

ASSOCIATED BRITISH PORTS

(Company Number ZC000195)

ANNUAL REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2023

ASSOCIATED BRITISH PORTS

ANNUAL REPORT AND ACCOUNTS 2023

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Strategic report

The directors present the strategic report of Associated British Ports for the year ended 31 December 2023.

1. Principal activities

The principal activities of Associated British Ports comprise the ownership, operation and development of port facilities and the provision of related services in the United Kingdom (“UK”).

The company owns 21 general cargo ports around the UK and provides facilities (principally land, quays, storage sheds and warehouses, cargo handling equipment and access to open water) and services (including stevedoring, warehousing and bagging) to users of its ports.

2. Development and performance of the business

2.1 Health and Safety

The nature of the 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 contributes considerably to the prevention of loss of life, serious injury and damage to infrastructure.

While there is an organisation-wide emphasis on H&S which helped ABP achieve its lowest number of Lost Time Incidents in 2023, 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.

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 continues to evolve 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.

Strategic report (continued)**2. Development and performance of the business (continued)****2.1 Health and Safety (continued)**

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

	Target	2023	2022 from 2022	Change
Number of accidents resulting in lost working time (lost time incidents)	<11	5	6	-16.7%

Statistically, 2023 continued the improvement trend from previous years back to 2019 where the number of lost time incidents was 26. 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 this improvement. Good progress continues to be made in behavioural safety, workplace transport initiatives, and a continual safety improvement programme in each of our regions as well as improvements to personal protective equipment for ABP's operatives and the wider safety management system. The ABP 'Spot It' 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. 2023 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 2024 Beyond Zero training programme will be delivered across the business during 2024. During 2023 a revised Safety Leadership training program was 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 business, safeguards its assets and the assets of its customers and does not accept breaches of security anywhere on its estate.

2.2 Financial performance and KPIs

The following KPIs are considered by the Board of Associated British Ports, to provide a good representation of the performance of the business:

- Tonnage and unitised volumes 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 activities at the group's ports. Passenger numbers will have an impact on associated revenue;
- Revenue, underlying operating profit (see the income statement), operating profit, profit after finance costs and profit before tax indicate the financial performance of the business;
- 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; and
- Cash generated by operations which shows the conversion of profit into cash.

Strategic report (continued)

2. Development and performance of the business (continued)

2.2 Financial performance and KPIs (continued)

The alternative performance measures listed above are 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.

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 decreased by 7.4% to 48.5m tonnes in 2023 (2022: 52.4m tonnes), driven by soft volumes across the ports for coal, biomass, construction, forest products and metals. Unitised cargo increased by 2.9% to 3.1m units (2022: 3.0m units), helped by better trading conditions in the trade vehicles sector
- Passenger volumes increased by 39.2% to 3,609.5k (2022: 2,592.2k), reflecting the sector's return to pre-COVID occupancy rates.
- The company's revenue increased by 6.7% to £707.2m (2022: £662.5m) primarily driven by increases in cruise (+31.0% to £46.1m (2022: £35.1m)), liquid bulks (+12.3% to £56.1m (2022: £49.9m)), revenue from unitised commodities (+14.1% to £165.0m (2022: £147.4m)) and pilotage and conservancy activity (+4.4% to £68.3m (2022: £65.5m)), as well as the impact of inflationary price increases. This was partly offset by a decrease in coal & coke (-50.0% to £18.0m (2022: £28.5m)), and break bulks (-8.4% to £85.3m (2022: £92.5m)).
- Pre-tax profit amounted to £341.3m (2022: £360.6m) and the company recognised a tax charge for the year of £83.6m (2022: £76.2m).
- Cash generated by operations totalled £385.3m (2022: £352.8m).
- Net cash outflow from investing activities of £205.1m (2022: £135.6m), includes £214.5m (2022: £156.6m) 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 £2,925.5m as at 31 December 2023 (2022: £2,829.1m) including cash of £51.5m (2022: £42.8m). 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.

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

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

	Target	2023 ⁴	2022 ³	Change from 2022
ABP Direct tCO _{2e} emissions (tonnes) – market-based ¹	< prior year	38,257	49,874	-22%
ABP Direct tCO _{2e} emissions (tonnes) – location-based ²	< prior year	40,399	41,222	-2%

¹ Scope 1 & Scope 2 GHG emissions (market-based): Defined as the total GHG emissions from ABP's direct operations and Scope 2 GHG emissions which includes the benefit of Renewable Energy Guarantees of Origin (REGO) certificates. From Q2 2023 ABP has included Renewable Energy Guarantees of Origin (REGO) certificates under the market-based method for its grid electricity from the supplier. Under the market-based method, Scope 2 GHG emissions for these kWh are zero..

² Scope 1 & Scope 2 GHG emissions (location-based): Defined as the total GHG emissions from ABP's direct operations and Scope 2 GHG emissions calculated assuming all the grid electricity the organisation purchased consists of the UK grid average mix of sources (i.e. not accountable for the renewable energy purchased).

³ 2022 figures restated following external review and finalization of Q4 figures, correcting misallocation and updating estimates.

⁴ Includes estimated Q4 figures, subject to change following external review.

ABP has undertaken a third party limited-assurance review against its key sustainability KPIs for the years 2021 to 2023. As a consequence, there have been changes in the reported values in previous years, based on the findings. The sustainability KPIs that were reviewed are:

- Total GHG emissions (tCO_{2eq})
 - Total Scope 1 GHG emissions (tCO_{2eq})
 - Total Scope 2 GHG emissions (tCO_{2eq}) location & market based
- Total Energy Consumed (fuel, grid electricity and renewable electricity) (GWh)
- Water withdrawal (million litres)
- Waste Generated & Waste Recycled (MT)

In 2023 the company's reported carbon emissions (market-based) decreased by 22% on an absolute basis compared to 2022.

Following 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.

Strategic report (continued)

2. Development and performance of the business (continued)

2.3 Sustainability (continued)

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 2023 reducing scope 1 and 2 emissions. These include LED 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 26.9 GWh (2022: 27.9 GWh) of renewable energy on site.

