Provision for expected credit losses	0.8	0.8
Expected credit losses reversed	(0.4)	(0.6)
Receivables written off as uncollectable	(0.8)	(8.0)
<b>At 31 December</b>	<b>1.4</b>	<b>1.8</b>

The provision for loss allowance measured at an amount equal to the 12-month expected credit losses for the year ended 31 December 2018 was £nil (2017: £nil).

As at 31 December 2018 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:

	2018 £m	2017 £m
Up to 3 months	14.7	12.4
3 to 6 months	1.6	1.0
Over 6 months	1.7	0.5
<b>Total past due but not impaired receivables</b>	<b>18.0</b>	<b>13.9</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

## 13. Property and land held for sale

	2018 £m	2017 £m
At 1 January	5.6	0.6
Disposals	(2.3)	-
Transfers from/(to) investment property	0.5	5.0
Transfers to property, plant and equipment	(0.1)	-
<b>At 31 December</b>	<b>3.7</b>	<b>5.6</b>

The historical cost of property and land held for sale is £2.6m (2017: £4.1m).

## 14. Pension commitments

The company participates in a number of pension schemes:

- The main scheme is a funded defined benefits scheme – The Associated British Ports Group Pension Scheme (“ABPGPS”);
- Unfunded retirement benefit arrangements in respect of former employees;
- Three industry-wide defined benefit schemes – The Pilots National Pension Fund (“PNPF”), The Former Registered Dock Workers Pension Fund (“FRDWPF”) and The Merchant Navy Officers Pension Fund (“MNOFP”);
- One industry-wide defined contribution scheme – The Ensign Retirement Plan (“ERP”); and
- Defined contribution arrangements (as a section of the ABPGPS).

Except for unfunded retirement benefit arrangements, the assets of the company’s pension schemes 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:

	2018 £m	2017 £m
ABPGPS and unfunded retirement benefit arrangements	3.8	4.7
Industry wide schemes	0.1	(0.9)
Defined contribution arrangements	7.8	6.7
<b>Net pension charge recognised within operating profit</b>	<b>11.7</b>	<b>10.5</b>
Net interest charge on net defined benefit liabilities	1.3	2.8
<b>Net pension charge recognised in profit before tax</b>	<b>13.0</b>	<b>13.3</b>

**Notes to the financial statements****14. Pension commitments (continued)*****Balance sheet***

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

	<b>2018</b>	<b>2017</b>
	<b>£m</b>	<b>£m</b>
ABPGPS – net funded pension asset	<b>43.3</b>	9.8
ABPGPS – net unfunded pension liability	<b>(2.2)</b>	(2.5)
	<b>41.1</b>	7.3
PNPF	<b>(59.5)</b>	(66.2)
<b>Net retirement benefit liabilities</b>	<b>(18.4)</b>	(58.9)
Net retirement benefit assets total	<b>43.3</b>	9.8
Net retirement benefit obligations total	<b>(61.7)</b>	(68.7)
<b>Net retirement benefit liabilities</b>	<b>(18.4)</b>	(58.9)

During the prior year the company followed the advice from its actuaries Willis Towers Watson to adopt a modified discount rate methodology for the ABPGPS. The changes aimed to exclude non-corporate bonds (e.g. those issued by universities and unincorporated bodies) while a small change to the credit rate definition maintained the population. This change in discount rate, a slight decrease in inflation expectations and investment returns being greater than expected at the beginning of the year led to a significant actuarial gain and the scheme as a result has moved to a £41.1m surplus (2017: £7.3m surplus).

The Pilots National Pension Fund scheme also recorded an actuarial gain during the year due to changes in demographic and financial assumptions and investment returns.

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

The defined benefits section of the ABPGPS is closed to new members. New members joining this scheme are offered membership of a defined contributions section, which at 31 December 2018 constituted 10.7% (2017: 8.1%) of the total asset value.

The most recent formal valuation of the ABPGPS was carried out as at 31 December 2017 and finalised on 7 March 2019. The valuation of the liabilities as at 31 December 2018 has been derived by projecting forward the position as at 31 December 2014. This exercise was performed by an independent actuary, Willis Towers Watson. The present value of the defined benefit obligations and the related current service cost were measured using the Projected Unit Credit method. The present value of pension liabilities has been determined by discounting pension commitments (including an allowance for salary growth) using a high quality corporate bond yield.

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

Based on summary membership data, and taking a simplified approach to determine an estimate, with no explicit margins for prudence, it has been estimated by the actuary, Willis Towers Watson, that the financial effect of equalizing benefits due to the Guaranteed Minimum Pensions in the ABPGPS would be an approximate 0.1% increase in the Scheme's liabilities as at 26 October 2018, the date of the court judgment in the Lloyds Bank Court case.

