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ASSOCIATED BRITISH PORTS
(Reference Number ZC000195)
ANNUAL REPORT AND ACCOUNTS 2022

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ASSOCIATED BRITISH PORTS

ANNUAL REPORT AND ACCOUNTS 2022

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ASSOCIATED BRITISH PORTS ANNUAL REPORT AND ACCOUNTS 2022

Strategic report

The directors present the strategic report of Associated British Ports for the year ended 31 December 2022.

1. Principal activities

The principal activities of Associated British Ports (“ABP” or the “company”) comprise the ownership, operation and development of port facilities and the provision of related services in the United Kingdom (“UK”). The company owns and operates 21 general cargo ports around the UK, and provides facilities (principally land, quays, storage sheds and warehouses, cargo handling equipment and access to open water) and services (including stevedoring, warehousing and bagging) for users of its ports

2. Development, performance and financial position of the business

2.1 Health and Safety

The nature of the company’s business means that the health and safety (“H&S”) of its employees and other persons involved in its operations presents a continuous challenge requiring proactive and sustained leadership and management. Effective management of H&S matters considerably contributes to the prevention of loss of life, serious injury and damage to infrastructure.

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

H&S training has been revitalised across the company with employees embarking on an immersive training experience designed to promote behavioural and cultural change. With the addition of core media-based training, employees also have access to simple, high quality training modules, and feedback from our employee engagement survey acknowledges the focus on safety within ABP.

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

	Target	2022	2021	Change from 2021
Number of accidents resulting in lost working days per one thousand employees ¹	<11	2.59	2.50	3.6%

¹ Includes the company’s employees and agency staff

Statistically, 2022 maintains the improvement from 2019 where the lost working days per one thousand employees was 10.68. Safety at ABP is at the centre of everything we do. This ethos and safety awareness, which through strong leadership at all levels within ABP and the promotion of a zero-harm safety culture across the organisation, has undoubtedly contributed to the improvement.

Strategic report (continued)

2. Development, performance and financial position of the business

2.1 Health and Safety (continued)

Good progress continues to be made in behavioural safety, workplace transport initiatives, and a continual safety improvement programme in each of our regions as well as improvements to personal protective equipment for ABP's operatives and the wider safety management system. The ABP 'Spot It' reporting system, which permits any ABP staff and others to report any H&S observations, continues to improve and is being used more extensively as the system matures. 2022 saw another round of ABP's behavioural safety programme, Beyond Zero, conducted online for ABP colleagues, targeting 100% attendance (barring absences such as maternity leave). Furthermore the 2023 Beyond Zero training programme has been developed and will be delivered across the business during 2023. During 2023 a revised Safety Leadership training program will also be rolled out for management teams.

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

While there is an organisation-wide emphasis on health and safety which has helped ABP achieve its lowest number of Lost Time Accidents in 2020, 2021 and 2022, there was sadly a workplace fatality at ABP in January 2023. The incident occurred when an ABP pilot in the Humber came off a rope ladder while he was boarding an inbound ship. The Marine Accident Investigation Branch ("MAIB") and the Maritime and Coastguard Agency ("MCA") both attended the scene. The pilot boat was inspected by the MCA and there were no recommendations or directions given in relation to ABP's operations and procedures and there was no stoppage of work. The incident is being thoroughly investigated by both ABP and the MAIB. ABP is committed to learning any and all lessons from the incident to help prevent it occurring again.

2.2 Financial performance and KPI's

The following KPIs are considered by the Board of Associated British Ports Holdings Limited ("ABPH") to provide a good representation of the performance of the business:

- Tonnage and unitised volume indicate the level of cargo throughput at the group's ports which is a key driver of revenue;
- Passenger volumes is an indication of the level of cruise and ferry activities at the group's ports, significant increase in passenger numbers and vessel calls will have an impact on associated revenue;
- Revenue, underlying operating profit (see group income statement page 27), operating profit, profit after finance costs and profit before tax indicate the financial performance of the business; and
- Capital expenditure indicates the level of investment the company undertakes to maintain and increase the scope of operations and obtain future economic benefits. The delivery of capital projects is tracked as they may have significant impacts on financial performance (see group cash flow statement page 30).

The alternative performance measure above is defined as follows:

- "Underlying operating profit" is defined as operating profit before movement in fair value of investment properties, depreciation/amortisation/write off of fair value uplift of assets acquired in a business combination, impairment of fixed assets, net unrealised gain/loss on fuel derivatives and exceptional items.

ASSOCIATED BRITISH PORTS ANNUAL REPORT AND ACCOUNTS 2022

Strategic report (continued)

2. Development, performance and financial position of the business

2.2 Financial performance and KPI's

These performance measures are used by the ABP Board to monitor the underlying performance of the company, excluding the impact of accounting valuations resulting from recognising certain assets at fair value. They are included in regular finance reports to the ABP Board.

Performance against each of these KPIs is as follows:

- Bulk cargo tonnage handled by the company's ports (excluding Southampton conservancy only volumes) decreased by 6.9% to 52.4m tonnes in 2022 (2021: 56.3m tonnes) and unitised cargo remained at 3.0m units (2021: 3.0m units) due to challenging trading conditions globally in the trade vehicles and containers sector resulting from the recent economic downturn.
- Cruise and ferry passenger volume increased by 240.4% to 2,592.2k (2021: 761.5k) due to the lifting of COVID 19 restrictions, leading to better occupancy and higher vessel calls.
- The company's revenue increased by 14.4% to £662.5m (2021: £579.0m) primarily driven by an increase in cruise (+41% to £35.1m (2021: £24.9m)), ferry (+51.7% to £9.1m (2021: £6.0m)), coal & coke (+68.8% to £28.5m (2021: £16.9m)), break bulk (+4.9% to £92.5m (2021: £88.2m)), other dry bulk (+11.2% to £148.5m (2021: £133.6m)), revenue from unitised commodities (+9.2% to £147.4m (2021: £135m)) and pilotage and conservancy activity (+8.3% to £65.5m (2021: £60.5m)), partly offset by a decrease in forest product revenue.
- Pre-tax profit amounted to £360.6m (2021: £228.1m) and the company recognised a tax charge for the year of £76.2m (2021: £102.4m). Cash generated by operations totalled £352.8m (2021: £268.4m).
- Cash generated by operations totalled £352.8m (2021: £268.4m).
- Net cash outflow from investing activities is £135.6m (2021: £145.4m), includes £156.6m (2021: £178.7m) of capital expenditure.

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

The company had net assets of £2,829.1m as at 31 December 2022 (2021: £2,714.3m) including cash of £42.8m (2021: £98.3m). The company's cash resources are managed through a centralised treasury function, which closely monitors and manages risks of the group owned by the company's ultimate parent undertaking, ABP (Jersey) Limited ("ABPJ"), in relation to liquidity, interest rate and capital risks, along with credit risk relating to cash.

2.3 Sustainability

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

	Target	2022	2021 ²	Change from 2021
CO ₂ e emissions (tonnes) ¹	< prior year	42,527	44,757	5%

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

² Restated to reflect actuals in Q4 2021.

2. Development, performance and financial position of the business (continued)

2.3 Sustainability (continued)

In 2022 the company's reported carbon emissions decreased by 5.0% on an absolute basis compared to 2021.

Following another round of external audits the group's Environmental Management System continues to be certified to ISO 14001 and the ABP Energy Management System successfully retained certification to ISO 50001.

Energy Efficiency and Emissions Reduction Action Taken

As part of its drive to improve energy efficiency and successfully maintain ISO 50001 certification of ABP's energy management system, ABP continued to identify and implement energy efficiency and emission reducing projects across the business in 2022. These include lighting, high efficiency transformers and further deliveries of new, more energy efficient pilot vessels and new electric harbour cranes that are delivering significant energy and emissions reductions.

ABP has renewable energy generation at 17 of its 21 ports, in the period covered by the report, and generated 27.9GWh (2021: 22.4GWh) of renewable energy on site. This work continues and ABP has committed to invest in the delivery of additional fuel-efficient pilot boats, electric cranes and reach stackers and other equipment over the course of the next five years to continue to reduce scope 1 emissions.

In February 2023, the group launched its sustainability strategy, focussed on reduction of GHG emissions and energy efficiency, air quality, protection of the natural environment, waste management and water management. The strategy includes a target of becoming a net zero business by 2040 (across Scope 1 and Scope 2 emissions). In formulating the strategy, a number of consultations were held with directors, the group's shareholders and employee representatives to gather feedback and ideas, many of which were included as part of the climate transition roadmap. Feedback from discussions with large customers on their energy transition plans was also taken into account.

2.4 People

People Strategy

To enable and underpin delivery of our business strategy, a Company wide people strategy was developed and agreed in 2020. The strategy has 5 strategic themes: A healthy and safe place to work; getting the basics right; growing and retaining a highly skilled workforce; strong managers and leaders at every level; and creating a diverse and inclusive workplace. In 2022 we continued to make good progress in each area of the strategy.

A healthy and safe place to work

Our in-house training teams delivered safety training programmes to employees at all levels of the organisation with the continuation of our virtual Beyond Zero training. Safety training is also provided to all new employees as part of their induction programme, and specific safety training for managers takes place throughout the year. Further, we commenced our 3 year programme of immersive behavioural safety training. We also gained approval in 2022 from the Institute of Environmental Management and Assessment ("IEMA") to become an approved training centre and will commence delivery of Environmental Awareness training in 2023.

Strategic report (continued)

2. Development, performance and financial position of the business (continued)

2.4 People (continued)

A healthy and safe place to work (continued)

We made a discretionary cost of living payment to some employees most likely to be affected by rising costs and we gave all employees a gift-card to celebrate the festive season. We also launched a range of measures to help with our colleagues' wellbeing, including the Bravo scheme to recognise colleagues' efforts and a financial wellbeing programme.

We continued our discretionary Company Sick Pay ("CSP") 'top up', for employees who would not otherwise be eligible, for Covid related absence.

In 2022, we were pleased to launch our group-wide Mental Health First Aiders scheme, which trains colleagues to support ABP's commitment to improving mental health and wellbeing at work and to be a point of contact for someone experiencing a mental health issue.

Other benefits that ABP provides to support our employees include private medical insurance which includes a digital health service giving access to GPs, an annual flu vaccine at an employee's place of work or local pharmacy, and free access 24 hours a day to a confidential helpline run as part of our employee assistance programme ("EAP") by an external provider.

Getting the basics right

In 2022 we continued to provide a range of employee benefits that support physical, mental and financial wellbeing. In addition to our employee policies, we provide benefits including a salary sacrifice electric vehicle car scheme; pension scheme; life assurance; holiday buy scheme; cycle2work scheme; ABP Rewards employee discount scheme and access to a transport credit union. In 2022, we also granted employees 2 additional discretionary bank holidays in recognition of the late Queen Elizabeth's Platinum Jubilee celebrations and state funeral.

For the first time in 2022, we issued all employees with a Total Reward Statement to help them understand the total value of their salary and benefits. It also highlighted other benefits that they may not have taken up to help them make the most of what ABP offers its employees.

Growing and retaining a highly skilled workforce

A total of 12 senior appointments were made in 2022 (compared to 19 in 2021). 17% of the appointments were internal promotions.

We continue to offer opportunities for apprentices and graduates to improve our long-term talent pipeline. In 2022, we increased the numbers of places on both schemes with 20 new apprentices being recruited in roles varying from IT, health and safety and business administration to more traditional areas such as marine pilots, marine operations and engineering. We expanded our graduate intake in 2022 with 7 new graduates being taken on covering port management, IT, procurement, commercial and engineering asset management.

We are pleased that all our existing apprentices and graduates who completed apprenticeships/graduate programmes in 2022 successfully transitioned into full time roles in ABP.

Strategic report (continued)

2. Development, performance and financial position of the business (continued)

2.4 People (continued)

Growing and retaining a highly skilled workforce (continued)

Our inaugural Accelerated Leaders Talent Programme (“ALP”), which aims to support a cohort of senior leaders and accelerate their career development, is now in the second year. This will strengthen our internal succession plans for key senior roles. In 2023 we will look to supplement this with a new programme designed to develop our port leaders of the future.

Strong managers and leaders at every level

Our investment in training, development and learning continued in 2022 through a mix of in-house delivery from our training and development department, ABP Academy, and some external providers. We launched a new suite of people manager training “Lead my Team”. This training is provided for all people managers and has 4 mandatory modules. Training effectiveness is evaluated and 100% of colleagues who have attended, 460 in 2022, stated they would recommend the modules to other colleagues. For all training delivered, 97% of colleagues who completed evaluation forms post training delivered by the Academy stated that the effectiveness of the training was “very good” or “good”, with 925 also stating that the training courses had met their training objectives.

In total 1,875 training courses were held in 2022 across ABP, an increase of 252 from 2021 including 45 Induction training sessions for new starters; an increase of 10 induction sessions from 2021.

Alongside classroom-based training, 3,292 e-learning modules were delivered and our investment in technology for training was also progressed in 2022, with the development of safety training scenarios using virtual reality.

A Diverse and Inclusive workforce

Our Diversity & Inclusion (“D&I”) network groups - ability, faith, LGBT+ and gender, continued to build awareness and support key initiatives internally and externally to demonstrate our commitment. Our Southampton and East Anglia ports achieved the Diversity in Maritime Charter with Maritime UK in 2021 and plans are underway to extend this.

In 2022, we have invested in developing a more diverse approach to recruitment, this includes upskilling the team, deploying software to ensure our communications are inclusive and training managers.

ABP is proud to have supported, for the third year in a row, International Day of Disabled Persons in 2022 by lighting up our iconic buildings in Cardiff and Kings Lynn in purple as part of the #PurpleLightUp movement.

We are committed to giving full and fair consideration to applicants for employment who are disabled and to provide disabled employees with opportunities for training, career development and promotion. If an employee becomes disabled during their employment every effort is made to ensure that, wherever possible, the person can either continue in their present role or a different role by arranging appropriate training and making reasonable adjustments. Our ability (mental health and disability) D&I employee network provides a safe space for colleagues to support each other and raise awareness around disability matters.