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, further detail can be found in Section 4 'Non-Financial and Sustainability Information Statement' of ABPA Holdings Limited Report and Accounts 2023.

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 2023 we continued to make good progress in each area of the strategy.

A healthy and safe place to work

Our in-house training team developed a new version of our virtual Beyond Zero training in 2023 which 99% of our colleagues completed. This training programme is delivered to all levels across the organisation. Our immersive safety training programme Thrive saw 490 colleagues attend in 2023. The team has also now developed an Incident Investigation training course which will commence delivery in 2024 to support those employees who may be involved in investigating incidents.

Training on Mental Health continued in 2023 with Managing Mental Health and Wellbeing Conversations part of our people management modules. We also continued to increase the number of Mental Health First Aiders with a further 45 colleagues trained, along with increasing the knowledge within the HR Function with the delivery of a one-day Mental Health Champions course to 35 colleagues.

Strategic report (continued)

2. Development and performance of the business (continued)

2.4 People (continued)

A healthy and safe place to work (continued)

We supported the physical, mental and financial wellbeing of our employees through various initiatives including holding face to face “Introduction to Financial Wellbeing” sessions across most of our locations, we continued to provide our Flu Vaccination programme by offering free Flu vouchers or vaccinations at clinics in some of our locations, successfully implemented a new Dental Plan benefit which has over 850 members in its first year, enhanced our Private Medical Insurance scheme to include access to a Menopause Plan for employees to speak to an expert regarding symptoms of the menopause and how to manage them and launched a voluntary Health MOT service consisting of a face to face appointment with a qualified clinician who performs a series of assessments to give employees a snapshot of their current health status and provide information they need to support a longer and healthier life. This new initiative has so far supported over 400 employees and feedback is very positive. In addition, we continued to offer access to an employee assistance programme providing free access 24 hours a day to a confidential helpline.

Getting the basics right

In 2023 we continued to provide a range of employee benefits that support physical, mental, and financial wellbeing including cycle2work, stop smoking assistance, holiday buy scheme, pension scheme, life assurance, electric/low emission car scheme, ABP Rewards employee discount scheme and access to a transport credit union. We also granted employees an additional discretionary bank holiday in recognition of the King’s coronation.

Due to positive feedback from our employees, we continued to issue all employees with a Total Reward Statement to help them understand the total value of their salary and benefits and to highlight other benefits available 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

In 2023 we continued to increase our numbers recruited onto our Early Career programme with 9 graduates recruited in a variety of functions across the group. We continue to ensure that we provide meaningful careers for our previous graduates when they leave our graduate programme, and all 7 graduates that completed the programme in 2023 moved into permanent positions.

Opportunities also continue to be offered for apprentices. We increased the number of apprentice hires in 2023 to 27 apprentices, improving our long-term talent pipeline. We are pleased that all our apprentices who completed apprenticeship programmes in 2023 successfully transitioned into full time roles in ABP.

We continued to strengthen our employee value proposition by redesigning ABP’s careers website and developing marketing collateral for specific functions with additional functions to follow in 2024.

Strategic report (continued)

2. Development and performance of the business (continued)

2.4 People (continued)

Strong managers and leaders at every level

In 2023 our people manager training for existing colleagues was completed with a new programme approach introduced for all new managers to ABP or who were newly promoted.

In total 2,116 training courses were held in 2023 across ABP, an increase of 241 from 2022. This included induction training for new starters which consisted of 31 sessions covering 295 colleagues. Additionally, 4,715 e-learning modules were delivered, an increase compared to 2022 of 1,423. A focus on Digital Safety training was launched during 2023 for all colleagues recognising the importance of digital safety, not only to ABP, but also to colleagues in their home environment.

A Diverse and Inclusive workforce

Our Diversity & Inclusion (“D&I”) network groups – focusing on ethnicity, faith and religion, gender, ability (including mental health & disability) and LGBTQ+, continued to build awareness and support key initiatives internally and externally to demonstrate our commitment.

To further demonstrate our commitment to being an inclusive employer, we set up partnerships with two external bodies in 2023, Inclusive Employers and the Business Disability Forum. This will provide additional support and access to resource material and external training.

ABP once again took part in Light Up Purple (#PositivelyPurple) in December 2023 to mark International Day of Persons with Disabilities. This was the 4th time ABP have participated in this annual event to celebrate the efforts of all persons living with visible or invisible disabilities who play a key role in contributing positively to UK society. Ports in each of our regions took part, lighting our prominent buildings in purple.

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.

In October 2023, we launched our new Menopause Policy as part of ABP’s commitment to enabling an inclusive and supportive working environment for everyone who works here and to developing an environment where employees can openly and comfortably instigate or engage in discussions surrounding menopause and access support. In addition to the new Menopause Policy, a new e-learning module called ‘Menopause Awareness’ is now available to all employees and managers. In addition, our private medical insurance employee benefit also now includes access to a ‘Menopause Plan’.

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

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

The principal risks facing the 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 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 their actions or a workplace transport accident.

- **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 may 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. There are existing controls in place at the ports which help to mitigate the risk, including segregation of plant and people, the use of speed cameras, safe systems of work and training, with additional actions underway to further reduce this risk, including improving road conditions, road markings and signage and improving telematics in ABP vehicles.
- **Public Injured on Port Estate:** There is a risk that members of the public entering the port estate may be fatally injured. This is a particular concern given the number of unsecured sites that can be easily accessed. At some ports there are specific challenges relating to dilapidated buildings and structures being accessed by the public and members of the public attempting to swim within the port estate. Controls are in place, including fencing, security staff and CCTV, to help prevent public access to high risk areas of ports and further work is underway to strengthen controls.

Strategic report (continued)

3. Risks and uncertainties (continued)

The company'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 company's EBITDA. In response to these risks, ABP has reviewed the risk status of top customers and proactively engages with them to find commercial solutions and retain their business. ABP monitors all its customers and maintains close relationships with these key customers.

Further significant financial risks relate to the potential for major development projects, to deliver business growth, being delayed or cancelled due to customer financial constraints, market conditions, increases in construction costs or difficulties in obtaining the necessary development approvals. ABP follows a strong approach to governance to ensure only sound project business cases are progressed, that customer requirements are well understood, that appropriate procurement strategies are followed and that project plans fully take account of consenting and approval requirements.