Notes to the financial statements

14. Pension commitments (continued)

Schemes accounted for on a defined benefit basis (continued)

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

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

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

The valuation of the liabilities as at 31 December 2018 has been derived by projecting forward the position as at 31 December 2016, taking account of experience over the period since that date, changes in market conditions and differences in the financial and demographic assumptions. This exercise was performed by an independent actuary, Aon Hewitt. The present value of the defined benefit obligation was measured using the Projected Unit Credit method.

Under the scheme deficit recovery plan, the company will be required to make payments towards the funding of the deficit with payments of £5.6m in 2019 and £5.8m in 2020, with contributions thereafter rising by 3.4% each year until 2028.

## Notes to the financial statements

## 14. 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	
	2018	2017	2018	2017
	%	%	%	%
Inflation (CPI/RPI)	2.10/3.10	2.05/3.05	2.20/3.20	2.10/3.10
Rate of increase in pensionable salaries	2.00	2.00	3.20	3.10
Rate of increase for pensions in payment <sup>1</sup>	2.90	2.85	3.10	3.00
Rate of increase for pensions in payment <sup>2</sup>	2.20	2.15	3.60	3.60
Rate of increase for pensions in payment <sup>3</sup>	2.10	2.05	2.20	2.10
Discount rate	2.85	2.65	2.90	2.40

<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	
	2018	2017	2018	2017
	Years	Years	Years	Years
Male life expectancy retiring at age 60 in 15 years	27.2	28.7	27.3	27.4
Female life expectancy retiring at age 60 in 15 years	29.7	31.2	29.4	29.5

*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	
	2018	2017	2018	2017
	£m	£m	£m	£m
<b>Increase in liabilities</b>				
Decrease in discount factor by 0.5%	43.0	55.5	12.0	13.0
Increase in inflation rate by 0.5%	28.1	35.8	3.0	4.0
Increase in rate of mortality of a 60 year old by 1 year	22.7	24.8	8.0	8.0

## Notes to the financial statements

## 14. 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	
	2018 £m	2017 £m	2018 £m	2017 £m
Fair value of scheme assets at 1 January	627.8	621.9	117.5	115.3
Amounts recognised in income statement:				
Interest income	16.3	15.2	2.7	2.8
Remeasurement (loss)/gain in OCI:				
Return on assets, excluding amounts in net interest	(24.6)	19.3	(5.1)	6.0
Contributions by employees	0.2	0.3	-	-
Contributions by employer	4.2	4.7	5.5	5.3
Benefits paid	(31.3)	(32.3)	(11.6)	(11.3)
Administrative expenses paid	(1.3)	(1.3)	(0.7)	(0.6)
<b>Fair value of scheme assets at 31 December</b>	<b>591.3</b>	<b>627.8</b>	<b>108.3</b>	<b>117.5</b>

Changes in fair value of scheme obligations were as follows:

	ABPGPS		PNPF	
	2018 £m	2017 £m	2018 £m	2017 £m
Fair value of scheme obligations at 1 January	(620.5)	(655.7)	(183.7)	(194.5)
Amounts recognised in income statement:				
Current and past service costs	(4.3)	(4.7)	(0.1)	(0.1)
Interest cost	(16.1)	(16.0)	(4.3)	(4.7)
Remeasurement gain in OCI:				
Remeasurement gain from changes in demographic assumptions	28.6	-	1.2	7.1
Remeasurement gain from changes in financial assumptions	14.5	19.3	9.2	1.5
Experience gain/(loss)	15.0	3.1	(2.4)	(4.9)
Contributions by employees	(0.2)	(0.3)	-	-
Benefits paid directly by the company	0.2	0.2	-	-
Benefits paid	31.3	32.3	11.6	11.3
Administrative expenses paid	1.3	1.3	0.7	0.6
<b>Fair value of scheme obligations at 31 December</b>	<b>(550.2)</b>	<b>(620.5)</b>	<b>(167.8)</b>	<b>(183.7)</b>

The current service cost represented 43.0% (2017: 46.0%) for the ABPGPS and unfunded retirement benefit arrangements and 27.0% (2017: 36.7%) for the PNPF, of the applicable pensionable payroll. Interest cost for the ABPGPS includes £nil (2017: £0.1m) relating to the unfunded retirement benefit obligation.

Returns on assets and interest on liabilities are determined by reference to the actuarial assumptions adopted at the beginning of each financial period. The actual return on assets for 2018 was a loss of £8.3m (2017: gain of £34.5m) for the ABPGPS and unfunded retirement benefit arrangements and a loss of £2.4m (2017: gain of £8.8m) for the PNPF.