Strategic report (continued)

3. Principal risks and uncertainties

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

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

The company's two principal safety risks relate to the potential for a major incident, either on a tenanted site or an ABP controlled site, as a result of the high-risk operations carried out across the ports and the potential for fatalities, or serious injuries, to colleagues, or other port users, as a result of either a workplace transport accident or physical terrorist attack.

- **Tenant Loses Control of Operation:** ABP's predominantly landlord-tenant operating model means that a high proportion of activities carried out across our ports are done so outside of ABP's direct control. These activities often include heavy industrial operations and the handling of dangerous cargoes such as ammonium nitrate. Consequently, there is a risk that a tenant, operating independently, experiences a fire or explosion on their site that results in harm to colleagues, or other port users, and prolonged business interruption at a port. In response, ABP has improved processes to ensure only tenants who can operate safely are onboarded and to assure ourselves of a tenant's compliance to their statutory and contractual obligations. Even with these control checks in place, ABP acknowledges that this will remain a significant risk to the business given the potential for a catastrophic health and safety outcome and the limited control ABP has at tenanted sites.
- **Fire/Gas/Explosion:** With ABP's increasing involvement in operations, there is a risk of a fire or explosion on an ABP controlled site. Robust, proactive controls are in place which help to prevent this risk from materialising. These include fire and Dangerous Substances and Explosive Atmospheres Regulations ("DSEAR") risk assessments to identify potential hazards, cargo care measures and essential maintenance of plant and equipment. ABP colleagues are also trained to respond to an incident should it arise. Fire and Control of Major Accident Hazards ("COMAH") regulations awareness training are complemented by regular drilling of emergency plans, which involve local resilience forums and other key stakeholders. Undertaking 'lessons learned' and sharing best practice across the group will continue to help to further improve ABP's controls, whilst audits are undertaken to verify the effectiveness of current controls.
- **Workplace Transport Accident:** This risk applies across all ABP's ports but has been highlighted as an especially high risk in the port of Southampton, due primarily to the very high volume of cruise passengers but also other port users. There are existing controls in place at the ports which help to mitigate the risk, including mobile speed cameras, segregation of plant and people, safe systems of work and training, with additional actions underway to further reduce this risk, including improving road conditions, improving telematics in ABP vehicles, fixed speed cameras and using CCTV with artificial intelligence.

Strategic report (continued)

3. Principal risks and uncertainties (continued)

- **Physical Terrorist Attack:** This risk applies across many of ABP's ports. The ports of Southampton and Plymouth are recognised as high risk locations due to their passenger operations whilst other ports are also potential targets for example given a number have within them COMAH sites. Controls are in place to help mitigate this risk; including access controls, fencing/barriers, CCTV and, where deemed necessary, additional security staff. ABP works closely with local resilience forums and emergency services.

The group's principal financial risks relate to the loss of business from a major customer, multiple customers, or tenant, failures leading to an adverse impact on the group's EBITDA. In response to these risks, ABP has reviewed the risk status of top customers and proactively engages with them to find commercial solutions and retain their business. ABP monitors all its customers and maintains close relationships with these key customers.

The company's principal technological risk remains that of cyber-attack. A continuing trend in phishing scams and malicious software creation, and a global spike in cyber-attacks during the Covid-19 pandemic, means that ABP is at risk of an e-mail, web browser-based or internet-based cyber-attack that could compromise the company's corporate computer system. ABP acknowledges that an in-depth, multi-layered defensive approach is essential to best protect against such attacks. As such, ABP continues to block e-mails and websites that may contain malware/viruses; has taken steps to encrypt and harden end-points against attack and has engaged a specialist security threat-hunting service to proactively monitor for attacks. ABP acknowledges the crucial role our people play in preventing an attack and therefore ensures that all staff receive annual awareness training. Extensive assurance work in 2021 and 2022 identified areas for controls improvement and in response a number of actions have been undertaken, with more planned, to mitigate this risk. Ongoing penetration testing to identify weaknesses in our network, and the removal of vulnerable legacy applications, continue to help ABP manage this risk.

In addition, ABP's risk management approach requires the identification and mitigation of longer-term strategic risks, which are concentrated around the environment, public policy and regulation and technology, innovation and competition. In response to climate change risks and challenges ABP launched its Sustainability Strategy on 28 February 2023, focussed on reduction of GHG emissions and energy efficiency, air quality, protection of the natural environment, waste management and water management. The strategy includes a target of becoming a net zero business by 2040 (across Scope 1 and Scope 2 emissions). In formulating the strategy, a number of consultations were held with directors, the group's shareholders and employee representatives to gather feedback and ideas, many of which were included as part of the climate transition roadmap. Feedback from discussions with large customers on their energy transition plans was also taken into account.

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

The company's other financial risks are credit and foreign exchange risk. For further details of the company's financial risk management objectives and policies, see note 16 to the accounts.

Strategic report (continued)

4. Section 172 Statement

The Board recognises the importance of stakeholder engagement in delivering the long-term and sustainable success of the company. When making decisions the directors have regard to the potential consequences over the short, medium and long-term, the reputation of the business and also their responsibilities and duties to stakeholders. ABP’s main stakeholders are its employees, customers, local and national government, suppliers, the communities in which ABP operates and the environment.

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

Directors receive training on their duties as part of their induction, which is refreshed on an ongoing basis as necessary. The following section outlines how we engage with, and have regard to, each of our key stakeholder groups.

4.1 Employees

ABP’s employees are fundamental to our success, and we cannot deliver our strategy and continue to grow without an engaged, safe, and well-trained workforce. We obtain feedback and views from our employees on a regular basis which enables us to continuously improve and develop, particularly in relation to our health and safety processes and practices.

<i>What matters to our employees</i>	
<ul style="list-style-type: none"> • A safe and healthy working environment • Diversity, equality and inclusion • Growth and development opportunities 	<ul style="list-style-type: none"> • Recognition and fair reward • Communication • Correct tools and equipment to perform their roles well
<i>How ABP measures</i>	
<ul style="list-style-type: none"> • Lost time accidents and sickness absence rates • Gender pay gap and diversity of employees • Internal hire rates (including promotions) • Attendees on development programmes and training attendance 	<ul style="list-style-type: none"> • Employee turnover • Employee engagement survey responses • ‘Spot-Its’ • Whistleblowing reports
<i>How ABP engages</i>	
<ul style="list-style-type: none"> • Weekly ‘Pulse’ newsletter on updates from around the business • Direct engagement with trade unions • Regular employee ‘Town Halls’ • Issuing safety alerts and giving ‘toolbox’ talks. • CEO business briefings at port locations and virtually • Bi-annual Senior Leadership Team conference 	<ul style="list-style-type: none"> • Actioning and reviewing near misses, incidents or concerns identified through the ‘Spot-It!’ portal • Anonymous employee engagement survey with associated action plans • Sharing regular information on financial and economic factors affecting the performance of the group

Strategic report (continued)

4.1 Employees (continued)

How the Board complements the engagement efforts

- CEO and Director led briefings to enable direct feedback and questions
- Regular visits to ports by Board members to engage directly with the local workforce
- Consideration of engagement survey result and action plans
- Meeting as Harbour Authority and Safety Board with a specific focus on health and safety and the Port Marine Safety Code

Actions and Decisions

- Action plans to address outcomes from employee engagement survey
 - New ABP mental health and wellbeing policy launched
 - Virtual delivery of Beyond Zero 2022 with a focus on reinforcing ABP's safety culture, and the continued roll-out of 'Thrive' behavioural safety training
 - Launch of financial wellbeing programme providing financial awareness and education sessions for colleagues
 - Launch of new Employee Recognition Programme, ABP Bravo!
-

4.2 Customers

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

What matters to our customers

- Building long term sustainable partnerships of mutual value
- Clear communication regarding port-based activities
- Availability of infrastructure and resources to support customer operations
- Sustainability and de-carbonisation of port operations

How ABP measures

- Direct customer feedback through day-to-day activities and joint projects
- Business growth
- Net promoter, customer satisfaction, and customer effort scores
- Annual customer engagement survey feedback

How ABP engages

- Regular dialogue with our customers to understand current and future challenges
 - Publication of the Annual Review and bi-annual 'Report' magazine
 - Port user groups to provide a forum for feedback and discussion on key topics
 - Attending industry events alongside customers and partners
 - Bi-annual update to customers
 - Hosting customer events
-

Strategic report (continued)

4.2 Customers (continued)

How the Board complements the engagement efforts

- | | |
|--|---|
| <ul style="list-style-type: none"> • Meeting with key customer representatives • Considering feedback from customers, including when discussing new projects and opportunities | <ul style="list-style-type: none"> • Customer representatives presenting directly to the Board on their business/sector and outlook • Sponsoring action plans to address customer survey feedback |
|--|---|

Actions and Decisions

- | | |
|---|--|
| <ul style="list-style-type: none"> • Instigation of bi-annual customer updates • New terminal operating system introduced | <ul style="list-style-type: none"> • Investment in new infrastructure and equipment to support customer activities • Shore power connectivity in Southampton in support of decarbonisation |
|---|--|

4.3 Local Authorities and National Government

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

What matters to local authorities and national government

- | | |
|--|---|
| <ul style="list-style-type: none"> • Local/Regional employment opportunities and economic growth • Support for the Government's climate strategy, including achieving Net Zero by 2050 | <ul style="list-style-type: none"> • Enabling the controlled flow of people and goods into/out of the UK • Effective support of supply chains for local businesses and industry/agriculture |
|--|---|

How ABP measures

- | | |
|--|---|
| <ul style="list-style-type: none"> • Using our strong relationships with local authorities to ensure solutions are delivered within planning requirements • Targeted surveys of stakeholder perception | <ul style="list-style-type: none"> • Feedback from discussions on projects, consultations and applications for grant funding • Ability to deliver business core objectives with consent and support of relevant government bodies |
|--|---|

How ABP engages

- | | |
|--|--|
| <ul style="list-style-type: none"> • Directly with leading government departments, including the Department for Transport and the Cabinet Office • Membership of trade associations and business groups that engage with national government on policy issues e.g. the UK Major Ports Group and Renewable UK | <ul style="list-style-type: none"> • With executive agencies of government including the Marine Maritime Organisation and the Environment Agency. • Through regular dialogue with local authorities and Local Enterprise Partnerships • Hosting engagement events, regionally and centrally |
|--|--|

Strategic report (continued)

4.3 Local Authorities and National Government (continued)

How the Board complements the engagement efforts

- Meetings with local and national government representatives
- Consideration of engagement and views of local and national government when reviewing project proposals

Actions and Decisions

- Working closely with government on key industry issues, including in relation to supply chain resilience and the green energy transition
- Working with local authorities and Local Enterprise Partnerships to establish Freeports
- Revision of project proposals to take into account feedback from government stakeholders
- Attendance at political party conferences, sponsoring roundtable discussions and webinars and speaking at online conferences on policy issues
- Holding engagement and thought leadership events

4.4 Suppliers

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

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

What matters to suppliers

- Clear and transparent communication of requirements and expectations
- Smooth onboarding of new suppliers
- Timely decision making
- Payment in accordance with agreed terms

How ABP measures

- By successful outcomes, such as delivery of equipment on time and on budget
- Absence of disputes/unresolved issues
- By seeking regular supplier feedback in respect of payment processes and the use of supplier portal
- Monitoring of payment period for invoices, and delays in the process (e.g. due to failure to match an invoice with a purchase order)

How ABP engages

- Through the use of a supplier portal to enable organisations to register and tender for contracts, complete due diligence and correspond directly with ABP
- Through regular dialogue and close collaboration with suppliers and contractors to ensure projects are delivered on time and in budget

Strategic report (continued)

4.4 Suppliers (continued)

How the Board complements the engagement efforts

- Regular review by the Board’s Audit and Risk Committee of credit risk reports
- Review by the Audit and Risk Committee of whistleblowing reports, which would include any concerns or suspicions of malpractice raised by suppliers
- Receiving reports on project progress updates and any supplier issues

Actions and Decisions

- Operating framework agreements put in place with suppliers to ensure cost efficiency, quality of service and clear terms of engagement
- Increasing payment methods for suppliers through use of purchasing cards (P cards)

4.5 Communities

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

What matters to local communities

- Being a good neighbour and supporting the local community
- Consultation with local community, in particular when significant projects are planned
- Acceptable levels of noise and air pollution
- Company’s commitment to sustainability
- Job creation and contribution to regional economy

How ABP measures

- Monitoring air quality and greenhouse gas emissions
- Tracking social and environmental incidents
- Donations to charities and local/national community organisations
- By measuring the group’s wider economic impact, principally through:
 - the value of trade handled at our ports
 - jobs supported in regions where we operate
 - the value of our contribution to the economy measured in Gross Value Added (“GVA”)

How ABP engages

- Feedback from communities and residents on significant project proposals
- Through sponsorship and fundraising by ABP and its employees for a number of charities and community organisations

How the Board complements the engagement efforts

- Through allocation of budget to support community and charity projects
- Investment in sites to mitigate the effect of habitat loss
- Through consideration of local community impacts when project proposals are being reviewed by the Board for approval
- Overseeing the group’s sustainability strategy

Strategic report (continued)

4.5 Communities (continued)

Actions and Decisions

- | | |
|---|--|
| <ul style="list-style-type: none"> • ABP sponsorship of marathons in Southampton, Newport, Cardiff and the Humber. • Sponsorship of Welsh National Opera • Beach cleaning and tree planting initiatives, including project to plant 21,000 trees, in partnership with Trees for Cities, in celebration of the late Queen’s jubilee | <ul style="list-style-type: none"> • Becoming a member of the Lowestoft Kittiwake Partnership in support of local action to protect kittiwakes, an endangered species • Sponsorship of a variety of regional charities located in the communities where ABP’s ports operate • Approval of the group’s sustainability strategy |
|---|--|