The company's principal technological risk remains that of cyber-attack. There is a risk that ABP's corporate computer systems could be compromised by the use of an e-mail or web based cyber-attack which results in employees being unable to operate connected devices and software because of the disruption caused by the attack, containment of the attack and the subsequent system restoration. Preventative controls are in place to detect and block attacks, along with training to raise staff awareness. Data back-ups are routinely undertaken. Penetration testing is undertaken to identify vulnerabilities, so that weaknesses can be addressed. Incident response plans are tested and Business Continuity Plans are in place covering critical business activities.

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

- **Environment:** Predicted long term changes to our climate and weather patterns, beyond those already being experienced, not only have the potential to directly further impact our operations but may also result in increasingly restrictive environmental legislation. The global drive towards decarbonisation also poses challenges for ABP and our customers in the timeframe considered. In response to these challenges ABP launched its Sustainability Strategy in February 2023. ABP has undertaken flood risk assessments across all its ports and these are being used as part of the critical asset management processes. The flood risk assessments will be developed into long-term strategic flood risk plans for high risk port locations. These will support flood risk consideration when ABP develop new, or replace existing, port infrastructure.
- **Public Policy and Regulation:** ABP recognises that both the maritime industry and key sectors of ABP's business are susceptible to changes in public policy, regulatory requirements, and government support.
- **Technology, Innovation and Competition:** ABP endeavours to keep pace with technological change to remain competitive and to keep port users and assets safe and secure. ABP also acknowledges that as our economy becomes more technology-focussed, competition for certain skills will intensify.

Strategic report (continued)

3. Risks and uncertainties (continued)

Financial risk management

Treasury matters throughout the group are controlled centrally and carried out in compliance with policies approved by the Board of Associated British Ports Holdings Limited (“ABPH”), the company’s immediate parent undertaking. The Board of ABPH monitors treasury matters and approves significant decisions. 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.

The group does not use financial instruments for speculative purposes.

4. Non-Financial and Sustainability Information Statement

ABP recognises that, without action, climate change has the potential to significantly affect our business, both through physical impacts (notably flooding of our port estates) and changes in our customer base through changes in technology, regulation and market demand, as well as wider geopolitical events. We are committed to becoming net zero from our own operations by 2040 and supporting our customers to achieve their own decarbonisation ambitions. We have already taken significant action to manage physical and financial exposure to climate change, managing the flood risk of our assets, investing over £60m in green technology and circa 29 MW of operational wind and solar energy capacity across 17 of our 21 ports. At a strategic level we are supporting the decarbonisation of the UK economy with initiatives from Port Talbot (floating offshore wind and decarbonisation of steel manufacturing) to the Humber (green hydrogen and carbon capture, utilisation and storage). As noted earlier, as part of our commitment, ABP launched its first sustainability strategy during 2023 which sets out the plans to invest a further £2bn in green infrastructure through major projects and equipment over the next two decades, enabling us to decarbonise our own operations and supporting our customers through the energy transition. More detail is provided as part of this disclosure.

Governance

The following section outlines the governance bodies/structure within ABP for the oversight and management of climate-related risks and opportunities.

Associated British Holdings Limited (ABPH) Board – the Board of ABPH, the company’s immediate parent undertaking, has responsibility for approving the group’s overall business strategy considering risks and opportunities, including those related to climate change. In September 2022, the ABPH Board approved the sustainability strategy ‘Ready for Tomorrow’. From the end of 2023 the ABPH Board will receive updates on progress against agreed key climate and sustainability metrics and targets at Board meetings twice a year to ensure the business remains on track. In addition, the ABPH Board considers the alignment with the sustainability strategy when considering major capital expenditure proposals and when approving the group’s business plan and budget.

Strategic report (continued)**4. Non-Financial and Sustainability Information Statement (continued)**

ABPH Board Committees – the ABPH Board is supported in its governance of risks and opportunities relating to climate change and the energy transition by the Audit & Risk Committee (“ARC”) and the Remuneration & Nomination Committee (“RemCo”).

The group has adopted a risk management process which is designed to identify and assess current and emerging risks and to mitigate their impact. This process is described in more detail below. The ARC reviews the group’s key risks and mitigations identified through this process and reports on its activities to the ABPH Board. The ARC also oversees this Climate-Related Financial Disclosure reporting.

Each year the RemCo agrees the annual balanced scorecard which is used to measure company performance. In 2022, the scorecard included a target to develop the sustainability strategy. This was updated in 2023 to measure the group’s progress against the sustainability strategy roadmap, thereby ensuring that all employees and the executive team are incentivised to deliver sustainability targets.

Management

ABP Board – the group’s Chief Executive Officer and other members of the ABP Board have day to day responsibility for assessing and managing climate-related risks and opportunities across the business. In 2022, the ABP Board reviewed and approved the group’s sustainability strategy and recommended its approval by the ABPH Board. The ABP Board is now focussed on the roadmap to deliver that strategy. Performance against targets is tracked and reported to the ABP Board on a regular basis and directors ensure that all business proposals, including capex proposals consider both the effect on climate change and align with the sustainability strategy. Opportunities arising from climate change are also identified during discussions with customers and potential customers during the year.

Ready for Tomorrow Delivery Group (RFTDG) – the RFTDG supports the ABP Board in driving action to deliver the sustainability strategy. It was created in 2023 and is sponsored by the Chief Executive Officer. The RFTDG’s remit includes monitoring of progress against specific Ready for Tomorrow activity plans, analysing performance against key sustainability and climate change targets and metrics, and coordinating sustainability-related employee initiatives throughout ABP. It reports back to the ABP Board periodically. The RFTDG comprises management from across ABP with expertise in health, safety and the environment, biodiversity, finance and asset/infrastructure management.

Risk Management Working Group (RMWG) – the Risk Management Working Group, sponsored by the Chief Financial Officer, supports the ABP Board by ensuring appropriate review and robust challenge of key risks and mitigations is undertaken, including of climate-related risks, and that there is consistency of risk assessment approach across the business prior to review by the ABP Board and subsequently, the ARC. It comprises a cross section of leaders from each of the group’s regions and functions.