## Notes to the financial statements

## 14. Pension commitments (continued)

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

As at 31 December 2018, the cumulative remeasurement result recognised in the company's other comprehensive income amounted to a loss of £56.9m (2017: £90.4m) for the ABPGPS and unfunded retirement benefit arrangements and a gain of £6.4m (2017: £3.5m) for the PNPf.

The scheme's assets were represented by investments in:

	2018	2017
	%	%
<b>ABPGPS</b>		
Liability matching and hedging investments or assets*	29.2	27.1
Bond funds	24.4	33.3
Diversified growth funds	20.4	20.2
Private credit funds	12.4	5.5
Emerging market funds	5.2	5.1
Property	7.9	7.8
Cash	0.5	1.0
* The company 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.		
	2018	2017
	%	%
<b>PNPF</b>		
Global equities	16.9	17.5
Corporate bonds	33.3	31.6
Fund of hedge funds	17.9	16.8
Diversified growth funds	10.8	15.9
Gilts	13.7	16.8
Cash	7.4	1.4

*Historical record – ABPGPS and unfunded retirement benefit arrangements*

Amounts for the current and previous years are as follows:	2018	2017	2016	2015	2014
	£m	£m	£m	£m	£m
Fair value of scheme assets	591.3	627.8	621.9	586.7	598.2
Present value of funded scheme obligations	(548.0)	(618.0)	(652.9)	(537.4)	(569.6)
Present value of unfunded obligations	(2.2)	(2.5)	(2.8)	(2.5)	(2.7)
<b>Net assets/(liabilities) recognised in the balance sheet</b>	<b>41.1</b>	<b>7.3</b>	<b>(33.8)</b>	<b>46.8</b>	<b>25.9</b>
Remeasurement gain/(loss) due to changes in assumptions	43.1	19.3	(128.9)	17.0	(59.7)
Experience gain/(loss) on scheme obligations	15.0	3.1	4.9	10.6	(1.8)
Experience (loss)/gain on scheme assets	(24.6)	19.3	40.4	(9.8)	48.2
<b>Remeasurement gain/(loss) relating to net retirement benefit assets/(liabilities) recognised in other comprehensive income</b>	<b>33.5</b>	<b>41.7</b>	<b>(83.6)</b>	<b>17.8</b>	<b>(13.3)</b>

## Notes to the financial statements

## 14. 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:	2018 £m	2017 £m	2016 £m	2015 £m	2014 £m
Fair value of scheme assets	108.3	117.5	115.3	106.4	110.4
Present value of funded scheme obligations	(167.8)	(183.7)	(194.5)	(174.7)	(183.4)
<b>Net liabilities recognised in the balance sheet</b>	<b>(59.5)</b>	<b>(66.2)</b>	<b>(79.2)</b>	<b>(68.3)</b>	<b>(73.0)</b>
Remeasurement gain/(loss) due to changes in assumptions	10.4	8.6	(23.6)	4.2	(11.2)
Experience loss on scheme obligations	(2.4)	(4.9)	(2.0)	(0.6)	(2.2)
Experience (loss)/gain on scheme assets	(5.1)	6.0	11.9	(1.2)	17.8
<b>Remeasurement gain/(loss) relating to net retirement benefit liabilities recognised in other comprehensive income</b>	<b>2.9</b>	<b>9.7</b>	<b>(13.7)</b>	<b>2.4</b>	<b>4.4</b>

## Schemes accounted for on a defined contribution basis

*The Former Registered Dock Workers Pension Fund (“FRDWPF”)*

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

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

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

In October 2017 the Trustee to the FRDWPF secured an annuity contract to cover all remaining liabilities of the Fund. As a result the contributions agreement detailed above was ceased with effect from 31 August 2017, once notice had been served that the policy would proceed. The Trustee to the FRDWPF announced the wind-up of the Fund in June 2018. The remaining provision was released in 2017 and is recorded in the industry wide schemes cost within the income statement.

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

In previous years the company provided for an impending s75 debt, which would be payable upon the retirement of the company’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 2018 and 2017 the company had no contributions to this scheme.

**Notes to the financial statements****14. Pension commitments (continued)****Schemes accounted for on a defined contribution basis (continued)*****The Ensign Retirement Plan (“ERP”)***

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

In 2018 the company expensed as defined contribution pension costs a total of £79,000 (2017: £67,000) of contributions to this plan.

***Defined contribution arrangements***

The defined contribution pension cost represents the actual contributions payable by the company to the arrangements provided by the ABPGPS. At 31 December 2018, there were no amounts outstanding as being due to these arrangements from the company (2017: £nil).

**15. Borrowings**

	2018 £m	2017 £m
<b>Current</b>		
Obligations under finance leases	0.4	0.3
<b>Total current borrowings</b>	<b>0.4</b>	<b>0.3</b>
<b>Non-current</b>		
Obligations under finance leases	1.3	1.7
Amounts due to parent undertaking	615.4	728.0
<b>Total non-current borrowings</b>	<b>616.7</b>	<b>729.7</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 23.