4.6 Environment

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

What matters in respect of the environment

- | | |
|--|---|
| <ul style="list-style-type: none"> • Reducing greenhouse gas emissions (“GHG”) and carbon emissions • Promotion of biodiversity/protection of wildlife | <ul style="list-style-type: none"> • Air quality and pollution control • Noise control/reduction • Effective waste management practices, minimizing environmental impact |
|--|---|

How ABP measures

- | | |
|--|---|
| <ul style="list-style-type: none"> • Air and water quality monitoring • Tracking and monitoring waste • Tracking key carbon GHG reduction metrics | <ul style="list-style-type: none"> • Monitoring energy performance • ISO 14001 and 50001 Energy Management certification across all ports and terminals |
|--|---|

How ABP engages

- | | |
|--|--|
| <ul style="list-style-type: none"> • Engaging with key environmental stakeholders, the Environment Agency, the Department for Environment, Food & Rural Affairs and the Marine Management Organisation in respect of major projects and initiatives | <ul style="list-style-type: none"> • Attendance at local port user groups to understand the key issues faced by port users and give feedback on how any environmental issues or concerns are being addressed • Member of the Zero Carbon Humber initiative |
|--|--|

How the Board complements the engagement efforts

- | | |
|---|---|
| <ul style="list-style-type: none"> • Development of the ABP strategy which includes renewable energy generation and storage as a key strategic direction • Continued investment in renewable energy projects and infrastructure | <ul style="list-style-type: none"> • Consideration of the environmental impact as a key aspect of the decision-making process, particularly in all major project decisions • Approval of ABP’s first sustainability strategy and oversight of implementation and progress |
|---|---|

Strategic report (continued)

4.6 Environment (continued)

Actions and Decisions

<ul style="list-style-type: none"> • Approval of a green hydrogen production plant project on the Humber and other projects supporting renewable energy • Development of ABP’s first sustainability strategy with a target of reaching Net Zero by 2040 	<ul style="list-style-type: none"> • Purchase of lower emission plant and equipment pursuant to ABP’s strategy • Roll out of Institute of Environmental Management and Assessment accredited training by the ABP Academy
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5. Principal and Strategic Decisions

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

5.1 Customer Investment

Stakeholders, Issues and Factors Considered: Customers, Infrastructure Investment, UK Government, Local Communities, Environment, Long Term Impact

During the year the Board considered and approved a number of capital expenditure projects which support customers across the regions. One such example was the approval of a project, in partnership with Air Products, a large industrial gases producer and distributor, to develop a green hydrogen production facility at the Port of Immingham. Under the proposals ABP would contribute significant capital expenditure in new infrastructure to develop and construct a new deep-water riverside jetty to handle green ammonia imports. Air Products would make a substantial investment in the hydrogen plant and associated plant and equipment on ABP land. The jetty would also be designed to accommodate other cargoes connected to the energy transition, including the import of liquified CO₂ from carbon capture and storage projects for sequestration in the North Sea. The investment would be underpinned by the customer entering into a long-term contract and lease, which would generate a long-term revenue stream for the group.

In making the decision to proceed with the project, the Board received in depth management proposals following negotiations with the customer, internal assessments and financial modelling and considered key factors, including environmental impacts. In addition to the commercial and strategic rationale for the project which enhances shareholder value, the benefits of the project include supporting the UK Government’s plans for a low-carbon economy, significant growth and benefits to the local region, including the provision of jobs for supply chains and local businesses, and the elimination of significant greenhouse gas emissions.

5.2 Equipment Investment

Stakeholders, Issues and Factors Considered: Customers, Environment, Business Reputation, Employees, Suppliers

The Board recognises the importance of having high quality, effective equipment and infrastructure in order to support customer operations and ensure a positive customer experience. In the first quarter of 2022, the directors approved a significant investment to purchase three new mobile harbour cranes (“MHCs”) for the Port of Immingham.

Strategic report (continued)

5.2 Equipment Investment (continued)

When approving the proposal to replace the existing aging cranes, the directors considered the resilience that the new MHCs would provide and the benefit for both existing and future customers of more reliable and efficient cranes. The new MHCs would be optimised for larger vessels in the post panamax class, in addition to being mobile and modular so they could be used at Immingham and throughout the Humber region, if business requirements changed. The Board also ensured that the new MHCs would be consistent with ABP's aim to reduce its carbon footprint: the new cranes comprise a diesel generator run on HVO fuel (a cleaner fuel than diesel) with the option to switch to all electric, which achieves a greater performance while reducing fuel consumption. The design of the MHC also offers greater safety improvements in the driver's cab, which aligns to ABP's core value of ensuring a safe working environment.

Following a tender to award the contract, ABP worked closely with the chosen supplier, utilising an agreed quality assurance programme to ensure that the MHCs met the required specification and were delivered on time and on budget.

5.3 Sustainability Strategy


Stakeholders, Issues and Factors Considered: Environment, Employees, Customers, Local Communities, Business Reputation

ABP is committed to supporting progress towards the UK's legal commitment to net zero greenhouse gas emissions ("GHG") by 2050 and we continue to invest in assets, facilities and ways of working that will reduce ABP's carbon footprint and improve the environments in which we operate. In addition, we believe it is important to support our customers in building more sustainable supply chains, encouraging more freight movement by rail and water and supporting the increasing use of renewable energy.

During 2022, the Board approved a sustainability strategy for the group, focussed on reduction of GHG emissions and energy efficiency, air quality, protection of the natural environment, waste management and water management. The strategy includes a target of becoming a net zero business by 2040 (across Scope 1 and Scope 2 emissions). In formulating the strategy, a number of consultations were held with directors, the group's shareholders and employee representatives to gather feedback and ideas, many of which were included as part of the climate transition roadmap. Feedback from discussions with large customers on their energy transition plans was also taken into account.

Considerations for the Board, when approving the proposal, included the feedback received from the consultations, consequences of the decision and the impact over the longer term, the risks and opportunities for the business which arise from climate change, the potential financial implications of meeting the sustainability targets, and the reputation of the group for setting high standards in conducting its operations.

By Order of the Board



Marina Wyatt
Director

24 April 2023

ASSOCIATED BRITISH PORTS ANNUAL REPORT AND ACCOUNTS 2022

Directors' report

The directors present the report and the audited accounts of Associated British Ports (number ZC000195) for the year ended 31 December 2022.

1. Principal office

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

2. Dividends

The company paid interim dividends of £180m during the current year (2021: £130m) to its parent undertaking to facilitate the payment of external loans and interest by its parent undertakings. The directors do not recommend the payment of a final dividend (2021: £nil).

3. Directors

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

Director	Role
Bird, SA	Regional Director, Humber
Harston, AF	Regional Director, Wales and Short Sea Ports
McCartain, MBW	Director, Safety, Engineering and Marine
Pedersen, HL	Chief Executive Officer
Rumsey, AJ	Chief HR Officer
van Weezel, HA	Chief Information Officer
Walker, JW	Chief Commercial Officer
Welch, AJM	Regional Director, Southampton
Wyatt, MM	Chief Financial Officer

4. Directors' indemnities

ABP (Jersey) Limited, the company's ultimate parent undertaking, maintains directors' and officers' liability insurance and pension fund trustees' liability insurance which give appropriate cover for any legal action brought against the directors and officers of the company.

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

5. Human resources policies

ABP's personnel resources strategy includes commitments to the highest possible standards of health and safety, equal opportunities, employee development, clear and fair terms of employment, access to information, provision of market-competitive salaries, incentive schemes and benefits, as well as the maintenance of effective relationships with unions and contractors. Details of how ABP engages with employees are provided in the Employees section of the Section 172 Statement on pages 9-10. The group of companies owned by ABP (Jersey) Limited ("the group") monitors a range of indicators to assist it with the management of its employees.

The group monitors the gender and ethnic diversity of all employees and is committed to ensuring that all segments of its communities have the opportunity to participate in and contribute towards the success of its business. As noted on page 6 the company is also committed to giving full and fair consideration to applicants for employment who are disabled and to provide disabled employees with opportunities for training, career development and promotion. If an employee becomes disabled during their employment every effort is made to ensure that, wherever possible, the person can either continue in their present role or a different role by arranging appropriate training and making reasonable adjustments.

Directors' report (continued)

6. Corporate Governance Statement

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

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

6.1 Principle One – Purpose and Leadership

The company's ports are an integral part of supply chains within multiple sectors of the UK economy and our purpose is to support our customers in "Keeping Britain Trading". We seek to accomplish this by being recognised as the best port operator in the UK. ABP's purpose is aligned with, and built upon, a foundation of five core values: Health & Safety; Openness & Honesty; Teamwork & Respect; Making a Difference; and Exceeding Expectations.

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

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

6.2 Principle Two – Board Composition

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

The Board benefits from directors who have a broad range of skills, backgrounds and knowledge. Their experience of the ports industry, in addition to other sectors and industries, allows them to add a valuable contribution.

ABP recognises the benefits of diversity on the Board and throughout the organisation and has continued to support efforts to increase diversity across the Maritime Industry, remaining a signatory of the Women in Maritime and Mental Health in Maritime pledges as well as being a Diversity in Maritime Charter organisation.

Directors' report (continued)

6.2 Principle Two – Board Composition (continued)

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

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

6.3 Principle Three – Director Responsibilities

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

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

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

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

Directors' report (continued)

6.4 Principle Four – Opportunity and Risk

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

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

Processes are in place to ensure that inherent and emerging risks are identified in a timely manner and are then appropriately managed. The group maintains risk registers covering key operational and strategic risks and regular reports are provided to the Board, as part of their oversight of risk management and controls. Proposals for Board approval are always required to detail risk considerations and mitigation. Further information on the company's principal risks can be found in the Strategic Report on pages 7 to 8.

6.5 Principle Five – Remuneration

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

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

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

6.6 Principle Six – Stakeholder Relationships and Engagement

The Board recognises the impact its decisions can have on its internal and external stakeholders and understands the importance of engagement with stakeholders to achieving its long-term strategy. Further information on the company's stakeholders and engagement methods can be found in the Strategic Report on pages 9 to 15.

ASSOCIATED BRITISH PORTS ANNUAL REPORT AND ACCOUNTS 2022

Directors' report (continued)

7. Future outlook

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

8. Matters disclosed in the strategic report

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

- Financial risk management objectives and policies and details of the company's exposure to liquidity, interest rate, foreign exchange, credit and capital risk and other risk disclosures; and
- Employee involvement and engagement and how the directors have had regard to employee interests, the need to foster business relationships with stakeholders and the impact on the environment, including on principal and strategic decisions.

9. Auditor re-appointment

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

10. Audit information

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

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

By Order of the Board



AM Morgan
Secretary
25 Bedford Street
London, WC2E 9ES

24 April 2023

ASSOCIATED BRITISH PORTS ANNUAL REPORT AND ACCOUNTS 2022

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

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

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

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

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

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

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

Opinion

We have audited the financial statements Associated British Ports (the company) for the year ended 31 December 2022 which comprise the Income Statement, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Cash Flows, the Statement of Changes in Equity and the related notes 1 to 27, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards.

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Conclusions relating to going concern

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

- In conjunction with our walkthrough of the ABP (Jersey) Limited ('the Ultimate Parent Company' and together 'Group') financial statement close process, we confirmed our understanding of the Group's going concern assessment process and also engaged with management early to ensure all key factors were considered in their assessment, the period chosen by management was the 18-month period ended 30 June 2024;
- We obtained management's going concern assessment, including the Group's cashflow forecasts and the Group's forecast covenant compliance calculations on the external borrowings for the going concern review period. We obtained a letter of support from the Ultimate Parent company covering the period to 30 June 2024. The Group headed by the Ultimate Parent company has modelled an adverse scenario in their cash forecasts and covenant calculations in order to incorporate unexpected changes to the forecasted liquidity and covenant compliance of the Group;
- We have tested the factors and assumptions included in modelled scenario and the adverse scenario for the cashflow forecasts and forecast covenant calculations. We considered the appropriateness of the methods used to calculate the cashflow forecasts and forecast covenant compliance and determined through inspection and testing of the methodology and calculations that the methods utilised were appropriately to be able to make an assessment for the company and the wider Group. We performed reverse stress testing to ascertain the headroom within the forecast covenant compliance and also to exhausting liquidity, and considered whether factors or circumstances could plausibly arise that could lead to a breach of loan covenants or exhausting liquidity; and

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

Conclusions relating to going concern (continued)

- We considered the mitigating factors included in the cashflow forecasts and forecast covenant compliance calculations that are within control of the Group. This included reviewing of the Group's non-operating cash outflows and evaluating the Group's ability to control these outflows as mitigating actions if required. We also agreed credit facilities available to the Group to loan agreements and confirmations obtained from lenders.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the period to 30 June 2024.

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

Other information

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

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

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

Matters on which we are required to report by exception (continued)

- 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 22, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (Companies Act 2006 and UK adopted international accounting standards)
- We understood how Associated British Ports Limited is complying with those frameworks by making enquiries of management and those responsible for legal and compliance procedures and the Company Secretary. We corroborated our enquiries through our review of board minutes and papers provided to the Audit and Risk Committees and noted that there was no contradictory evidence.

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

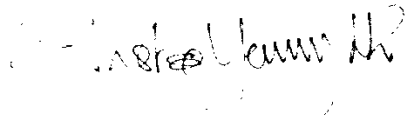
Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud (continued)

- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by meeting with management within various parts of the business to understand where they considered there was susceptibility of fraud. We also considered performance targets and their influence on efforts made by management to manage Key Performance Indicators. Where this risk was considered higher, we performed audit procedures to address each identified fraud risk. These procedures included testing manual journals and were designed to provide reasonable assurance that the financial statements were free from fraud or error.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved a review of board minutes to identify any noncompliance with laws and regulations, a review of the reporting to the Audit and Risk Committee on compliance with regulations, enquiries of Legal Counsel and of Management.

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

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.