Flood Risk Working Group (FRWG) – as outlined further below the group has identified flood risk and rising sea levels as a key climate-related risk for ABP, which warrants specific focus. The FRWG which is sponsored by the Director, Safety, Engineering and Marine, was created to ensure that there is cross regional review of flood risk and appropriate planning is undertaken to prepare for rising sea levels and to also consider opportunities arising from the climate transition. Outcomes and findings from its activities are reported to the RMWG.

Strategic report (continued)

4. Non-Financial and Sustainability Information Statement (continued)

Risk Management

ABP has in place a Risk Management Policy which is reviewed, modified as necessary and approved annually by the ABP Board and the ABPH Board. The purpose of the Risk Management Policy is to:

- confirm and communicate ABP's commitment to risk management as a means of directing resources to ensure that ABP aligns exposure to risks with its defined risk appetite thresholds as far as possible, and in particular for those risks with the potential to harm people or the environment, contravene applicable legal/regulatory requirements and/or reduce business value; and
- define the high-level governance, roles and responsibilities and risk management methodology associated with this commitment.

The Risk Management Policy includes a risk scoring guide which sets out the risk impact and likelihood thresholds, and associated scores, for the categories of risks.

ABP applies a rigorous risk management process, which includes:

- maintaining details of business risks, controls and actions within the corporate risk register;
- the identification and assessment of new and emerging risks, via risk workshops and other forums;
- risks, controls and actions are reviewed and refreshed on at least a quarterly basis by Risk Owners, with support from Risk Coordinators and Senior Risk Leads;
- quarterly Regional and Functional leadership team risk reviews are completed and the corporate risk register updated accordingly;
- following the Regional and Functional quarterly leadership risk reviews, the RMWG meet quarterly to review and, where necessary challenge, the top risks identified via the Regional and Functional quarterly leadership risk reviews. The RMWG also considers any new or emerging risks and ensures these are developed and analysed and that actions are agreed to address these risks;
- on a regular basis the Group Head of Risk and Assurance reports to the ABP Board the top risks across the Group for their consideration; and
- annually the Group Head of Risk and Assurance reports to the ARC setting out the top risks across the Group. These risks are also reported to the ABPH Board.

Climate change related risks are considered as part of the risk management processes described above and where necessary specific projects to further assess these risks are undertaken, with specialist third-party support as required. One such example of this is port flood risk as a result of rising sea levels or extreme weather events. ABP Marine Environmental Research Limited, a sister company of ABP and specialist marine consultants provided flood risk assessments across all of ABP's ports in 2015 which were updated in 2021. These are considered as part of the critical assets management process and are taken into account when ABP develops new, or replaces existing, port infrastructure. Infrastructure design, positioning and resilience are factors considered in connection with port flood risk. The FRWG was established in 2022 to ensure focus on this key risk area.

Strategic report (continued)

4. Non-Financial and Sustainability Information Statement (continued)

Risk Management (continued)

Climate-related Risks and Opportunities

ABP has the potential to be impacted by both physical and transition risks and opportunities which could possibly cause a material impact on the value of ABP and its assets.

Physical risks are those arising from climatic events and long-term shifts in climate patterns. These include the increased frequency and severity of extreme weather events as well as rising sea levels, leading to more frequent flooding.

ABP has previously considered the potential impact and likelihood of a range of physical climate-related risks on operations at our ports. Those impacts and impact scores have been published for ABP Humber and Southampton, as part of our voluntary Climate Change Adaptation reporting requirements, most recently in 2021. We have found that by far the greatest physical risk to ABP and its operations is that of flooding from the sea, with long-term sea-level rise increasing the height of extreme water levels during storm events. Other physical risks (such as increases in temperature or changes in rainfall patterns) are found to cause neither a significant material impact on the value of our assets nor greatly impede operations so are not mentioned further here.

Transition risks and opportunities are those arising from the changes in technology, markets, policy, regulation, and consumer sentiment which will result from our transition to net zero. Our business is sensitive to our customers' markets, with changes in the type and volume of commodities passing through our ports impacting revenue.

Both categories are intricately linked and inter-dependent, with overlap especially apparent between markets and government policy.

As the future is highly uncertain and difficult to predict and to fully assess ABP's resilience to climate-related downside risks (as well as opportunities that may emerge) ABP has developed two key scenarios which enable the implications of different climate impacts to be explored.

These are:

- Divergent Net Zero ("DNZ") – where the UK achieves its 2050 net zero target. However, significant and abrupt changes in policy, high carbon prices, and sudden changes to investment practices, along with greater socio-economic effects occur; and
- Hot House World ("HHW") – this scenario considers a future in which net zero targets are relaxed, with energy security and growth prioritised over policies controlling CO2 emissions.

The scenarios are not intended to be projections or predictions but instead represent plausible versions of the future on which to base our analyses.

Strategic report (continued)

4. Non-Financial and Sustainability Information Statement (continued)

Climate-related Risks and Opportunities (continued)

The climate scenarios and impact assessment methodologies have been developed to understand risk in the short term (to 2028), medium term (to 2050) and long term (to 2100). The risk assessment considers the magnitude of impact in terms of estimated financial impact or opportunity using a five-point scale ranging from immaterial (less than £3m EBITDA and/or <£15m one off cash payment) through to catastrophic or transformational (where estimates are greater than £70m EBITDA and/or >£600m one off cash payment). It also considers the associated probability of the impact occurring, again using a five-point scale ranging from a remote chance (less than 5%) through to almost certain (greater than 95%). The risk assessment calculates the level of risk by multiplying the impact and probability scores with low being up to 5; medium 6-14 and high being 15-25.

Both the physical and transition risks and opportunities have been analysed over the short (to 2028), medium (to 2050) and long term (to 2100). It should be noted that the most pronounced transitional risks and opportunities will emerge over short to medium timescales, whilst flood risk will be greatest over longer timescales.