Obligations under finance leases are secured on related leased assets.

Disclosure of the financial risks related to these financial instruments is disclosed in note 17. Details of the company's contingent liabilities in relation to the ultimate parent undertaking's group borrowings are set out in note 25.

The company's borrowings are denominated in sterling.

**16. Derivative financial instruments**

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

## Notes to the financial statements

## 16. Derivative financial instruments (continued)

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

2018	Expiry	Notional	Net amounts of financial assets presented in the balance sheet £m	Net amounts of financial liabilities presented in the balance sheet £m
<b>At fair value through profit and loss</b>				
Fuel swaps and caps	2019-2020	15.6m litres	0.1	(0.2)
<b>Fair value of derivative financial instruments</b>			<b>0.1</b>	<b>(0.2)</b>
Derivatives not offset in the balance sheet*			-	-
<b>Net amount</b>			<b>0.1</b>	<b>(0.2)</b>

\*Right to offset under master netting arrangements.

2017	Expiry	Notional	Net amounts of financial assets presented in the balance sheet £m	Net amounts of financial liabilities presented in the balance sheet £m
<b>At fair value through profit and loss</b>				
Fuel swaps and caps	2018-2019	16.8m litres	0.6	-
Forward foreign exchange contracts	2018	£0.5m	-	-
<b>Fair value of derivative financial instruments</b>			<b>0.6</b>	<b>-</b>
Derivatives not offset in the balance sheet*			-	-
<b>Net amount</b>			<b>0.6</b>	<b>-</b>

\*Right to offset under master netting arrangements.

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

	2018 £m	2017 £m
Current assets	0.1	0.5
Non-current assets	-	0.1
<b>Total assets</b>	<b>0.1</b>	<b>0.6</b>
Current liabilities	(0.2)	-
Non-current liabilities	-	-
<b>Total liabilities</b>	<b>(0.2)</b>	<b>-</b>

Disclosure of the financial risks related to these financial instruments is disclosed in note 17.

## Notes to the financial statements

### 17. Financial instruments

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

#### **Fair value of financial instruments**

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

The carrying amounts of financial assets and financial liabilities in the financial statements approximate to their fair value. The following methods and assumptions were used to estimate the fair values:

- The fair value of cash and cash equivalents, current trade and other receivables and current trade and other payables approximate to their carrying amounts due to the short-term maturities of these instruments;
- The fair value of amounts due to parent undertaking approximates to their carrying amounts as they bear interest at a rate linked to the group's weighted average cost of debt, which is mostly linked to LIBOR and there have been no significant changes in credit risk since the issue of the instruments. A cash flow projection approach has been used with reference to observed market returns and accords to Level 2 in the fair value hierarchy;
- The derivative financial instrument swaps are not traded in an active market, hence their fair value is determined by using discounted cash flow valuation techniques. These valuation techniques maximise the use of observable market data where available, including fuel prices and implied volatilities, and rely as little as possible on entity specific estimates and accords to Level 2 in the fair value hierarchy; and
- The fair value of foreign exchange contracts is based on market price, corresponding to Level 1 in the fair value hierarchy.

#### **Financial risk management**

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

The company does not use financial instruments for speculative purposes.

#### *Liquidity risk*

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

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

## Notes to the financial statements

## 17. Financial instruments (continued)

## Financial risk management (continued)

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

	Borrowings £m	Trade and other payables and other non- current liabilities £m	Total £m
<b>2017</b>			
Not later than one year	50.8	153.1	203.9
More than one year but not more than two years	50.7	47.3	98.0
More than two years but not more than five years	777.0	-	777.0
More than five years	-	0.2	0.2
<b>Total payments</b>	<b>878.5</b>	<b>200.6</b>	<b>1,079.1</b>

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

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:

	2018		2017	
	Total outflows £m	Total inflows £m	Total outflows £m	Total inflows £m
<b>Forward foreign exchange contracts</b>				
Not later than one year	-	-	(0.5)	0.5
<b>Total forward foreign exchange contracts</b>	<b>-</b>	<b>-</b>	<b>(0.5)</b>	<b>0.5</b>

## Notes to the financial statements

## 17. Financial instruments (continued)

## Financial risk management (continued)

The company leases pilot vessels under finance lease arrangements. The lease over the pilot vessels runs for 10 years and expires in December 2022. The lease over the pilot vessels has an option to renew, subject to review in 2021. The lease over the pilot vessels also contains an obligation to pay a contingent rental should the usage in any year exceed 12,500 hours.