Steven Lunn (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
26 April 2023

ASSOCIATED BRITISH PORTS ANNUAL REPORT AND ACCOUNTS 2022

Income statement for the year ended 31 December

	Note	2022 £m	2021 £m
Revenue	2	662.5	579.0
Cost of sales		(301.4)	(259.5)
Gross profit		361.1	319.5
Administrative expenses		(123.9)	(105.2)
Other income		7.1	1.9
Increase in fair value of investment properties	10	148.4	45.0
Operating profit	3	392.7	261.2
Analysed between:			
Underlying operating profit before the following items:			
		245.1	216.0
Increase in fair value of investment properties	10	148.4	45.0
Net unrealised gain on fuel derivatives		0.8	2.7
Exceptional items	3,5	(1.6)	(2.5)
		392.7	261.2
Finance costs	6	(33.6)	(33.2)
Finance income	6	1.4	0.1
Profit after realised finance costs¹		360.5	228.1
Unrealised foreign exchange gains	6	0.1	-
Profit before taxation		360.6	228.1
Taxation charge	7	(76.2)	(102.4)
Profit for the year attributable to equity shareholder		284.4	125.7

¹ Profit after finance costs excludes unrealised gains and losses from foreign exchange contracts

The company declared interim dividends of £180.0m in the current year (2021: £130.0m).

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

ASSOCIATED BRITISH PORTS ANNUAL REPORT AND ACCOUNTS 2022

Statement of comprehensive income for the year ended 31 December

	Note	2022 £m	2021 £m
Profit for the year attributable to equity shareholder		284.4	125.7
Other comprehensive income/(expense):			
<i>Other comprehensive income/(expense) not to be reclassified to profit and loss in subsequent periods:</i>			
Surplus arising on revaluation of investment property	10	52.5	14.9
Deferred tax on revaluation of investment property	20	(7.7)	(3.6)
Remeasurement (loss)/gain relating to net retirement benefit liabilities	13	(45.2)	60.4
Deferred tax associated with remeasurement loss/(gain) relating to net retirement benefit asset	20	10.8	(12.3)
Other comprehensive income for the year, net of tax		10.4	59.4
Total comprehensive income for the year, net of tax, attributable to equity shareholder		294.8	185.1

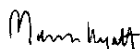
ASSOCIATED BRITISH PORTS ANNUAL REPORT AND ACCOUNTS 2022

Balance sheet as at 31 December

	Note	2022 £m	2021* £m
Assets			
Non-current assets			
Intangible assets	8	51.5	51.0
Property, plant and equipment	9	1,402.1	1,411.8
Investment property	10	2,494.0	2,224.4
Investments	11	54.6	54.6
Retirement benefit assets	13	15.3	62.8
Derivative financial instruments	15	0.5	0.5
Trade and other receivables	12	1.9	4.9
		4,019.9	3,810.0
Current assets			
Derivative financial instruments	15	1.8	0.7
Trade and other receivables	12	118.0	103.1
Cash and cash equivalents		42.8	98.3
		162.6	202.1
Total assets		4,182.5	4,012.1
Liabilities			
Current liabilities			
Borrowings	14	(2.4)	(1.7)
Derivative financial instruments	15	(0.2)	-
Trade and other payables	17	(175.3)	(155.8)
Deferred income	18	(41.6)	(37.8)
Provisions	19	(28.1)	(19.3)
Current tax liabilities		-	(2.1)
		(247.6)	(216.7)
Non-current liabilities			
Borrowings	14	(579.3)	(598.4)
Derivative financial instruments	15	(0.1)	-
Retirement benefit liabilities	13	(26.6)	(41.1)
Trade and other payables	17	(77.0)	(66.9)
Deferred income	18	(104.9)	(90.8)
Provisions	19	(14.6)	(19.8)
Deferred tax liabilities	20	(303.3)	(264.1)
		(1,105.8)	(1,081.1)
Total liabilities		(1,353.4)	(1,297.8)
Net assets		2,829.1	2,714.3
Holding company's equity			
Revaluation reserve		1,896.7	1,687.5
Accumulated losses		932.4	1,026.8
Total holding company's equity		2,829.1	2,714.3

*Comparatives have been reclassified to conform to current presentation

The financial statements were approved by the Board and signed on its behalf on 24 April 2023 by:



MM Wyatt
Director

ASSOCIATED BRITISH PORTS ANNUAL REPORT AND ACCOUNTS 2022

Statement of cash flows for the year ended 31 December

	Note	2022 £m	2021 £m
Cash flows from operating activities			
Cash generated by operations	21	352.8	268.4
Interest paid		(29.7)	(13.1)
Interest received		0.8	0.1
Lease interest paid		(0.5)	(0.7)
Income tax paid		(19.0)	(4.7)
Net cash inflow from operating activities		304.4	250.0
Cash flows from investing activities			
Net proceeds from sale of property, plant and equipment		1.0	1.1
Net proceeds from sale of investment property		3.9	0.9
Net proceeds from sale of land held for sale		0.8	(0.7)
Government grants received		15.3	32.0
Purchase of intangible assets		(9.6)	(8.5)
Purchase of property, plant and equipment		(117.0)	(151.8)
Purchase of investment property		(30.0)	(18.4)
Net cash outflow from investing activities		(135.6)	(145.4)
Cash flows from financing activities			
Repayment of borrowings		(221.2)	(186.6)
Payment of principal portion of lease liabilities		(3.1)	(2.9)
Net cash outflow from financing activities		(224.3)	(189.5)
Change in cash and cash equivalents during the year		(55.5)	(84.9)
Cash and cash equivalents at 1 January		98.3	183.2
Cash and cash equivalents at 31 December		42.8	98.3
Cash and cash equivalents at 31 December is analysed between:			
Bank accounts		3.6	69.6
Deposits		28.2	18.0
Rent deposit accounts		11.0	10.7
Cash and cash equivalents at 31 December		42.8	98.3

ASSOCIATED BRITISH PORTS ANNUAL REPORT AND ACCOUNTS 2022

Statement of changes in equity for the year ended 31 December

	Revaluation reserve £m	Retained earnings £m	Total £m
At 1 January 2022	1,687.5	1,026.8	2,714.3
Profit for the year	156.7	127.7	284.4
Other comprehensive income	52.5	(42.1)	10.4
Total comprehensive income	209.2	85.6	294.8
Dividends declared	-	(180.0)	(180.0)
At 31 December 2022	1,896.7	932.4	2,829.1

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

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

Notes to the financial statements

1. Accounting policies

1.1 Basis of preparation

Under the Transport Act 1981, Associated British Ports Holdings Limited, the company's intermediate parent undertaking, has powers over Associated British Ports ("ABP") corresponding to the powers of a holding company over a wholly owned subsidiary undertaking.

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. Where current presentation has been changed to aid understanding of the financial statements the comparatives have been reclassified to follow the new presentation.

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 period to 30 June 2024. In particular the directors have considered the following:

- For the year ended 31 December 2022 the company generated cash from operations of £352.8m and the company expects to maintain strong cashflow generation;
- The company has net current liabilities of £85.0m; and
- The company has net assets of £2,829.1m.

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

The group's business plan was developed taking in consideration the impact of the ongoing war in Ukraine and the current economic crisis, driven by macro-economic factors, and their impact on business performance. Management continues to monitor the impact of these factors and their potential business impacts and do not expect them to adversely impact the going concern assumption, based on the significant proportion of revenue that is contractually guaranteed, limited impact from them on 2022 performance, and the group's ability to take effective mitigating actions to counter downside scenarios. The group has demonstrated the ability to deliver cost control measures and cost saving initiatives and to establish strict criteria for capital investment.

Notes to the financial statements

1. Accounting policies (continued)

1.1 Basis of preparation (continued)

Going concern basis (continued)

Management will continue to forecast the group's results as new information becomes available and have modelled different scenarios, including a downside scenario, where headroom against the leverage covenant becomes limited within the going concern period, before mitigating actions are applied. If the actual results are significantly worse than forecast, the group has the option of pursuing further mitigating measures that are under its own control to cut costs and preserve cash. These include further reductions in variable staff and other variable costs to match reduced activity, delaying or holding back its capital programme, reassess interest payments to shareholders and, if the downside period persists, structurally reviewing costs for further savings. As a result of the successful actions taken in the past and having identified contingency plans to react to potential adverse scenarios, management have concluded that the group should generate sufficient cash and EBITDA to continue as a going concern and to avoid breaching its loan covenants.

Liquidity risk is principally managed by maintaining cash and borrowing facilities at a level that is forecast to provide reasonable headroom in excess of the expected future needs of the group. As at 31 December 2022, the group had access to £280m of committed and undrawn borrowing facilities, which are available for between two and four years. Debt maturities are spread over a range of dates, ensuring the group is not exposed to a material refinancing in any one year. In addition, the group has in place £160m of debt service reserve liquidity facilities to cover annual interest costs. These are renewed annually and are drawn with a final maturity of 2028 if not renewed. The group has debt falling due for repayment during the period to 30 June 2024 of £420m, including £328.4m included in current liabilities. The group plans to raise additional debt to repay the maturing facilities and is confident of doing so given the group's strong track record of refinancing its debt facilities over time. £100m has already been refinanced in 2023. However, in the unlikely event that the group is not able to raise new finance as planned due to circumstances outside its control, the available committed undrawn facilities are sufficient to repay all of the debt falling due. Further, the group would also consider delaying interest payments to shareholders if required to maintain a sufficient liquidity buffer to mitigate unexpected events.

Given the nature, maturity dates and counterparties of the above liabilities, as well as the group's track record of its ability to refinance debt and generate cash flow, the directors are confident that the company has the ability to continue to meet its liabilities as they fall due until 30 June 2024 and therefore the financial statements have been prepared on a going concern basis.

Statement of compliance

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

Notes to the financial statements

1. Accounting policies (continued)

1.1 Basis of preparation (continued)

Changes to presentation

Some presentation has been changed in the financial statements to aid understanding. Items reclassified are:

- Finance costs and income have been presented to distinguish between realised finance costs and income and unrealised gains and losses on the revaluation of financial instruments carried at fair value and from the effects of changes in foreign exchange rates on loans denominated in foreign currency. These unrealised gains and losses will have no impact on the income statement over the lives of the instruments and their exclusion gives a better understanding of the true profit or loss of the underlying business (note 6).
- Right of use assets relating to leased property, plant and equipment has been included within property plant and equipment as they are not material. The amount of right of use assets included in property, plant and equipment is disclosed in note 10.
- Land held for sale of £nil (2021 £0.8m, 2020 £0.5m) has been included within other receivables as it was not considered to be material (note 12).

1.2 Changes in accounting policies

New standards and amendments adopted

No new standards effective for the first time for the annual reporting period commencing 1st January 2022 have a material impacts on the consolidated financial statements of the company.

New standards, amendments and interpretations issued but not yet effective

The IASB and IFRIC have issued a number of standards, amendments and interpretations with an effective date of implementation for accounting periods beginning after the start of the company's current financial year. The directors do not anticipate that the adoption of the new standards, amendments and interpretations will have a material impact on the company's financial statements in the period of initial application.

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

1.3 Critical estimates, judgements and assumptions

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 13
- Provisions for retrospective industrial diseases – note 19

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 – see accounting policy in note 1.4

Notes to the financial statements

1. Accounting policies (continued)

1.4 Significant accounting policies

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

Revenue recognition

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

Revenue from contracts with customers

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

- Call revenue is related directly to the visit of a vessel to the port and includes fees for pilotage, conservancy, environmental charges, dues for accessing the port, and mooring fees. Each service is a performance obligation and revenue is recognised once provision of the service is complete. All call related performance obligations are completed once a vessel has docked at the port.
- Traffic revenue is related to the volumes of cargo crossing the quay and primarily consists of consolidated rate charges covering multiple services including cargo dues, passenger dues, carriage and the loading and unloading of cargo from vessels. Each service is an individual performance obligation. Revenue is allocated to each service based on the estimated standalone selling price of that service, usually based on a tariff rate. Revenue is recognised once provision of the service is complete.
- Cargo operations revenue relates to the handling, processing and storage of cargo before or after it has been loaded to a vessel. Each process or service is a performance obligation and usually has an identifiable selling price. Revenue is recognised when the process or service is complete. Storage revenue is recognised over the period that the cargo is stored.
- Shortfall revenue relates to contracts with customers that have minimum volume guarantees which, if not achieved by the customer result in additional revenue to the company to cover the shortfall in volumes. These shortfall revenues, are assessed both over the life of the contract as well as each reporting period end, and subsequently recognised over the remaining term of the contract when it is highly probable a significant reversal will not occur.
- Fixed revenue does not vary with the number of vessel visits, volumes of cargo or any other measure of customer activity, and primarily consists of fixed payments to compensate the company for investments in capital infrastructure for specific customers. Fixed revenue is largely recognised over time, spread over the term of the underlying contract.
- Utilities revenue relates to the supply of electricity and other services to tenants. Revenue is recognised as utilities are supplied.
- Dredging revenue relates to dredging services both for specific customers at our own ports and by ABP's dredging operations working in non-ABP locations. Revenue is recognised when the dredging work is completed.
- Other revenue consists of individual services provided to customers, primarily sales of environmental consultancy services and provision of marina facilities. Each service is a performance obligation and revenue is recognised at a point in time when the performance obligation is complete or, where appropriate, over time as the service is provided. Where revenue is recognised over time the transaction price is allocated based on the time spent on the performance obligation in the period of recognition against the time the performance obligation will take to complete.

Notes to the financial statements

1. Accounting policies (continued)

1.4 Significant accounting policies (continued)

Revenue recognition (continued)

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

Agent versus principal relationships

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

Lease income from investment properties

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

Impairment of non-financial assets

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

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

Impairment losses are recognised in the income statement in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to equity. In this case the impairment is recorded first against any previously recognised revaluation gains in respect of that asset in other comprehensive income.

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

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

Notes to the financial statements

1. Accounting policies (continued)

1.4 Significant accounting policies (continued)

Revenue recognition (continued)

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

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

Investment property

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

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

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

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

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

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

Notes to the financial statements

1. Accounting policies (continued)

1.4 Significant accounting policies (continued)

Investment property (continued)

- 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.

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

Property, plant and equipment

Property, plant and equipment is measured at cost, subject to depreciation and impairment and includes assets held by the company as right of use assets under leases.