Strategic report (continued)

4. Non-Financial and Sustainability Information Statement (continued)

Physical Risks Analysis

Flood Risk

Relevance to ABP	<p>Flooding from the sea is the most significant physical risk facing ABP’s business with potential to damage assets and infrastructure, interrupt trade and limit development of low-lying areas of the port estate.</p> <p>The risk of flooding at each of ABP’s ports is not the same, either in time or space, some ports are currently well defended or have high land elevations relative to the height of extreme surge water levels meaning they are not expected to be at risk for several decades, whilst others are at greater risk even in the short term. It should be recognised that even if flooding were to occur, it does not necessarily imply physical damage/financial loss will occur. It is the exposure of critical assets within each port estate to flooding that defines the level of risk.</p>			
Time Horizon/Materiality (unmitigated)	Risk Assessment			
		Short Term	Medium Term	Long Term
	Divergent Net Zero	Low	Low	Medium
Hot House World	Low	Medium	High	
Potential Financial Impacts	<p>Direct impacts – damage to both ABP and customer assets/infrastructure, as well as loss of earnings. Scale of impact will depend on storm surge magnitude and port preparedness.</p> <p>Indirect impacts – cost of insurance, increase in credit risk (if ABP is not able to demonstrate preparedness), constraints on development (due to planning policy in flood risk areas)</p>			
ABP Risk Mitigations	<p>In recent years, ABP has commissioned several investigations to enhance understanding of flood risk at each port location. These have considered present day and future time horizons (out to 2115). A strategic group-wide approach to the determination and management of flood risk is currently being implemented, building upon these investigation studies. This will help determine overall infrastructure and operational resilience and will ensure that flood risk management and climate change risk is integrated into existing asset management and decision-making processes. Following the completion of the flood risk assessments in 2021, ABP has upgraded its flood defence infrastructure which includes maintaining and replacing lock gates. ABP has committed to continue to improve its flood defence infrastructure through its capital program.</p>			

Strategic report (continued)**4. Non-Financial and Sustainability Information Statement (continued)****Transition Risks Analysis****Market Transition – Risks**

Relevance to ABP	ABP's financial position is intimately linked to the strength of the markets our customers operate within and the nature of their operations. Many of ABP's main customers and primary market sectors have the potential to be impacted by climate and environment-related statutory policy decisions over the coming decades. Some of our ports derive a considerable proportion of revenue from customers in the energy sector. The level of risk is therefore expected to be greatest in the DNZ scenario which sees stringent carbon reduction measures implemented over coming decades.			
Time Horizon/Materiality (unmitigated)	Risk Assessment			
		Short Term	Medium Term	Long Term
	Divergent Net Zero	Low	High	High
	Hot House World	Low	Low	Low
Potential Financial Impacts	The transition to lower carbon energy could see key customers leave a port or downscale their operations. This could significantly impact property rental income as well as revenue from handling, ships dues and pilotage if revenue is not replaced by clean energy sectors. The impact would not be equally felt across all ports but would be dependent on the nature of the trade and degree of exposure to climate-related market changes.			
ABP Risk Mitigations	Risks will be managed by a programme of investment focused on infrastructure and facilities supporting customers to decarbonise their operations and customers within the clean energy sectors. This will diversify revenue streams and offset expected long-term declines in traditional fossil-fuel based energy sources such as coal, oil and petroleum.			

Market Transition Opportunities

New, long-term opportunities in green technologies and renewable energy are emerging which are heavily reliant on port infrastructure and many of our ports are in optimum geographic locations to benefit from these opportunities. The greatest potential opportunities are expected under the DNZ scenario which sees stringent carbon reduction measures implemented over the coming decades, driving growth in renewable energy as well as carbon capture and storage. These opportunities are expected to be more pronounced over the medium to long term, although major opportunities also arise over shorter timescales.

The transition to lower carbon energy could also see several entirely new customers using ABP's ports, including at locations which are currently underutilised, and which have significant capacity for growth. Major increases could result in property rental income, handling, ship dues and pilotage. The financial impacts would not be equal across all ports, as some would be better located for certain opportunities than others.

Strategic report (continued)

4. Non-Financial and Sustainability Information Statement (continued)

Policy & Legal Transition – Risks

Relevance to ABP	Government has the potential to directly influence the costs of ABP’s future developments and operations as well as the value of some assets. There is a risk that shipping emissions will be included in updates to carbon levies as well as rises in the price of carbon emissions. This will increase the cost of running diesel vessels, with investment in alternative vessel technology by both ABP vessels and our customers. In addition, policy may result in more stringent regulations regarding development in flood risk areas and energy performance standards for buildings. Policy may also impact ABP through the viability/profitability of customers’ businesses.			
Time Horizon/Materiality (unmitigated)	Risk Assessment			
		Short Term	Medium Term	Long Term
	Divergent Net Zero	Medium	Medium	Low
	Hot House World	Medium	Low	Low
Potential Financial Impacts	Potential impacts include increased operating costs (e.g. higher tax burden, compliance costs and increased insurance premiums), asset impairment and early retirement of existing assets, increased development/capex costs to achieve compliance with policy, and increased cost of capital if ABP is unable to provide sufficient reinsurance to markets as to adequacy of measures to manage climate-related financial risks.			
ABP Risk Mitigations	ABP has already invested in green technology and has c.32MWp of wind and solar energy capacity across 17 of our 21 ports and plans to invest further capital to decarbonise infrastructure and equipment between 2024 and 2040 to further reduce scope 1 and 2 emissions. ABP continues to prepare for known changes in planning regulations in flood prone areas and for new Minimum Energy Efficiency Standards. We also monitor for changes in law and regulation on an ongoing basis, so appropriate planning can be undertaken.			

Policy & Legal Transition Opportunities

The decarbonisation of the shipping industry poses potential opportunities for ABP. As the industry moves to reduce carbon intensity, new bunkering opportunities associated with the use of green fuels, such as hydrogen may arise. Changes to policy and regulation may also see market changes which could result in new business/customers for ABP (see Market Transition Risks/Opportunities above).