The maturity profile of the company's minimum lease payments under finance leases was as follows:

	2018	2017
	£m	£m
<b>Future minimum lease payments paid on finance leases</b>		
Not later than one year	0.7	0.6
More than one year but not more than five years	1.9	2.4
	2.6	3.0
Less: finance charges allocated to future periods	(0.9)	(1.0)
<b>Present value of minimum lease payments</b>	<b>1.7</b>	<b>2.0</b>

	2018	2017
	£m	£m
<b>Amounts payable under finance leases</b>		
Not later than one year	0.4	0.3
More than one year but not more than five years	1.3	1.7
<b>Total obligations under finance leases</b>	<b>1.7</b>	<b>2.0</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:

	2018	2017
	£m	£m
Expiring in:		
More than one year but not more than two years	184.6	-
More than two years but not more than five years	-	72.0
<b>Undrawn borrowing facilities</b>	<b>184.6</b>	<b>72.0</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 2018 was £400.0m (2017: £400.0m).

*Market risk*Interest rate risk

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

**Notes to the financial statements**

**17. Financial instruments (continued)**

**Financial risk management (continued)**

Foreign exchange risk

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

*Credit risk*

Credit risk with banks and financial institutions is managed by the wider group. The group monitors the credit risk of banking counterparts, tracking credit default swap rates and credit ratings of actual and potential counterparties. Cash deposits of the group at the year end were all with counterparties with a credit rating of A3 or better and the weighted average maturity of deposits was 1 day from 31 December 2018.

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 1% 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 12, management considers the company's exposure to credit risk to be minimal. The maximum exposure to credit risk at 31 December 2018 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 2017.

## Notes to the financial statements

## 18. Trade and other payables

	2018 £m	2017* £m
<b>Current</b>		
Trade payables	47.2	35.9
Amounts due to parent undertaking	18.1	31.1
Amounts due to group undertakings	50.2	49.5
Amounts due to subsidiary undertakings	11.7	11.7
Accruals	19.8	19.9
Other creditors	8.3	4.0
Taxation	12.1	3.9
<b>Total current trade and other payables</b>	<b>167.4</b>	<b>156.0</b>
<b>Non-current</b>		
Amounts due to subsidiary undertakings	45.8	45.8
<b>Total non-current trade and other payables</b>	<b>45.8</b>	<b>45.8</b>

All trade and other payables are non-interest bearing. Details on amounts due to related parties are disclosed in note 23.

Disclosure of the financial risks related to these financial instruments is disclosed in note 17.

## 19. Deferred revenue

	Contract liability £m	Deferred property income £m	Total* £m
At 1 January 2017	7.4	47.3	54.7
Credited to income statement during the year	(3.6)	(14.6)	(18.2)
Amounts received in advance and deferred	10.9	49.2	60.1
<b>At 31 December 2017</b>	<b>14.7</b>	<b>81.9</b>	<b>96.6</b>
Impact of application of IFRS 15 (note 1.2)	0.8	-	0.8
At 1 January 2018	15.5	81.9	97.4
Credited to income statement during the year	(7.0)	(14.5)	(21.5)
Amounts received in advance and deferred	4.0	11.5	15.5
<b>At 31 December 2018</b>	<b>12.5</b>	<b>78.9</b>	<b>91.4</b>

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

	2018 £m	2017* £m
Current	23.1	24.3
Non-current	68.3	72.3
<b>Total deferred revenue</b>	<b>91.4</b>	<b>96.6</b>

\* At 1 January 2018, the company adopted IFRS 15 using the modified retrospective method. Under this method the 2017 comparative is not restated but has been reanalysed to conform to current presentation. Further details are set out in note 1.2.

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.

## Notes to the financial statements

## 20. Provisions

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

	Restructuring £m	Property £m	Self insurance £m	Other £m	Total £m
At 1 January 2017	1.8	0.1	18.2	0.1	20.2
Charged/(credited) to income statement during the year	4.0	(0.1)	-	0.6	4.5
Utilised in the year	(1.5)	-	-	-	(1.5)
Amortisation of discounting	-	-	0.5	-	0.5
<b>At 31 December 2017</b>	<b>4.3</b>	<b>-</b>	<b>18.7</b>	<b>0.7</b>	<b>23.7</b>
Expected utilisation within one year	4.3	-	4.8	0.7	9.8

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

	2018 £m	2017 £m
Current	8.0	9.8
Non-current	14.0	13.9
<b>Total provisions</b>	<b>22.0</b>	<b>23.7</b>

**Restructuring**

During 2015 a business transformation programme was initiated as part of Associated British Ports' change programme. A provision has been raised for restructuring in relation to this programme, which primarily includes staff and consultancy related costs. This programme was ongoing in 2018 and the provision is expected to be utilised within one year.

**Property**

Property provisions include amounts provided in relation to property leases where the unavoidable costs under the lease exceed the economic benefit and amounts provided in relation to other exposures associated with the company's property portfolio, such as customer claims regarding rates. The provision was fully utilised as at 31 December 2017.