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

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.

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 13.

ASSOCIATED BRITISH PORTS ANNUAL REPORT AND ACCOUNTS 2022

Notes to the financial statements

1. Accounting policies (continued)

1.4 Significant accounting policies (continued)

Retirement benefits (continued)

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

Financial instruments

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

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

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

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

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

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.

Notes to the financial statements

1. Accounting policies (continued)

1.4 Significant accounting policies (continued)

Financial instruments (continued)

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

Derivative financial instruments utilised by the 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 and to realise the assets and settle the liabilities simultaneously.

1.5 Other accounting policies

Exceptional items

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

Interest income

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

Borrowing costs

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

Leases

Company as lessor

Leases where the company does not transfer substantially all the risks and rewards incidental to ownership of the asset are classified as operating leases.

ASSOCIATED BRITISH PORTS ANNUAL REPORT AND ACCOUNTS 2022

Notes to the financial statements

1. Accounting policies (continued)

1.5 Other accounting policies (continued)

Leases (continued)

Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as lease income. Variable lease income is recognised as lease income in the period in which it is earned.

Leases where the 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.

Company as lessee

Lease liabilities are recognised at the commencement date of the lease. Lease liabilities are measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the company and payments of penalties for terminating a lease, if the lease term reflects the company exercising the option to terminate. The present value of the lease payments are calculated using the company's incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

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

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

The company applies a single recognition and measurement approach for all leases except for short term leases and leases of low value assets. The company applies the short term lease recognition exemption to its leases with a lease term of 12 months or less and also applies the lease of low value assets recognition exemption to leases that are considered of low value. Lease payments on short term leases and leases of low value assets are recognised as expenses on a straight-line basis over the lease term.

Right of use assets are recognised at the commencement date of the lease, which is the date the underlying asset is available to use. Right of use assets are initially measured at cost. The cost of the right of use assets includes the amount of lease liabilities recognised, initial direct costs incurred and lease payments made at or before the commencement date less any lease incentives received.

Notes to the financial statements

1. Accounting policies (continued)

1.5 Other accounting policies (continued)

Leases (continued)

Right of use operating assets are subsequently measured at cost less any accumulated depreciation and impairment losses and adjusted for any remeasurement of lease liabilities. Unless the company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right of use operating assets are depreciated on a straight-line basis over the shorter of their estimated useful lives and the lease term. Right of use operating assets are subject to impairment.

Right of use assets that meet the definition of investment property are classified as investment property and subsequently measured at fair value. Refer to the investment property accounting policy set out in note 1.4 under Investment Property.

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.

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 cash and cash equivalents as short-term highly liquid investments readily convertible into known amounts of cash. They are normally represented by bank deposits with an original maturity of less than three months and without significant penalties on early access/redemption less Bank Overdrafts that are repayable on demand. Accounts holding amounts identified for repaying rent deposits over which the company has control are included in cash and cash equivalents.

Notes to the financial statements

1. Accounting policies (continued)

1.5 Other accounting policies (continued)

Government grants

All government grants are recognised in the Income Statement as other income. Grants relating to income are recognised in the Income Statement as other income on a systematic basis that matches the timing of the related costs that they are intended to compensate. Grants relating to assets are recognised in the Income Statement on a systematic and rational basis over the expected useful life of the asset to which the grant relates.

Grants received, but not immediately recognised in the Income Statement, are included in deferred income in the Balance Sheet. Cash received relating to assets is shown in the cashflow statement under investing activities.

Provisions

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

Taxation

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

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

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

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.

The company offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority.

ASSOCIATED BRITISH PORTS ANNUAL REPORT AND ACCOUNTS 2022

Notes to the financial statements

1. Accounting policies (continued)

1.5 Other accounting policies (continued)

Foreign currencies

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

Dividends

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

ASSOCIATED BRITISH PORTS ANNUAL REPORT AND ACCOUNTS 2022

Notes to the financial statements

2. Revenue

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

	2022 £m	2021 £m
Revenue		
Call	105.0	98.9
Traffic	254.1	234.3
Cargo operations	36.7	35.3
Shortfall	19.0	10.5
Utilities	30.1	17.7
Dredging	16.3	8.3
Fixed	23.0	18.4
Other	25.1	14.4
Total revenue from contracts with customers	509.3	437.8
Rental income from investment properties	153.2	141.2
Total lease income	153.2	141.2
Total revenue	662.5	579.0

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

Lease income excluding variable lease income amounted to £153.0m (2021: £141.1m) and variable lease income amounted to £0.2m (2021: £0.1m).

Revenue from contracts with customers

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

	2022 £m	2021 £m
Not later than one year	1.2	1.1
Total	1.2	1.1

ASSOCIATED BRITISH PORTS ANNUAL REPORT AND ACCOUNTS 2022

Notes to the financial statements

3. Operating profit

Operating profit is stated after charging/(crediting):

	2022 £m	2021 £m
<i>Depreciation</i>		
Property, plant and equipment - included in cost of sales	86.1	82.9
Property, plant and equipment - included in administrative expenses	3.0	2.6
Right of use assets - included in cost of sales	1.8	1.5
Right of use assets - included in administrative expenses	0.8	0.8
<i>Amortisation</i>		
Intangible assets - included in cost of sales	0.4	0.4
Intangible assets - included in administrative expenses	8.4	7.4
<i>Loss on disposal of property, plant and equipment, investment property, property and land held for sale and right of use assets</i>	6.7	3.1
<i>Expense relating to short term leases</i>	2.5	2.0
<i>Expense relating to leases of low value assets</i>	0.1	0.1
<i>Variable lease expenses</i>	0.2	0.2
<i>Repairs and maintenance expenditure on investment property and property, plant and equipment</i>	33.3	24.5
<i>Third party labour and sub-contractor haulage</i>	36.1	31.6
<i>Utilities and fuel</i>	49.3	32.2
<i>Expected credit losses of trade and other receivables</i>	(0.5)	(0.2)
<i>Exceptional items</i>		
Staff costs (released)/provided	(0.1)	0.8
Other costs released	-	(0.1)
Staff costs charged directly to the income statement	0.1	0.5
Other costs charged directly to the income statement	1.6	1.3

4. Audit fees

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

	2022 £'000	2021 £'000
Fees payable to the company's auditor for the audit of the company's annual accounts	316	257
Fees payable to the company's auditor in respect of:		
Audit of the accounts of the group companies	486	415
Other services	31	10

ASSOCIATED BRITISH PORTS ANNUAL REPORT AND ACCOUNTS 2022

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 £31,500 (2021: £25,000).

5. Directors and employees

Staff costs are analysed as follows:

	2022	2021
	£m	£m
Staff costs		
Wages and salaries	120.3	107.8
Social security costs	14.3	11.9
Pension costs (note 13)	13.3	12.3
	147.9	132.0
Exceptional costs	-	1.3
Total staff costs	147.9	133.3

During 2022 no staff costs (2021: £1.3m) were recognised as part of the £1.7m (2021: £2.5m) exceptional costs.

The monthly average number of people employed during the year was 2,297 (2021: 2,245).

Directors emoluments are analysed as follows:

	2022	2021
	£m	£m
Emoluments paid to directors of the company		
Short-term employee benefits	5.4	5.1
Post-employment benefits	0.5	0.5
Total directors emoluments	5.9	5.6

Emoluments comprise amounts paid to the directors of the company by the company, with two (2021: two) directors being paid by the immediate parent undertaking.

Key management compensation is analysed as follows:

	2022	2021
	£m	£m
Key management compensation		
Short-term employee benefits	5.4	5.1
Post-employment benefits	0.5	0.5
Total key management compensation	5.9	5.6

ASSOCIATED BRITISH PORTS ANNUAL REPORT AND ACCOUNTS 2022

Notes to the financial statements

5. Directors and employees (continued)

Key management comprises the directors of the company, including two directors (2021: two) who were also directors of the immediate parent undertaking.

Nine (2021: nine) of the directors are eligible to join the Legal & General Worksave Mastertrust (MyPension Plan) ("Mastertrust"). At 31 December 2022 four (2021: four) directors were contributing members of Mastertrust. No (2021: none) director was a deferred member of the defined benefit section of the ABPGPS and nine (2021: nine) directors received an allowance for contributions towards pensions schemes unconnected with the company.

	2022	2021
	£m	£m
Highest paid director		
Short-term employee benefits	1.5	1.5
Post-employment benefits	0.1	0.1
Total highest paid director	1.6	1.6

6. Finance costs/(income)

	2022	2021
	£m	£m
Interest on amounts due from parent undertaking	36.1	35.5
Interest on lease liabilities	0.5	0.7
Net interest charge on net defined benefit liabilities	-	0.7
Other finance costs	0.4	0.2
Less: interest capitalised on non-current assets under construction	(3.4)	(3.9)
Finance costs	33.6	33.2
Other finance income	(0.9)	(0.1)
Net interest income on net defined benefit asset	(0.5)	-
Finance income	(1.4)	(0.1)
Unrealised foreign exchange loss	0.1	-
Net finance costs	32.3	33.1

7. Taxation

	2022	2021
	£m	£m
Analysis of charge/(credit) for the year		
Current year tax	34.6	29.8
Prior period adjustments	(0.7)	(1.4)
Current tax	33.9	28.4
Current year deferred tax	42.1	13.3
Rate change adjustments	-	60.1
Prior period adjustments	0.2	0.6
Deferred Tax (note 20)	42.3	74.0
Taxation	76.2	102.4

ASSOCIATED BRITISH PORTS ANNUAL REPORT AND ACCOUNTS 2022

Notes to the financial statements

7. Taxation (continued)

Current taxation in 2022 and 2021 represents a charge for group relief surrendered by a parent undertaking and tax on profits remaining after offset of group relief. See note 20 for future expected tax rate changes.

The deferred tax charge (2021: charge) results from the fair value movements on investment property and pensions and movements resulting from qualifying additions to capital allowances pools.

	2022	2021
	£m	£m
Tax on items credited/(charged) to Other Comprehensive Income		
Deferred tax associated with remeasurement gain/loss relating to net retirement benefit liabilities	10.8	(12.3)
Deferred tax on revaluation of investment property	(7.7)	(3.6)

The taxation charge for the year is higher than the standard rate of taxation in the UK of 19.0% (2021: 19.0%). The differences are explained below:

	2022	2021
	£m	£m
Profit before taxation	360.6	228.1
Profit before taxation multiplied by standard rate of corporation tax in the UK of 19.0% (2021: 19.0%)	68.5	43.3
Effects of:		
Items not allowable for tax	(1.5)	(0.3)
Deferred taxes measured at higher tax rates	9.7	-
Rate change adjustments	-	60.1
Tax in respect of prior years	(0.5)	(0.7)
Total tax charge for the company	76.2	102.4
Effective tax rate	21.1%	44.9%
Total tax charge for the company	76.2	102.4
Effects of permanent differences:		
Related party debt - disregarded	1.1	1.0
Depreciation on non-qualifying assets	(1.8)	(1.2)
Other non-qualifying	2.2	0.5
Prior year adjustment	0.5	0.7
Deferred taxes measured at higher tax rates	(9.7)	-
Rate change adjustment	-	(60.1)
Tax charge for the company after removing permanent differences	68.5	43.3
Tax rate after permanent differences	19.0%	19.0%

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

ASSOCIATED BRITISH PORTS ANNUAL REPORT AND ACCOUNTS 2022

Notes to the financial statements

8. Intangible assets

	Software £m	Other £m	Total £m
Acquired intangible assets			
2022			
Cost			
At 1 January	154.0	10.3	164.3
Additions	5.0	4.5	9.5
Transfer within Intangible assets	(0.1)	0.1	-
Transfer to Investment property	(0.2)	-	(0.2)
Disposal	(2.8)	(0.5)	(3.3)
At 31 December	155.9	14.4	170.3
Accumulated amortisation			
At 1 January	(107.3)	(6.0)	(113.3)
Charge for the year	(7.5)	(1.3)	(8.8)
Transfer to Investment property	0.2	-	0.2
Disposal	2.7	0.4	3.1
At 31 December	(111.9)	(6.9)	(118.8)
Net book value			
At 1 January	46.7	4.3	51.0
At 31 December	44.0	7.5	51.5
Acquired intangible assets			
2021			
Cost			
At 1 January	147.1	9.1	156.2
Additions	6.9	1.2	8.1
At 31 December	154.0	10.3	164.3
Accumulated amortisation			
At 1 January	(100.6)	(4.9)	(105.5)
Charge for the year	(6.7)	(1.1)	(7.8)
At 31 December	(107.3)	(6.0)	(113.3)
Net book value			
At 1 January	46.5	4.2	50.7
At 31 December	46.7	4.3	51.0

Software comprise IT software acquisition and subsequent development costs.

Other intangible assets cost at 31 December 2022 included a 2011 payment in relation to the Transport Infrastructure Fund in connection with the expansion of rail infrastructure at Southampton of £5.9m (2021: £5.9m).