In 2019 ABP installed its first shore power facility at a total cost of £9m in the port of Southampton. Shore power-enabled ships can now plug in at the port’s Horizon Cruise Terminal and Mayflower Cruise Terminal, for zero emissions at berth. Opportunities for further shore power deployment across ABP’s ports are being kept under review but are dependent on local grid infrastructure capacity (see further below for Technology Transition Risk).

Government decarbonisation plans are also developing. This may provide significant opportunities for ABP and its customers to develop opportunities that would be powered by entirely renewable energy sources.

Strategic report (continued)

4. Non-Financial and Sustainability Information Statement (continued)

Technology Transition – Risks

Relevance to ABP	<p>Technology drives (and is influenced by) market change and therefore also directly impacts ABP through the viability/profitability of its customers’ businesses.</p> <p>Electricity grid infrastructure is heavily constrained in areas around the UK with the network not having capacity to transport the electricity required or produced from a new connection. Grid constraints could limit the green energy generated on ABP’s port estates and exported to the national grid, and limit the opportunities to sell services, such as shore side power, to customers. Continued electricity grid constraints could also impact the future development of offshore wind opportunities.</p>			
Time Horizon/Materiality (unmitigated)	Risk Assessment			
		Short Term	Medium Term	Long Term
	Divergent Net Zero	Low	Low	Low
Hot House World	Low	Low	Low	
Potential Financial Impacts	Lost future revenue generation opportunities.			
ABP Risk Mitigations	<p>ABP continues to engage with Distribution Network Operators (DNOs) to understand grid restriction and timescales to reduce system constraints. For new renewable energy projects, formal grid connection requests to the local DNO are submitted to identify any limitations. If there are limitations, ABP engages in detailed discussions to identify solutions that may be available. ABP is reviewing the potential to request additional import capacity (from the DNO) for ports that anticipate future electricity demand being materially Higher.</p>			

Technology Transition – Opportunities

Both ABP and its customers have an increasing demand for clean energy in the short/medium term, making on port based generation of energy increasingly attractive. Next generation renewable energy generation (tidal, wave, small nuclear, etc) will start to become more financially viable in the medium term and battery technology costs are expected to reduce, making storage solutions widely viable and offering opportunities for expansion of on-port energy generation. The sale of clean energy to customers, who are increasingly seeking to reduce their carbon footprint, has the potential to deliver significant future income. As ABP is a major user of energy, significant cost reductions can be achieved through minimising the amount of energy that is purchased from the grid and investment in batteries for energy storage has the potential to further manage energy costs. ABP will continue to explore the potential for new renewable/decarbonised energy projects and will actively engage with customers to improve our understanding of their short- and medium-term energy requirements so we are well positioned to respond to potential future demand. Investment in automation, such as Terminal Operating Systems which streamline the flow of goods and bring efficiencies to ABP and its customers, also offer opportunities to reduce carbon emissions.

Strategic report (continued)

4. Non-Financial and Sustainability Information Statement (continued)

Reputational Risks

Relevance to ABP	Several of ABP’s ports handle carbon intensive commodities (especially oil and petroleum products) and raw materials for carbon intensive industries (such as iron ore and coal for steel making). These industries have their own decarbonisation agendas. There is a risk that divergent approaches to decarbonisation could have an adverse impact on the delivery of ABPs sustainability strategy.			
Time Horizon/Materiality (unmitigated)	Risk Assessment			
		Short Term	Medium Term	Long Term
	Divergent Net Zero	Low	Low	Low
Hot House World	Low	Low	Low	
Potential Financial Impacts	<ul style="list-style-type: none"> • Operational disruption/direct loss of earnings due to protests • Loss of customers/new business due to actual or perceived risk of disruption • Reduced revenue from negative impacts on workforce management and planning (e.g. employee attraction and retention) 			
ABP Risk Mitigations	ABP will continue to demonstrate leadership across sustainability by implementing the commitments set out in its sustainability strategy ‘Ready for Tomorrow’ and will continue to work on climate transition plans with customers in hard-to-abate industries such as steel manufacturing, cement and oil refining. In addition, we will continue to invest in high growth green industries like floating offshore wind and hydrogen/ammonia which can play a key part in decarbonising the economy. We will also maintain dialogue with regulators, developers and non-governmental organisations to understand and mitigate the impacts of development and operations on the marine environment.			

Strategic report (continued)

4. Non-Financial and Sustainability Information Statement (continued)

Targets and Metrics

A series of targets have been developed to assist ABP in managing climate-related risks and to realise climate-related opportunities. These will build upon our existing metrics and targets to help guide the implementation of our sustainability strategy. These are set out below, together with the KPIs identified to assess progress. Targets and the associated timeframes envisaged before the target is met (or implemented) will be developed as data is collected and understood in the context of the overall strategic goals. Other than existing emission data collected the developed KPIs are expected to be implemented and specific targets set throughout 2024.

Risks and impacts requiring management	Target	Relevance to future ABP operations	Key performance indicator(s) (KPIs)	Time frame before target met/implemented
<p>1: Physical risk: flooding</p> <ul style="list-style-type: none"> - Damage to assets - Increased development costs - Interruption to operations 	<p>Development of long-term strategic flood risk plans for high-risk port locations as per the 2021 ABP port flood risk assessment</p>	<p>This will improve understanding of long-term vulnerability to sea level rise, identifying where and when investment in improved flood defence infrastructure may be required at each port. It will also help improve long term resilience through future land use planning, enabling (for instance) cargoes sensitive to flooding to be stored in less flood prone areas.</p>	<p>Number of high-risk ports with long-term strategic flood risk plans</p>	<p>Short term flood risk mitigation plans to be developed by 2028</p>
<p>2a: Transitional risk: markets</p> <p>Reliance on customers operating in carbon-intensive sectors</p>	<p>Our strategy includes an indicative £1.4bn cumulative investment in infrastructure and facilities supporting customers involved in the energy transition. Specific interim targets to be developed.</p>	<p>This investment will capture new market opportunities, diversifying existing revenue streams and reducing reliance on carbon intensive markets/commodities.</p>	<p>Capex spent on energy transition projects completed (£m/year)</p>	<p>Medium term (met by 2040)</p>

Strategic report (continued)

4. Non-Financial and Sustainability Information Statement (continued)

Targets and Metrics (continued)