**Self insurance**

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

**Notes to the financial statements****20. Provisions (continued)****Self insurance (continued)**

The provision was reviewed and updated in 2017 in conjunction with an independent actuary. The potential liabilities have been projected forward until 2075, using the actuary's estimate of incidence of type and number of claims and life expectancy of claimants and the company reassesses these liabilities on an annual basis. Cash flows, where appropriate, have been discounted on a pre-tax basis using a discount rate of 2.9% (2017: 2.9%). The most recent actuarial assessment identified an estimated range of liabilities between £11.0m and £24.0m (£8.8m - £17.3m discounted). In the light of significant uncertainty associated with asbestos related and noise-induced hearing loss claims, the company is currently providing at the top end of the range.

**Other**

Other provisions primarily relate to obligations from commitments entered into as part of the development of certain port facilities.

**21. Deferred tax**

The UK corporation tax rate change from 19% to 17% (effective 1 April 2020) was enacted 15 September 2016. Accordingly, the deferred tax balances are remeasured at 19% or 17% as appropriate for the period in which they are expected to crystallise.

The movement on the deferred tax is shown below:

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

## Notes to the financial statements

## 21. Deferred tax (continued)

	2016 £m	Adjustments in respect of previous periods (credited)/ charged to income statement £m	Charged/ (credited) to income statement £m	Charged/ (credited) to OCI £m	2017 £m
Accelerated tax depreciation	44.5	-	8.1	-	52.6
Revaluation of operational land and investment properties	83.5	(2.1)	9.6	(5.2)	85.8
Capital losses	(9.3)	-	-	-	(9.3)
Losses available to offset future company profits	11.0	-	(11.0)	-	-
Retirement benefit obligations	(22.5)	-	0.3	10.4	(11.8)
Other	(2.2)	0.1	(0.4)	-	(2.5)
<b>Net deferred tax liability</b>	<b>105.0</b>	<b>(2.0)</b>	<b>6.6</b>	<b>5.2</b>	<b>114.8</b>

The company has unrecognised capital losses of £314.1m (2017: £314.1m) that are only available for offset against gains from future sales of land and buildings from the port estates. These have not been recognised as gains from future property sales cannot be projected with sufficient certainty.

## 22. Cash generated by operations

	2018 £m	2017 £m
Reconciliation of profit before taxation to cash generated by operations:		
Profit before taxation	243.7	247.5
Dividend income	(10.8)	-
Finance costs	50.3	52.5
Finance income	(0.3)	(0.3)
Net unrealised loss on operating derivatives	0.7	0.7
Depreciation of property, plant and equipment	74.1	67.5
Amortisation of intangible assets	2.8	2.9
Impairment of investment in subsidiary undertaking	6.4	-
Profit on write off of intangibles and disposal of property, plant and equipment, investment property and property and land held for sale	(2.9)	(0.4)
(Decrease)/increase in provisions	(2.3)	3.0
Increase in fair value of investment properties	(35.6)	(54.6)
Difference between pension contributions paid and defined benefit pension charge through profit and loss	(5.5)	(6.6)
<b>Operating cash flows before movements in working capital</b>	<b>320.6</b>	<b>312.2</b>
Increase in trade and other receivables	(11.9)	(15.0)
Decrease in trade and other payables	(27.7)	(10.3)
<b>Cash generated by operations</b>	<b>281.0</b>	<b>286.9</b>

## Notes to the financial statements

## 22. Cash generated by operations (continued)

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

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

	At 1 January liability £m	Cash flows £m	Non-cash changes £m	At 31 December liability £m
<b>2017</b>				
Long-term intercompany borrowings	(759.8)	78.3	(46.5)	(728.0)
Obligations under finance leases	(2.3)	0.7	(0.4)	(2.0)
<b>Total</b>	<b>(762.1)</b>	<b>79.0</b>	<b>(46.9)</b>	<b>(730.0)</b>

## 23. Related party transactions

The company's UK retirement benefit schemes are managed by The Associated British Ports Group Pension Scheme ("ABPGPS") (see note 14). During the year, the company charged ABPGPS £0.2m (2017: £0.1m) in respect of administrative services. At 31 December 2018, £nil (2017: £nil) remained owing to the company by ABPGPS in respect of these charges.