ASSOCIATED BRITISH PORTS ANNUAL REPORT AND ACCOUNTS 2022

Notes to the financial statements

9. Property, plant and equipment

	Operational land	Buildings	Dock structures, quays and dredging	Floating craft	Plant and equipment	Assets in the course of construction	Total
	£m	£m	£m	£m	£m	£m	£m
2022							
Cost							
At 1 January	424.9	332.4	820.1	78.7	567.3	160.4	2,383.8
Additions	-	4.7	21.4	5.8	16.3	79.4	127.6
Transfers within property, plant and equipment	(1.4)	8.1	6.6	3.3	29.2	(45.8)	-
Transfers (to)/from investment property	(27.8)	(3.7)	(2.5)	-	(3.6)	(15.0)	(52.6)
Disposals and write off	0.1	(0.1)	(0.3)	(0.4)	(13.7)	(0.2)	(14.6)
At 31 December	395.8	341.4	845.3	87.4	595.5	178.8	2,444.2
Accumulated Depreciation							
At 1 January	(0.4)	(149.6)	(430.0)	(57.8)	(334.2)	-	(972.0)
Charge for the year	(0.2)	(14.0)	(37.9)	(5.8)	(33.8)	-	(91.7)
Transfers	-	3.5	1.3	-	2.8	-	7.6
Disposals and write off	-	0.1	0.3	0.4	13.2	-	14.0
At 31 December	(0.6)	(160.0)	(466.3)	(63.2)	(352.0)	-	(1,042.1)
Net book value							
At 1 January	424.5	182.8	390.1	20.9	233.1	160.4	1,411.8
At 31 December	395.2	181.4	379.0	24.2	243.5	178.8	1,402.1

ASSOCIATED BRITISH PORTS ANNUAL REPORT AND ACCOUNTS 2022

Notes to the financial statements

9. Property, plant and equipment (continued)

	Operational land	Buildings	Dock structures, quays and dredging	Floating craft	Plant and equipment	Assets in the course of construction	Total
	£m	£m	£m	£m	£m	£m	£m
2021*							
Cost							
At 1 January	427.8	301.5	801.4	75.3	533.6	95.6	2,235.2
Additions	1.6	15.1	9.3	2.3	12.2	120.8	161.3
Transfers within property, plant and equipment	-	18.0	9.5	1.3	27.2	(56.0)	-
Transfers (to)/from investment property	(1.8)	(1.8)	0.6	-	(0.1)	-	(3.1)
Transfers to/(from) property and land held for sale	(0.5)	-	-	-	-	-	(0.5)
Transfer of Grants due to change in accounting policy	-	-	-	-	-	-	-
Disposals and write off	(2.2)	(0.4)	(0.7)	(0.2)	(5.6)	-	(9.1)
At 31 December	424.9	332.4	820.1	78.7	567.3	160.4	2,383.8
Accumulated Depreciation							
At 1 January	(0.2)	(139.1)	(393.1)	(53.4)	(306.7)	-	(892.5)
Charge for the year	(0.2)	(13.2)	(37.3)	(4.6)	(32.5)	-	(87.8)
Transfers (to)/from investment property	-	2.5	-	-	-	-	2.5
Transfer of Grants due to change in accounting policy	-	-	-	-	-	-	-
Disposals and write off	-	0.2	0.4	0.2	5.0	-	5.8
At 31 December	(0.4)	(149.6)	(430.0)	(57.8)	(334.2)	-	(972.0)
Net book value							
At 1 January	427.6	162.4	408.3	21.9	226.9	95.6	1,342.7
At 31 December	424.5	182.8	390.1	20.9	233.1	160.4	1,411.8

*Comparatives have been reclassified to conform with current presentation

The amount of borrowing costs capitalised within property, plant & equipment during the year ended 31 December 2022 was £2.8m (2021: £3.1m). The weighted average rate used to determine the amount of borrowing costs eligible for capitalisation was 6.5% (2021: 6.3%).

ASSOCIATED BRITISH PORTS ANNUAL REPORT AND ACCOUNTS 2022

Notes to the financial statements

9. Property, plant and equipment (continued)

The tables above include recognised right of use assets detailed below:

Right of use assets	Operational land £m	Buildings £m	Floating craft £m	Plant and equipment £m	Total £m
2022					
Cost					
At 1 January	2.4	4.3	-	7.1	13.8
Additions	-	-	1.3	0.5	1.8
At 31 December	2.4	4.3	1.3	7.6	15.6
Accumulated Depreciation					
At 1 January	(0.4)	(1.7)	-	(5.9)	(8.0)
Charge for the year	(0.2)	(0.6)	(0.5)	(1.3)	(2.6)
At 31 December	(0.6)	(2.3)	(0.5)	(7.2)	(10.6)
Net book value					
At 1 January	2.0	2.6	-	1.2	5.8
At 31 December	1.8	2.0	0.8	0.4	5.0

Right of use assets	Operational land £m	Buildings £m	Floating craft £m	Plant and equipment £m	Total £m
2021					
Cost					
At 1 January	2.2	4.1	-	6.7	13.0
Additions	0.2	0.2	-	0.9	1.3
Disposals and write off	-	-	-	(0.5)	(0.5)
At 31 December	2.4	4.3	-	7.1	13.8
Accumulated Depreciation					
At 1 January	(0.2)	(1.2)	-	(4.8)	(6.2)
Charge for the year	(0.2)	(0.5)	-	(1.6)	(2.3)
Disposals and write off	-	-	-	0.5	0.5
At 31 December	(0.4)	(1.7)	-	(5.9)	(8.0)
Net book value					
At 1 January	2.0	2.9	-	1.9	6.8
At 31 December	2.0	2.6	-	1.2	5.8

The group as the lessee leases various operational land, buildings and plant and equipment under non-cancellable lease agreements. The lease terms vary and range from 1 to 999 years for operational land, 10 to 15 years for buildings and 2 to 16 years for plant and equipment.

ASSOCIATED BRITISH PORTS ANNUAL REPORT AND ACCOUNTS 2022

Notes to the financial statements

9. Property, plant and equipment (continued)

These leases have various escalation clauses and renewal rights and there are no financial restrictions placed upon the lessee by entering into these leases.

10. Investment property

	Port- related investment properties £m	Other investment properties £m	Land at ports held for development £m	Total £m
2022				
At valuation				
At 1 January	1,940.8	235.7	47.9	2,224.4
Additions	16.0	3.7	11.5	31.2
Disposals	-	-	(7.9)	(7.9)
Transfers within investment property	(10.0)	9.6	0.4	-
Transfers to property, plant and equipment	30.6	10.3	4.1	45.0
Transfers (to)/from property and land held for sale	-	-	0.4	0.4
	1,977.4	259.3	56.4	2,293.1
Surplus on revaluation	27.3	24.3	0.9	52.5
Increase in fair value of investment properties	90.4	58.8	(0.8)	148.4
At 31 December	2,095.1	342.4	56.5	2,494.0

Notes to the financial statements

10. Investment property (continued)

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

During the year £52.5m (2021: £14.9m) 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 £148.4m (2021: £45.0m) 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 2022 was £0.6m (2021: £0.8m). The weighted average rate used to determine the amount of borrowing costs eligible for capitalisation was 6.5% (2021: 6.3%).

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

Basis of valuation

Investment properties fair value has been estimated on the basis of market value in accordance with the Appraisal and Valuation Standards issued by The Royal Institution of Chartered Surveyors (“RICS”), which is consistent with fair value as defined by IFRS 13. Investment property valuations are conducted annually by the company’s internal valuation team and are reviewed by external valuers at least once every five years, the most recent being as at 31 December 2018. The valuation of investment property as at 31 December 2018 was 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.

Notes to the financial statements

10. Investment property (continued)

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

Completed investment property including right of use investment property

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

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

The revenue streams for many of the properties are variable, and in some cases unique to their specific use. The company has therefore used historic data and knowledge of its specialist sector to assess the likely sustainable income streams going forward. The nature of the assets and the potential variability or sustainability of income has also led to the application of a range of yields to the income reflecting the specific prospects and risks associated with the individual assets. Income from these assets typically falls into two parts, a core rental for the asset together with other income derived, for example, by reference to the volume of goods or equivalent brought across the dock, often subject to a minimum guaranteed volume.

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

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

2022	Port-related investment properties	Other investment properties and land held for development	Total
Observable			
Average income per acre £'000	99.7	9.6	50.9
Income range per acre £'000	0 - 577	0 - 142	0 - 577
Unobservable			
Yield – average %	11.5	11.9	11.6
Yield – range %	5.0 – 33.3	5.0 – 17.5	5.0 – 33.3
Other assumptions			
Other purchasers' costs %	1.8	1.8	1.8

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Notes to the financial statements

10. Investment property (continued)

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

The most sensitive input to the valuation of investment property is the yield, which for 2022 averages 11.6% (2021: 11.6%). A decrease in the average yield of 0.5% would result in an increase in the aggregate valuation of £112.0m (2021: £100.2m) and an increase in the average yield of 0.5% would result in a decrease in the aggregate valuation of £102.7m (2021: £91.9m). 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 £153.2m (2021: £141.2m) and related operating expenses amounted to £3.3m (2021: £2.5m). Direct operating expenses relating to vacant property are considered to be immaterial.

11. Investments

	Investment in subsidiaries
	£m
At 31 December 2021	54.6
At 31 December 2022	54.6

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

The company has direct investments in all its subsidiaries with the exception of W.E.D. Services Limited which is owned indirectly through W. E. Dowds (Shipping) Limited. The directors have assessed the impairment of investments using the assumptions from the group business plan. The directors are satisfied that the recoverable amount is greater than the carrying value of investment in subsidiaries. No reasonable change in assumptions could result in impairment.

ASSOCIATED BRITISH PORTS ANNUAL REPORT AND ACCOUNTS 2022

Notes to the financial statements

12. Trade and other receivables

	2022 £m	2021* £m
Non-current		
Accrued income	1.8	1.6
Other receivables	0.1	3.3
Total non-current trade and other receivables	1.9	4.9
Current		
Gross trade receivables	76.8	70.4
Amounts due from group undertakings	1.5	1.5
Prepayments	6.9	7.2
Accrued income	29.3	22.1
Other receivables	12.6	12.3
Gross current trade and other receivables	127.1	113.5
Allowance for expected credit losses	(9.1)	(10.4)
Total current trade and other receivables	118.0	103.1

*Comparatives have been reclassified to conform to current presentation

Amounts due from group undertakings are not overdue for repayment and are not considered impaired. Details of the amounts due from related parties are disclosed in note 22.

All trade receivables are non-interest bearing. Disclosure of the financial risks related to these financial instruments is in note 16.

As at 31 December 2022, contract assets of £0.9m (2021: £1.3m) were included in current accrued income net of an allowance for expected credit losses of £nil (2021: £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. It also includes expected receipts from property and land held for sale of £nil (2021: £0.8m).

Notes to the financial statements

12. Trade and other receivables (continued)

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

	2022 £m	2021 £m
At 1 January	(10.4)	(10.6)
Provision for the expected credit losses	(2.3)	(3.6)
Expected credit losses reversed	2.8	3.3
Receivables written off as uncollectable	0.8	0.5
At 31 December	(9.1)	(10.4)

The provision for expected credit losses relates to gross trade receivables and accrued income and is based on the expected credit loss by age, plus an adjustment for material current observable data. The provision for loss allowance measured at an amount equal to the twelve month expected credit loss for the year ended 31 December 2022 was £nil (2021: £nil).

The ageing of gross trade receivables and accrued income, and the expected credit loss by age, is as follows:

	2022 £m	2021 £m	2022 %	2021 %
Aged analysis of gross trade receivables, accrued income				
Not yet overdue	98.7	81.3	8.3	11.0
Up to 3 months	8.3	10.4	1.0	7.3
3 to 6 months	0.8	0.2	67.7	55.0
Over 6 months	0.3	0.6	100.0	100.0

As at 31 December 2022 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:

	2022 £m	2021 £m
Aged analysis of overdue gross trade receivables		
Up to 3 months	8.2	9.8
3 to 6 months	0.3	0.1
Total past due but not impaired receivables	8.5	9.9

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

ASSOCIATED BRITISH PORTS ANNUAL REPORT AND ACCOUNTS 2022

Notes to the financial statements

13. Pension commitments

The company participates in a number of pension schemes:

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

On 1 January 2021 the PNPF DB section was closed to new entrants and a Cash Balance Section established to cover marine and non-marine workers of the participating bodies who meet certain criteria. ABP apprentice are enrolled in the Cash Balance Section.

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

Summary

Income statement

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

	2022	2021
	£m	£m
ABPGPS and unfunded retirement benefit arrangements	1.8	2.2
Industry wide schemes	0.1	0.1
Defined contribution arrangements	11.4	10.0
Net pension charge recognised within operating profit	13.3	12.3
Net interest (income)/charge on net defined benefit liabilities	(0.5)	0.7
Net pension charge recognised in profit before taxation	12.8	13.0

Balance sheet

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

	2022	2021
	£m	£m
ABPGPS – net funded pension assets	15.3	62.8
ABPGPS – net unfunded pension liability	(1.6)	(2.0)
	13.7	60.8
PNPF	(25.0)	(39.1)
Net retirement benefit (liability)/asset	(11.3)	21.7
Net retirement benefit assets total	15.3	62.8
Net retirement benefit obligations total	(26.6)	(41.1)
Net retirement benefit (liability)/asset	(11.3)	21.7

Notes to the financial statements

13. Pension commitments (continued)

During the year the ABPGPS scheme recorded an actuarial loss due to negative returns on the schemes assets, this was partially offset by a liability gain due to a significant increase in the discount rate. As a result the scheme's surplus has decreased to £13.7m (2021: £60.8m surplus).

The Pilots National Pension Fund scheme recorded an actuarial gain during the year due to changes in financial assumptions as the actuarial loss due to negative returns on the scheme's assets was more than offset by the liability gain primarily due to the increase in the discount rate. As a result the scheme's deficit decreased to £25.0m (2021: £39.1m).

Schemes accounted for on a defined benefit basis

ABPGPS and unfunded retirement benefit arrangements

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

The last triennial valuation of the ABPGPS was as at 31 December 2020. The valuation of the liabilities as at 31 December 2022 has been derived by projecting forward the position as at 31 December 2020. This exercise was performed by an independent actuary, Willis Towers Watson. The present value of the defined benefit obligations and the related current service cost were measured using the Projected Unit Credit method. The present value of pension liabilities has been determined by discounting pension commitments (including an allowance for salary growth) using a high-quality corporate bond yield.

The Recovery Plan and Schedule of Contributions agreed following the 2020 triennial valuation will remain in place until the 2023 valuation has been finalised and any new Plan or Schedule agreed. The current Recovery Plan and Schedule of Contributions require the group to make deficit reduction contributions of £3.5m per annum until 31 December 2025 and employer contributions at the rate of 22.5% of contributory pay until 31 December 2021 and 42.3% of contributory pay with effect from 1 January 2022. The average duration of the defined benefit plan obligation at the end of the reporting period is 11 years. The scheme is assumed to run on until there are no beneficiaries and all benefits have been paid out. At that point, on the winding-up of the Scheme, there would be no benefits to be increased using the surplus. The group has the unconditional right to a refund of any surplus assets on the winding up of the scheme.