Risks and impacts requiring management	Target	Relevance to future ABP operations	Key performance indicator(s) (KPIs)	Time frame before target met/implemented
<p>2b: Transitional risk: markets</p> <p>– Increased stakeholder concern regarding carbon intensity/ environmental sustainability of ABP customer operations</p>	<p>Achievement of net zero by scope 1 and 2 by 2040 as set out in the Sustainability Strategy</p>	<p>Our reputation for environmental responsibility is important, both to our customers and to our staff: our customers have increasingly strict climate and wider sustainability requirements for their supply chain, and these must be met to ensure we retain (or secure) their business.</p> <p>ABP’s Sustainability Strategy articulates the strategy for creating a positive impact on the environment and the wider support we are providing to our customers to achieve their own decarbonisation ambitions.</p>	<p>Tracking of sustainability implementation to be based on progress against net zero target by 2040 (Scope 1 and 2)</p>	<p>Short to Medium term (first implementation milestone to be assessed by 2030)</p>

Strategic report (continued)

4. Non-Financial and Sustainability Information Statement (continued)

Targets and Metrics (continued)

Risks and impacts requiring management	Target	Relevance to future ABP operations	Key performance indicator(s) (KPIs)	Time frame before target met/implemented
3: Transitional risk: policy - Carbon taxation driving higher energy costs for operations, reducing profitability	10% energy intensity improvement across our business	Higher carbon taxes have the potential to erode profitability. The measures/ targets identified will reduce this tax burden whilst also achieving wider environmental benefits.	(MWh per £ of revenue)	Short term (met by 2030)
	Additional 40 MWp of installed wind & solar energy (above 2022 baseline)		Cumulative (MWp) installed above 2022	Short term (met by 2030)
	Net Zero Scope 1 & 2 greenhouse gas emissions		(tCO ₂ e)/ year) See section 2.3	Medium term (met by 2040)
4: Transitional risk: technology - Costs to transition to lower emissions technology	Our strategy includes an indicative £600m investment to decarbonise ABP infrastructure and equipment. Investment will result in emission reductions from the 2021 baseline of: -37% by 2030 -64% by 2035 -90% by 2040	ABP has a large amount of infrastructure and equipment across its 21 ports: replacing this with zero-carbon alternatives will be capital intensive. We have set out a strategic plan for achieving an orderly transition that minimises the risk of write-offs and early retirement of existing assets.	Capex supporting Sustainability strategy (£m/ year)	Medium term (met by 2040)

Strategic report (continued)

5. Outlook

Despite ongoing uncertainty in the global economy due to geopolitical events, ABP's ports continue to operate with minimal disruption due to the resilience and hard work of all our frontline and marine colleagues. Trade volumes in 2023 have been impacted by the global disruption, inflation, and the challenges presented by the implementation of the EU-UK trade and Cooperation Agreement. On 29 August 2023 the government published a final version of the Border Target Operating Model to be progressively implemented from the end of January 2024. ABP continues to engage with all stakeholders with regards to any future changes.

ABP continues to deliver an ambitious investment programme to progress the group's strategic objectives and to support the UK's clean energy transition. Major projects on the Humber should see critical infrastructure for the generation and distribution of green hydrogen and carbon capture and storage technology, helping to decarbonise the UK's largest industrial clusters. Transformational plans for the future of Port Talbot aim to establish the port as a hub for the burgeoning floating offshore wind sector in the Celtic Sea. ABP has launched its plans for South Wales in its "Future Ports: Wales Vision", with Floating Offshore Wind (FLOW) at its core. ABP will continue to play an important role in the ongoing growth and transformation of the Offshore Wind sector.

The benefits of these projects include: supporting the UK Government's plans for a low-carbon economy; significant growth and benefits to the local regions, including the provision of jobs for supply chains and local businesses, and the elimination of significant greenhouse gas emissions.

Following the success of Green Port Hull, and the announcement of Lowestoft Eastern Energy Facility ("LEEF") in November 2021, ABP has now made the decision to fully develop LEEF which will provide a facility that is suitable for Operations & Maintenance activities and construction support for the offshore energy industry.

Following the Freeports policy announcement by the UK Government, ABP's ports on the Humber and in Southampton and Plymouth were successful in their bids for Freeport status with Garston benefiting from the Freeport status in the Liverpool City Region. More recently was the announcement that the Celtic Freeport (where ABP is a leading partner) has been awarded Freeport status. This presents an opportunity to grow trade and exports in these locations by attracting further investment, helping to create jobs and boost manufacturing and ABP continues to collaborate with all private and public stakeholders.

The launch of ABP's sustainability strategy on 28 February 2023 will ensure the group is well placed to continue to reduce carbon emissions across all port operations, while also addressing critical issues such as air quality, biodiversity and resource management. This strategy means ABP will continue to fulfil its central mission, keeping Britain trading into the future.

Strategic report (continued)

6. 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.

Under the Transport Act 1981 the company is deemed to be a wholly-owned subsidiary of Associated British Ports Holdings Limited. The Board ensures it is acting in accordance with legal requirements as well as internally approved group governance frameworks to ensure that the company acts fairly towards its holding company.

ABP’s wider stakeholders are its employees, customers, local and national government, suppliers, the communities in which ABP operates and the environment.

Directors receive training on their duties as part of their induction, which is refreshed on an ongoing basis, as necessary. To support 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.

The following section outlines how the company engages with, and has regard to, each of the wider stakeholder groups.

6.1 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.