## Notes to the financial statements

## 23. Related party transactions (continued)

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

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

The company has the following borrowings with the related party:

Entity	Due date	Rate per annum	2018 £m	2017 £m
Associated British Ports Holdings Limited	2020	7.6%	(615.4)	(728.0)

## Notes to the financial statements

## 23. 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>2018</b>	<b>2017</b>
	<b>£m</b>	<b>£m</b>
Intercompany borrowing at start of the year	(728.0)	(759.8)
Decrease in payable	1.4	1.2
Interest charged – 7.6% per annum (2017: 7.0%)	(53.0)	(52.7)
Interest paid	49.0	45.0
Dividends payable	-	(40.0)
Dividends paid	-	40.0
Net cash paid	115.2	38.3
<b>Intercompany borrowing at end of the year</b>	<b>(615.4)</b>	<b>(728.0)</b>

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

	<b>2018</b>	<b>2017</b>
	<b>£m</b>	<b>£m</b>
ABP (Aldwych) Limited	1.5	1.5
Immingham Bulk Terminal Limited	1.6	-
W.E. Dowds (Shipping) Limited	0.2	-
ABP Acquisitions UK Limited	(18.1)	(31.1)
ABP Marine Environmental Research Limited	(1.9)	(1.6)
Grosvenor Waterside Investments Limited	(38.5)	(38.4)
The Teignmouth Quay Company Limited	(11.7)	(11.7)
ABP Southampton Properties Limited	(4.1)	(4.1)
ABP Property Development Company Limited	(5.0)	(4.6)
Auto Shipping Limited	(0.5)	(0.5)
Grosvenor Waterside Asset Management Limited	(0.1)	(0.1)
Millbay Development Company Limited	(0.1)	(0.1)
<b>Total current balances</b>	<b>(76.7)</b>	<b>(90.7)</b>
Colchester Dock Transit Company Limited	(5.3)	(5.3)
Exxtor Shipping Services Limited	(11.2)	(11.2)
Humber Pilotage (C.H.A.) Limited	(2.0)	(2.0)
Ipswich Port Limited	(24.7)	(24.7)
Northern Cargo Services Limited	(1.1)	(1.1)
Southampton Free Trade Zone Limited	(1.5)	(1.5)
<b>Total non-current balances</b>	<b>(45.8)</b>	<b>(45.8)</b>

## Notes to the financial statements

## 23. 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>2018</b>	<b>2017</b>
	<b>£m</b>	<b>£m</b>
Intercompany receivable at start of the year	-	-
Increase in receivable	1.6	-
Intercompany receivable at end of the year	1.6	-
<b>W.E. Dowds (Shipping) Limited</b>	<b>2018</b>	<b>2017</b>
	<b>£m</b>	<b>£m</b>
Intercompany receivable at start of the year	-	-
Dividends receivable	4.5	-
Dividends received	(4.5)	-
Increase in receivable	0.2	-
Intercompany receivable at end of the year	0.2	-
<b>UK Dredging Management Limited</b>	<b>2018</b>	<b>2017</b>
	<b>£m</b>	<b>£m</b>
Intercompany receivable at start of the year	-	0.1
Decrease in receivable	-	(0.1)
Intercompany receivable at end of the year	-	-
<b>RPM Industrial Site Services Limited</b>	<b>2018</b>	<b>2017</b>
	<b>£m</b>	<b>£m</b>
Intercompany payable at start of the year	-	-
Non-cash purchase of property, plant and equipment	(6.3)	-
Non-cash dividends received	6.3	-
Intercompany payable at end of the year	-	-
<b>ABP Acquisitions UK Limited</b>	<b>2018</b>	<b>2017</b>
	<b>£m</b>	<b>£m</b>
Intercompany payable at start of the year	(31.1)	(48.6)
Decrease in payable	13.0	17.5
Intercompany payable at end of the year	(18.1)	(31.1)
<b>ABP Marine Environmental Research Limited</b>	<b>2018</b>	<b>2017</b>
	<b>£m</b>	<b>£m</b>
Intercompany payable at start of the year	(1.6)	(1.5)
Increase in payable	(0.3)	(0.1)
Intercompany payable at end of the year	(1.9)	(1.6)
<b>Grosvenor Waterside Investments Limited</b>	<b>2018</b>	<b>2017</b>
	<b>£m</b>	<b>£m</b>
Intercompany payable at start of the year	(38.4)	(38.3)
Increase in payable	(0.1)	(0.1)
Intercompany payable at end of the year	(38.5)	(38.4)

## Notes to the financial statements

## 23. Related party transactions (continued)

<b>ABP Property Development Company Limited</b>	<b>2018</b>	<b>2017</b>
	<b>£m</b>	<b>£m</b>
Intercompany payable at start of the year	(4.6)	(4.7)
(Increase)/decrease in payable	(0.4)	0.1
Intercompany payable at end of the year	(5.0)	(4.6)

<b>The Teignmouth Quay Company Limited</b>	<b>2018</b>	<b>2017</b>
	<b>£m</b>	<b>£m</b>
Intercompany payable at start of the year	(11.7)	(0.7)
Non-cash transfer of assets and liabilities	-	(11.0)
Intercompany payable at end of the year	(11.7)	(11.7)

<b>ABP Security Limited</b>	<b>2018</b>	<b>2017</b>
	<b>£m</b>	<b>£m</b>
Intercompany payable at start of the year	-	-
Port security services expenses	(0.2)	(0.1)
Expenses paid on behalf of the company	0.2	0.1
Intercompany payable at end of the year	-	-

The outstanding account balances as at 31 December 2018 was less than £0.1m for each of Aldwych Logistics Investments Limited, ABP Marchwood Limited and ABP Safeguard Limited.