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

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

The surplus is recognised gross as it is anticipated that the recovery will be by way of reduced contributions over the life of the scheme. Deferred tax on the difference between the amounts recognized and payments made is included within deferred tax through the income statement or other comprehensive income to follow the recognition in the changes in value.

Notes to the financial statements

13. 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 benefit scheme, with all categories of members being either employed or self-employed. The last completed triennial valuation was at 31 December 2019, which was approved on 23 March 2021, and revealed a deficit falling short of that anticipated by the Recovery Plan put in place following completion of the 2010 valuation. The triennial valuation as at 31 December 2022 is expected to be finalised in early 2024. This additional deficit has resulted in a further Recovery Plan being put in place with Participating Bodies from 1 January 2021. No change has been made to the first Recovery Plan and these payments continue as planned.

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

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

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

On 1 January 2021 the PNPF DB section was closed to new entrants and a Cash Balance Section established.

ASSOCIATED BRITISH PORTS ANNUAL REPORT AND ACCOUNTS 2022

Notes to the financial statements

13. 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	
	2022	2021	2022	2021
	%	%	%	%
Inflation CPI	2.75	2.90	2.30	2.40
Inflation RPI (short term/long term)	3.25	3.30	3.20	3.10
Rate of increase in pensionable salaries	2.00	2.00	2.30	2.40
Rate of increase for pensions in payment ¹	3.05	3.10	3.00	3.00
Rate of increase for pensions in payment ²	2.35	2.35	3.70	3.60
Rate of increase for pensions in payment ³	2.75	2.90	2.30	2.40
Discount rate	4.90	1.85	4.90	2.00

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

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

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

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

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

	ABPGPS		PNPF	
	2022	2021	2022	2021
	Years	Years	Years	Years
Male life expectancy retiring at age 60 in 15 years	26.7	26.6	27.0	27.0
Female life expectancy retiring at age 60 in 15 years	29.0	28.9	29.7	29.7

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	
	2022	2021	2022	2021
	£m	£m	£m	£m
Increase in liabilities				
Decrease in discount factor by 0.5%	23.7	43.8	5.0	9.0
Increase in inflation rate by 0.5%	16.8	33.4	4.0	3.0
Increase in rate of mortality of a 60 year old by 1 year	16.2	29.1	2.0	7.0
Increase in allocated share of the PNPF liability by 5%	-	-	4.2	6.5

ASSOCIATED BRITISH PORTS ANNUAL REPORT AND ACCOUNTS 2022

Notes to the financial statements

13. 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	
	2022 £m	2021 £m	2022 £m	2021 £m
Fair value of scheme assets at 1 January	642.9	640.2	101.0	101.8
Amounts recognised in income statement:				
Interest income	11.7	9.1	2.0	1.4
Remeasurement gain/(loss) in OCI:				
Return on assets, excluding amounts in net interest	(212.4)	16.1	(26.4)	1.0
Contributions by employees	0.1	0.1	-	-
Contributions by employer	6.7	6.0	6.6	6.3
Benefits paid	(28.8)	(27.5)	(9.4)	(9.1)
Administrative expenses paid	(1.2)	(1.1)	(0.3)	(0.4)
Fair value of scheme assets at 31 December	419.0	642.9	73.5	101.0

Changes in fair value of scheme obligations were as follows:

	ABPGPS		PNPF	
	2022 £m	2021 £m	2022 £m	2021 £m
Fair value of scheme obligations at 1 January	(582.1)	(638.1)	(140.1)	(152.1)
Amounts recognised in income statement:				
Current and past service costs	(1.8)	(2.2)	-	-
Interest cost	(10.5)	(9.1)	(2.7)	(2.1)
Remeasurement gain in OCI:				
Remeasurement gain/(loss) from changes in demographic assumptions	-	30.2	-	0.1
Remeasurement gain from changes in financial assumptions	184.1	1.8	38.6	6.6
Experience (loss)/gain	(25.1)	6.7	(4.0)	(2.1)
Contributions by employees	(0.1)	(0.1)	-	-
Benefits paid directly by the company	0.2	0.1	-	-
Benefits paid	28.8	27.5	9.4	9.1
Administrative expenses paid	1.2	1.1	0.3	0.4
Fair value of scheme obligations at 31 December	(405.3)	(582.1)	(98.5)	(140.1)

The current service cost represented 34.5% (2021: 39.9%) for the ABPGPS and unfunded retirement benefit arrangements of the applicable pensionable payroll.

As at 31 December 2022, the cumulative remeasurement result recognised in the group's other comprehensive income amounted to a loss of £106.3m (2021: loss of £52.9m) for the ABPGPS and unfunded retirement benefit arrangements and a gain of £20.9m (2021: £12.7m) for the PNPf.

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 2022 was a loss of £200.7m (2021: gain of £25.2m) for the ABPGPS and unfunded retirement benefit arrangements and a loss of £24.4m (2021: gain of £2.4m) for the PNPf.

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Notes to the financial statements

13. Pension commitments (continued)

Schemes accounted for on a defined benefit basis (continued)

The scheme's assets were represented by investments in:

	2022	2021
	%	%
ABPGPS		
Liability matching and hedging investments or assets*	55.7	36.6
Bond funds	5.5	21.4
Diversified growth funds	4.3	14.0
Private credit funds	14.5	10.5
Emerging market funds	0.0	5.7
Property	18.5	11.0
Cash	1.5	0.8

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

	2022	2021
	%	%
PNPF		
Partners Growth fund	35.7	35.4
Corporate bonds	14.9	9.9
Risk Hedge	1.1	0.3
Fund of hedge funds	-	-
Diversified growth funds	2.0	5.4
Liquidity fund	23.3	17.7
Gilts	21.8	27.8
Cash	1.2	3.5

Historical record – ABPGPS and unfunded retirement benefit arrangements

	2022	2021	2020	2019	2018
	£m	£m	£m	£m	£m
Amounts for the current and previous years are as follows:					
Fair value of scheme assets	419.0	642.9	640.2	623.3	591.3
Present value of funded scheme obligations	(403.7)	(580.1)	(635.8)	(602.0)	(548.0)
Present value of unfunded obligations	(1.6)	(2.0)	(2.3)	(2.1)	(2.2)
Net assets recognised in the balance sheet	13.7	60.8	2.1	19.2	41.1
Remeasurement gain/(loss) due to changes in assumptions	184.1	32.0	(56.9)	(65.9)	43.1
Experience gain/(loss) on scheme obligations	(25.1)	6.7	(1.0)	(3.6)	15.0
Experience gain/(loss) on scheme assets	(212.4)	16.1	36.2	40.4	(24.6)
Remeasurement gain/(loss) relating to net retirement benefit assets/liabilities recognised in other comprehensive income	(53.4)	54.8	(21.7)	(29.1)	33.5

Notes to the financial statements

13. Pension commitments (continued)

Schemes accounted for on a defined contribution basis (continued)

Historical record – PNPf

Amounts for the current and previous years are as follows:	2022 £m	2021 £m	2020 £m	2019 £m	2018 £m
Fair value of scheme assets	73.5	101.0	101.8	114.0	108.3
Present value of funded scheme obligations	(98.5)	(140.1)	(152.1)	(172.6)	(167.8)
Net liabilities recognised in the balance sheet	(25.0)	(39.1)	(50.3)	(58.6)	(59.5)
Remeasurement gain/(loss) due to changes in assumptions	38.6	6.7	(9.4)	(10.8)	10.4
Experience (loss)/gain on scheme obligations	(4.0)	(2.1)	23.8	(2.3)	(2.4)
Experience gain/(loss) on scheme assets	(26.4)	1.0	(10.8)	10.1	(5.1)
Remeasurement gain/(loss) relating to net retirement benefit liabilities recognised in other comprehensive income	8.2	5.6	3.6	(3.0)	2.9

The Merchant Navy Officers Pension Fund (“MNOF”)

The MNOF is a multi-employer arrangement operated across the shipping industry. It operates with no segregation of the assets and liabilities relating to different employers and the trustees allocating a ‘share’ of funding deficits to employers. The MNOF has secured approximately £2bn of liabilities in respect of pensioner members with Pension Insurance Corporation through two transactions in 2020 and 2022. The assets of the MNOF were approximately £3.3bn at 31 March 2021, including the value of this ‘buy-in’ policy. The buy-in transactions remove the financial and demographic risks associated with the insured pensioner members. The last actuarial valuation as at 31 March 2021 was a technical provision surplus of 102% and on the same basis as at 31 March 2022 was still 102%. The MNOF closed to future benefit accrual on 31 March 2016.

ABP has approximately a 0.1% share of the MNOF deficit based on the liabilities in respect of former employees and a share of the orphan liabilities. There are no new recovery plans in place following the latest valuation.

In 2022 and 2021 the group had no contributions to this scheme and expects no contributions to be payable in 2023.

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

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

In 2022 the group expensed as defined contribution pension costs a total of £11.6m (2021: £10.2m) of contributions to this plan.

The Ensign Retirement Plan (“ERP”)

The ERP is an industry-wide mastertrust pension arrangement available to employers and employees who may, or may not, be associated with the maritime industry. The plan falls under independent trustee governance but is partly funded by the Trustee of the MNOF and sits alongside the defined benefit arrangement within the framework of the MNOF.

Notes to the financial statements**13. Pension commitments (continued)****Schemes accounted for on a defined contribution basis (continued)**

The ERP has approved mastertrust status from the Pensions Regulator and is a defined contribution pension arrangement. The company has enrolled apprentices into the plan.

In 2022 the company expensed as defined contribution pension costs a total of £63,318 (2021: £27,180) of contributions to this plan.

The defined contribution pension cost represents the actual contributions payable by the group to the Legal & General and Ensign Mastertrusts. At 31 December 2022, there were no amounts outstanding as being due to these arrangements from the group (2021: £nil).

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

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

14. Borrowings

	2022	2021
	£m	£m
Current		
Lease liabilities	2.4	1.7
Total current borrowings	2.4	1.7
Non-current		
Amounts due to parent undertaking	574.7	591.9
Lease liabilities	4.6	6.5
Total non-current borrowings	579.3	598.4

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 22.

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

	2022	2021
	£m	£m
At 1 January	8.2	9.8
Additions	1.9	0.5
Interest expense	0.5	0.7
Payments	(3.6)	(3.6)
Remeasurement	-	0.8
At 31 December	7.0	8.2

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Notes to the financial statements

14. Borrowings (continued)

Lease liabilities are secured on the related leased assets. Disclosure of the financial risks related to these financial instruments is disclosed in note 16. Details of contingent liabilities in relation to the ultimate parent undertaking's group borrowings are set out in note 24.

15. Derivative financial instruments

The company uses derivatives to manage its exposure to fuel prices and foreign exchange rates. As the company does not designate any of its derivatives as hedges, the fair value changes are recognised in the income statement in accordance with the company's accounting policy set out in note 1. The terms and fair value of derivative financial assets and liabilities held by the company at the balance sheet date were:

2022	Expiry	Notional	Net amounts of financial assets presented in the balance sheet £m	Net amounts of financial liabilities presented in the balance sheet £m
At fair value through profit and loss				
Fuel swaps and caps	2022-2025	26.4m litres	2.3	(0.3)
Fair value of derivative financial instruments			2.3	(0.3)
Derivatives not offset in the balance sheet*			-	-
Net amount			2.3	(0.3)

*Right to offset under master netting arrangements.

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

*Right to offset under master netting arrangements.

Notes to the financial statements**15. Derivative financial instruments (continued)**

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

	2022	2021
	£m	£m
Current assets	1.8	0.7
Non-current assets	0.5	0.5
Total assets	2.3	1.2
Current liabilities	(0.2)	-
Non-current liabilities	(0.1)	-
Total liabilities	(0.3)	-

Disclosure of the financial risks related to these financial instruments is disclosed in note 16.

16. Financial instruments

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

Fair value of financial instruments

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

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

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

Notes to the financial statements**16. Financial instruments (continued)****Fair value of financial instruments (continued)**

The company's liquidity, interest rate and capital risks, along with credit risk relating to cash, are managed by the group. The company's other main financial risks are foreign exchange and credit risk. The company aims to manage these risks to an acceptable level.

The company does not use financial instruments for speculative purposes.

Liquidity risk

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

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

	Borrowings (excluding lease liabilities) £m	Lease liabilities £m	Derivative financial instruments £m	Trade and other payables £m	Total £m
2022					
Not later than one year	37.6	2.8	-	177.3	217.7
More than one year but not more than two years	75.3	1.4	-	76.3	153.0
More than two years but not more than five years	112.9	2.0	-	-	114.9
More than five years	1,008.0	50.6	-	-	1,058.6
Total payments	1,233.8	56.8	-	253.6	1,544.2

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

Notes to the financial statements

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

Principal and interest on borrowings due to parent undertaking are payable on final maturity in 2040, however payments may be required prior to this date should the borrowing facility limit be reached. The maturity analysis above reflects interest payments being made in line with the year in which it arises, with no compounding, in order for the borrowing to remain within the facility limits.

The 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:

	2022	2021
	£m	£m
Expiring in:		
More than five years	225.3	208.1
Undrawn borrowing facilities	225.3	208.1

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 2022 was £280.0m (2021: £350.0m).

*Market risk**Interest rate risk*

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

Foreign exchange risk

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

Credit risk

Credit risk with banks and financial institutions is managed by the wider group. The group monitors the credit risk of banking counterparts, tracking credit default swap rates and credit ratings of actual and potential counterparties. Cash deposits of the group at the year end were all with counterparties with a credit rating of A3 or better and the weighted average maturity of deposits was 1 days from 31 December 2022.

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.

Notes to the financial statements**16. Financial instruments (continued)****Financial risk management (continued)**

Based on the quality and diversity of its customer base and institutions with which cash is deposited, management considers the company's exposure to concentration of credit risk not to be material. The company uses external credit rating agencies to assess and monitor its trade receivables.

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

Given the counterparties of the receivables, as set out in note 12, management considers the company's exposure to credit risk to be minimal. The maximum exposure to credit risk at 31 December 2022 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 2021.

17. Trade and other payables

	2022 £m	2021 £m
Current		
Trade payables	28.3	24.6
Amounts due to group undertakings	60.8	59.0
Amounts due to subsidiary undertakings	16.0	12.6
Accruals	64.1	52.8
Other creditors	2.3	3.4
Taxation	3.8	3.4
Total current trade and other payables	175.3	155.8
Non-current		
Amounts due to subsidiary undertakings	45.8	45.8
Accruals	19.1	10.3
Security deposits	12.1	10.8
Total non-current trade and other payables	77.0	66.9

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

Notes to the financial statements

17. Trade and other payables (continued)

All trade and other payables are non-interest bearing. Details on amounts due to related parties are disclosed in note 22.

18. Deferred income

	Contract Liability	Deferred Property Income	Government grants	Total
	£m	£m	£m	£m
At 1 January 2021	8.2	86.1	6.3	100.6
Credited to income statement during the year	(3.7)	(27.6)	(1.4)	(32.7)
Amounts received in advance and deferred	4.8	23.9	32.0	60.7
At 31 December 2021	9.3	82.4	36.9	128.6
Credited to income statement during the year	(2.8)	(30.3)	(6.7)	(39.8)
Amounts received in advance and deferred	14.3	28.2	15.2	57.7
At 31 December 2022	20.8	80.3	45.4	146.5

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

	2022 £m	2021 £m
Current	41.6	37.8
Non-current	104.9	90.8
Total deferred income	146.5	128.6

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

Government grants received during the year of £15.2m related predominantly to the Border Control Posts scheme overseen by the Port Infrastructure Fund and the new Horizon Cruise Terminal in Southampton.

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Notes to the financial statements

19. Provisions

	Restructuring £m	Self Insurance £m	Other £m	Total £m
2022				
At 1 January	0.3	15.5	23.3	39.1
(credited)/charged to income statement during the year	(0.1)	(6.7)	11.3	4.5
Utilised in the year	(0.1)	(0.1)	(1.0)	(1.2)
Amortisation of discounting	-	0.3	-	0.3
At 31 December	0.1	9.0	33.6	42.7
Expected utilisation within one year	0.1	0.1	27.9	28.1
	Restructuring £m	Self insurance £m	Other £m	Total £m
2021				
At 1 January	0.9	15.6	11.8	28.3
Charged to income statement during the year	0.4	-	13.7	14.1
Utilised in the year	(1.0)	(0.3)	(2.2)	(3.5)
Amortisation of discounting	-	0.2	-	0.2
At 31 December	0.3	15.5	23.3	39.1
Expected utilisation within one year	0.3	0.5	18.5	19.3

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

	2022 £m	2021 £m
Current	28.1	19.3
Non-current	14.6	19.8
Total provisions	42.7	39.1

Restructuring

The restructuring, started in 2019, is now complete. The restructuring provision of £0.1m remains to cover final costs.

Self insurance

The company self-insures various matters and carries a provision in respect of employer's liability in relation to certain industrial diseases.

The company's exposure in relation to retrospective industrial diseases has been subject to a full review in 2022 and an updated model constructed by an independent actuary. Potential liabilities have been projected forward until 2074 using information on incidence type, number of claims, life expectancy of claimants, value of claims and the company's share of the exposure. Cash flows, where appropriate, have been projected and discounted on a pre-tax basis using a discount rate of 3.8% (2021: 2.63%). The actuarial assessment identified a reasonable discounted estimate of the reserves to be in the range £7.0m to £11.7m. In the light of uncertainty associated with asbestos related claims, the group provides in the middle of the range.

Notes to the financial statements

19. Provisions (continued)

Other

Other provisions include:

- £5.6m in respect of a Grade II listed building where ABP has a statutory obligation to maintain the building and recognises the need to carry out essential works.
- £15.2m in respect of land at various ports which has been identified as contaminated as a result of previous use. The provisions are in respect of remediation needed to ensure that ABP remains in compliance with environmental regulations.
- £5.9m in respect of work identified as necessary to keep the navigation channel open and clear of debris

20. Deferred tax

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

The movement on deferred tax is shown below:

	2021 £m	Adjustments in respect of previous periods charged/ (credited) to income statement £m	Adjustments in respect of previous periods charged to OCI £m	Charged/ (credited) to income statement £m	Charged/ (credited) to OCI £m	2022 £m
Accelerated tax depreciation	110.0	0.3	-	0.8	-	111.1
Revaluation of operational land and investment properties	165.2	-	-	37.5	7.7	210.4
Capital losses	(12.7)	-	-	(0.5)	-	(13.2)
Retirement benefit obligations	5.4	-	-	2.5	(10.8)	(2.9)
Other	(3.8)	(0.1)	-	1.8	-	(2.1)
Net deferred tax liability	264.1	0.2	-	42.1	(3.1)	303.3

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Notes to the financial statements

20. Deferred tax (continued)

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

The company has unrecognised capital losses of £314.1m (2021: £314.1m) that have no expiry date and are only available for offset against gains from future sales of land and buildings from the port estates. These have not been recognised, as gains from future property sales cannot be projected with sufficient certainty.

21. Cash flow reconciliations

Reconciliation of Profit before taxation to cash generated by operations:	2022	2021
	£m	£m
Profit before taxation	360.6	228.1
Finance costs	33.6	33.2
Finance income	(1.4)	(0.1)
Net unrealised gain on operating derivatives	(0.8)	(2.7)
Depreciation of property, plant and equipment and right of use assets	91.7	87.8
Amortisation of intangible assets	8.8	7.8
Loss on write off of intangibles and disposal of property, plant and equipment, investment property, property and land held for sale and right of use assets	6.7	3.1
Decrease in provisions	3.3	10.6
Increase in fair value of investment properties	(148.4)	(45.0)
Difference between pension contributions paid and defined benefit pension charge through profit and loss	(11.7)	(10.1)
Operating cash flows before movements in working capital	342.4	312.7
Decrease in trade and other receivables	(15.7)	(16.3)
Increase in trade and other payables	26.1	(28.0)
Cash generated by operations	352.8	268.4

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

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Notes to the financial statements

21. Cash flow reconciliations (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
2022				
Long-term intercompany borrowings	(591.9)	251.0	(233.8)	(574.7)
Lease liabilities	(8.2)	3.6	(2.4)	(7.0)
Total	(600.1)	254.6	(236.2)	(581.7)

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

22. Related party transactions

The company's UK retirement benefit schemes are managed by The Associated British Ports Group Pension Scheme ("ABPGPS") (see note 13). During the year, the company charged ABPGPS £0.2m (2021: £0.2m) in respect of administrative services.

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
ABPH Marine (Guernsey) Limited	Group undertaking
UK Dredging Management Limited	Wholly owned subsidiary
Whitby Port Services Limited	Wholly owned subsidiary
Aldwych Logistics Investments Limited	Wholly owned subsidiary
The Teignmouth Quay Company Limited	Wholly owned subsidiary
Colchester Dock Transit Company Limited	Wholly owned subsidiary
Exxtor Shipping Services Limited	Wholly owned subsidiary
Humber Pilotage (C.H.A.) Limited	Wholly owned subsidiary

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Notes to the financial statements

22. Related party transactions (continued)

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	2022 £m	2021 £m
Associated British Ports Holdings Limited	2040	6.8%	(574.7)	(591.9)

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

Associated British Ports Holdings Limited	2022 £m	2021 £m
Intercompany borrowing at start of the year	(591.9)	(606.8)
Increase in payable	(17.7)	(24.1)
Interest charged – 6.8% per annum (2021: 6.5%)	(36.1)	(15.0)
Dividends accrued	(180.0)	(130.0)
Dividends paid	132.0	100.0
Interest paid	29.8	58.0
Net cash paid	89.2	26.0
Intercompany borrowing at end of the year	(574.7)	(591.9)

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

	2022 £m	2021 £m
ABP (Aldwych) Limited	1.5	1.5
Immingham Bulk Terminal Limited	(8.6)	(8.6)
W.E. Dowds (Shipping) Limited	(4.4)	(0.9)
Grosvenor Waterside Investments Limited	(38.9)	(38.7)
ABP Acquisitions UK Limited	-	-
The Teignmouth Quay Company Limited	(11.7)	(11.7)
ABP Property Development Company Limited	(5.0)	(5.0)
ABP Southampton Properties Limited	(4.1)	(4.1)
ABP Marine Environmental Research Limited	(3.2)	(1.7)
Auto Shipping Limited	(0.5)	(0.5)
ABPH Marine (Guernsey) Limited	(0.1)	(0.1)
Grosvenor Waterside Asset Management Limited	(0.1)	(0.1)
Millbay Development Company Limited	(0.1)	(0.1)
ABP Security Limited	(0.1)	(0.1)
Total current balances	(75.3)	(70.1)

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Notes to the financial statements

22. Related party transactions (continued)

Colchester Dock Transit Company Limited	(5.3)	(5.3)
Exxtor Shipping Services Limited	(11.2)	(11.2)
Humber Pilotage (C.H.A.) Limited	(2.0)	(2.0)
Ipswich Port Limited	(24.7)	(24.7)
Northern Cargo Services Limited	(1.1)	(1.1)
Southampton Free Trade Zone Limited	(1.5)	(1.5)
Total non-current balances	(45.8)	(45.8)

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

Immingham Bulk Terminal Limited	2022	2021
	£m	£m
Intercompany (payable)/receivable at start of the year	(8.6)	(9.3)
Movement for the year	-	0.7
Intercompany payable at end of the year	(8.6)	(8.6)

W.E. Dowds (Shipping) Limited	2022	2021
	£m	£m
Intercompany (payable)/receivable at start of the year	(0.9)	(1.2)
Movement for the year	(3.5)	0.3
Intercompany (payable)/receivable at end of the year	(4.4)	(0.9)

ABP Acquisitions UK Limited	2022	2021
	£m	£m
Intercompany payable at start of the year	-	(35.2)
Movement for the year	-	35.2
Intercompany payable at end of the year	-	-

ABP Marine Environmental Research Limited	2022	2021
	£m	£m
Intercompany payable at start of the year	(1.7)	(2.0)
Movement for the year	(1.5)	0.3
Intercompany payable at end of the year	(3.2)	(1.7)

Grosvenor Waterside Investments Limited	2022	2021
	£m	£m
Intercompany payable at start of the year	(38.7)	(38.7)
Movement for the year	(0.2)	-
Intercompany payable at end of the year	(38.9)	(38.7)

23. Financial commitments

Capital commitments

	2022	2021
	£m	£m
Capital expenditure contracted but not provided for	38.6	16.0

Notes to the financial statements

24. Contingent liabilities

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

The company makes contributions to two 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 13. In the event of the funding position of these schemes deteriorating ABP could have a resulting liability. It is not possible to quantify the possible liability.

25. Leases

Company as lessor

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

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

Maturity analysis of future minimum lease income receivable under non-cancellable operating leases is as follows:	2022 £m	2021 £m
Not later than one year	110.9	96.5
More than one year but not more than two years	92.6	80.2
More than two years but not more than three years	86.8	70.5
More than three years but not more than four years	80.3	64.8
More than four years but not more than five years	64.4	60.0
More than five years	783.3	793.6
Total	1,218.3	1,165.6

Company as lessee

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

The nature of the company's leasing activities, the carrying amounts of right of use assets recognised and the movements during the year are set out in note 9.

Right of use assets that meet the definition of investment property are included in note 10.

The carrying amounts of lease liabilities and the movements during the year are set out in note 14. The maturity analysis of lease liabilities is set out in note 16.

During the year the company had total cash outflows for leases of £3.6m (2021: £5.9m).

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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.

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

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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 UK adopted International Accounting Standards ("IAS"). Copies of these financial statements may be obtained from ABPAH, at its registered office at 25 Bedford Street, London, WC2E 9ES, which is also the principal office of Associated British Ports ("ABP"). The consolidated financial statements of ABPAH are the smallest group in which ABP is included.

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

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

	% of A Ordinary shares	% of B Ordinary shares	% of Preference shares
2022			
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
CPP Investment Board Private Holdings (6) Inc. (owned by Canada Pension Plan Investment Board)	30.00	33.88	33.88
9348654 Canada Inc.	3.88	-	-
Cheyne Walk Investment Pte Limited (owned by GIC (Ventures) Pte Limited)	20.00	20.00	20.00
Wren House Infrastructure LP (controlled by Kuwait Investment Authority)	10.00	10.00	10.00
Anchorage Ports LLP (owned by Hermes GPE Infrastructure Fund LP, Hermes Infrastructure (SAP I) LP and Hermes Infrastructure (Alaska) LP)	6.12	6.12	6.12
	100.00	100.00	100.00

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27. Holding company and ultimate controlling parties (continued)

2021	% 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 II Holdings B.V. (owned by OMERS Administration Corporation)	7.90	7.90	7.91
CPPIB (Hong Kong) Limited (owned by Canada Pension Plan Investment Board)	30.00	33.88	33.88
9348654 Canada Inc.	3.88	-	-
Cheyne Walk Investment Pte Limited (owned by GIC (Ventures) Pte Limited)	20.00	20.00	20.00
Kuwait Investment Authority (controlled by Kuwait Investment Authority)	10.00	10.00	10.00
Anchorage Ports LLP (owned by Hermes GPE Infrastructure Fund LP, Hermes Infrastructure (SAP I) LP and Hermes Infrastructure (Alaska) LP)	6.12	6.12	6.12
	100.00	100.00	100.00

All share classes held by CPPIB (Hong Kong) Limited, a wholly-owned subsidiary of Canada Pension Plan Investment Board ("CPPIB"), were transferred to CPP Investment Board Private Holdings (6) Inc., also wholly-owned by CPPIB, on 30 April 2022, as part of an intragroup reorganisation. The transaction did not impact the percentage holdings of any other shareholder.