## 24. Financial commitments

**Capital commitments**

	<b>2018</b>	<b>2017</b>
	<b>£m</b>	<b>£m</b>
Capital expenditure contracted but not provided for	55.7	27.3

**Operating lease commitments – company as lessee**

The company leases various vehicles, plant and machinery and property under non-cancellable operating lease agreements. The lease terms vary and range from one to five years for vehicles, less than one year to seven years for plant and machinery, and less than one year to 150 years for property. These leases have various escalation clauses and renewal rights and there are no financial restrictions placed upon the lessee by entering into these leases.

Total future minimum lease instalments to be paid under non-cancellable operating leases are as follows:	<b>2018</b>	<b>2017</b>
	<b>£m</b>	<b>£m</b>
Not more than one year	2.0	2.1
More than one year but not more than five years	6.3	6.2
More than five years	17.3	22.7
<b>Total</b>	<b>25.6</b>	<b>31.0</b>

## Notes to the financial statements

## 24. Financial commitments (continued)

The company subleases property under a non-cancellable operating lease agreement. The agreement has a lease term of 21 years ending in 2027 and includes a break clause in June 2021.

Total future minimum lease instalments to be received under non-cancellable operating subleases are as follows:	2018 £m	2017 £m
Not more than one year	0.2	0.2
More than one year but not more than five years	0.6	0.6
More than five years	0.5	0.6
<b>Total</b>	<b>1.3</b>	<b>1.4</b>

## Operating lease commitments – company as lessor

The company leases various areas of land, buildings and other operational assets across its port facilities to its customers. The lease terms vary depending on the nature of the property and are unique to each property. The length of lease for properties contributing to the lease income receivable below ranges from less than one year to 120 years. Where renewal rights exist these rights are either contractual or statutory in nature.

Total future minimum lease income receivable under non-cancellable operating leases is as follows:	2018 £m	2017 £m
Not later than one year	109.5	102.5
More than one year but not more than five years	300.9	285.0
More than five years	1,012.4	1,023.2
<b>Total</b>	<b>1,422.8</b>	<b>1,410.7</b>

## 25. 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 Health and Safety Executive ("HSE") are investigating potential breaches of Health & Safety legislation that have occurred over the last four years. The company is fully supporting the HSE as they undertake their investigations. In March 2019 the HSE indicated that it would be bringing charges in relation to a breach which occurred in 2015 which might therefore result in a financial penalty, although details of the charges have not yet been provided and no legal action has yet commenced. Depending on the charges that are brought it is likely that uninsured financial penalties may be incurred by the company, however, at this stage it is too early to make a reliable assessment of the outcome of such prospective proceedings.

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 14.

**Notes to the financial statements****26. 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 (acquired 1 February 2018)	100
<b>Subsidiary undertakings: Property</b>	
RPM Industrial Site Services Limited	100
<b>Subsidiary undertakings: Group services</b>	
UK Dredging Management Limited	100
W.E.D. (Services) Limited (acquired 1 February 2018)	100
<b>Subsidiary undertakings: Dormant</b>	
Aldwych Logistics Investments Limited	100
ABP Marchwood Limited	100
ABP Safeguard Limited	100
Colchester Dock Transit Company Limited	100
Grosvenor Waterside (Cardiff Bay) Limited	100
Ipswich Port Limited	100
Slater's Transport Limited	100
Whitby Port Services Limited	100
ABP Secretariat Services Limited	100
ABP (Pension Trustees) Limited	100
Exxtor Shipping Services Limited	100
Humber Pilotage (C.H.A.) Limited	100
Northern Cargo Services Limited	100
Southampton Free Trade Zone Limited	100
The Teignmouth Quay Company Limited	100

**27. Holding company and ultimate controlling parties**

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

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

## Notes to the financial statements

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

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

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

## 28. Events after the reporting period

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

Following a statutory consultation with all employees in the last quarter of 2018 the company agreed to provide future pension provision to employees via a mastertrust arrangement with the Legal & General Group from 1 March 2019. As a result the defined contribution section of the Associated British Ports Group Pension Scheme will be closed to new contributions. A bulk transfer of the assets held for employees in the defined contribution section will be transferred to the mastertrust in May 2019.