What matters to our employees

- A safe and healthy working environment
- Diversity, equality and inclusion
- Growth and development opportunities
- Recognition and fair reward
- Communication
- Correct tools and equipment to perform their roles well

How ABP measures

- 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
- Employee turnover
- Employee engagement survey responses
- ‘Spot-Its’ and safety conversations
- Whistleblowing reports

Strategic report (continued)

6. Section 172 Statement (continued)

6.1 Employees (continued)

How ABP engages

- 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
- Actioning and reviewing near misses, incidents or concerns identified through the ‘Spot-It!’ portal
- Anonymous employee engagement survey
- Sharing regular information on financial and economic factors affecting the performance of the group

How the Board complements the engagement

- Director-led employee briefings to enable direct feedback and questions
- Regular visits to ports by directors with direct engagement with the local workforce
- Consideration of engagement survey results
- Oversight of anonymous whistleblowing reports
- Meeting as Harbour Authority & 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
- Beyond Zero 2023 with a focus on reinforcing ABP’s safety culture
- Launch of confidential health MoTs for employees
- New employee dental plan launched

6.2 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
- Availability of infrastructure and resources to support customer operations
- Clear communication regarding port-based activities
- Sustainability and de-carbonisation of port operations

How ABP measures

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

Strategic report (continued)

6. Section 172 Statement (continued)

6.2 Customers (continued)

How ABP engages

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

How the Board complements the engagement

- Considering feedback from customers, including when discussing new projects and opportunities
- Considering action plans to address customer survey feedback
- Customer representatives presenting directly to the directors on their business/sector and outlook
- Meeting with key customer representatives

Actions and Decisions

- Instigation of customer engagement plans
- Investment in onsite roof-based solar
- Approval of investment in new infrastructure and equipment to support customer activities
- Customers engaged with and invited to attend launch of ABP’s ‘Ready for Tomorrow’ sustainability strategy

6.3 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, a key enabler of infrastructure for the energy transition and a catalyst for jobs and prosperity in coastal communities. 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

- Local/Regional employment opportunities and economic growth
- Support for the Government’s climate strategy, including achieving net zero by 2050
- 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

- Using our strong relationships with local authorities to ensure solutions are delivered within planning requirements
- Ability to deliver core business objectives with consent and support of relevant government bodies
- Engagement with UK and local government to understand and positively input into policy through both formal processes (e.g. consultation, local plan formation) and ongoing dialogue
- Feedback from discussions on projects, consultations and applications for grant funding

Strategic report (continued)

6. Section 172 Statement (continued)

6.3 Local Authorities and National Government (continued)

How ABP engages

- Directly with UK government departments, including the Department for Transport, the Department for Energy Security & Net Zero, devolved administrations and local government bodies relevant to ABP’s ports
- Membership of trade associations and business groups that engage with government on policy issues e.g. the UK Major Ports Group and Renewable UK
- With executive agencies of the government including the Marine Maritime Organisation and the Environment Agency
- Through regular dialogue with local authorities and Local Enterprise Partnerships
- Providing thought leadership on key topics where ABP has a distinctive, authoritative perspective
- Hosting and attending engagement events, regionally and centrally

How the Board complements the engagement

- Meetings with 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 the green energy transition, industrial strategy and economic growth
- 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
- Working with stakeholders and independently to secure a positive investment environment for UK ports and associated industries

6.4 Suppliers

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

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

Strategic report (continued)

6. Section 172 Statement (continued)

6.4 Suppliers (continued)

What matters to suppliers

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

How ABP measures

- By successful outcomes, such as delivery of equipment on time and on budget
- By seeking regular supplier feedback in respect of payment processes and the use of supplier portal
- Absence of disputes/unresolved issues
- 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

How the Board complements the engagement

- Receiving reports on project progress updates and any supplier issues
- Oversight of safety incidents involving contractors and action plans to address findings of investigations
- Consideration of whistleblowing reports, which would include any concerns or suspicions of malpractice raised by suppliers

Actions and Decisions

- Introduction of contractor engagement days for new project opportunities to generate increased participation in key areas of the supply chain
- Following feedback from the relationship management questionnaire, earlier contractor engagement and more focus on publicising ABP pipeline opportunities within various categories

6.5 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.

Strategic report (continued)

6. Section 172 Statement (continued)

6.5 Communities (continued)

What matters to local communities

- | | |
|---|---|
| <ul style="list-style-type: none"> • Being a good neighbour and supporting the local community • Consultation with local community, in particular when significant projects are planned | <ul style="list-style-type: none"> • Acceptable levels of noise and air pollution • Company’s commitment to sustainability • Job creation and contribution to regional economy |
|---|---|

How ABP measures

- | | |
|---|---|
| <ul style="list-style-type: none"> • Monitoring air quality and greenhouse gas emissions • Tracking social and environmental incidents • Donations to charities and local/national community organisations | <ul style="list-style-type: none"> • By measuring the group’s wider economic impact, principally through: <ul style="list-style-type: none"> - 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

- | | |
|--|--|
| <ul style="list-style-type: none"> • Proactive communications to local communities around developments and changes to business practices • Seeking feedback from communities and residents on significant project proposals • Port and heritage open days | <ul style="list-style-type: none"> • Through sponsorship of and fundraising by ABP and its employees for a number of charities and community organisations • Through regular engagement with community representatives (e.g. councillors, MPs) and local residents |
|--|--|

How the Board complements the engagement

- | | |
|--|--|
| <ul style="list-style-type: none"> • Through allocation of budget to support community and charity projects • Investment in sites to mitigate the effect of habitat loss | <ul style="list-style-type: none"> • Through consideration of local community impacts when project proposals are being reviewed by the Board for approval • Overseeing the group’s sustainability strategy |
|--|--|

Actions and Decisions

- | | |
|--|--|
| <ul style="list-style-type: none"> • Sponsorship of a variety of regional charities located in the communities where ABP’s ports operate (e.g. Ty Hafen, St. Elizabeth’s Hospice, British Divers Marine Life Rescue and Water Rats) • Proactive communication and engagement programmes with communities around major projects such as Future Port Talbot (e.g surveys and focus groups) | <ul style="list-style-type: none"> • Nationwide schools competition aligned with ABP’s sustainability strategy • Sponsorship of marathons and other mass participation running events in Southampton, Newport, Cardiff and Humber • Launch of the group’s sustainability strategy |
|--|--|

6.6 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.

Strategic report (continued)

6. Section 172 Statement (continued)

Environment (continued)

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 and a signatory to the Green City Charter in Southampton |
|--|---|

How the Board complements the engagement

- | | |
|---|--|
| <ul style="list-style-type: none"> • Investment in a number of renewable energy projects and infrastructure which align with the group’s sustainability strategy • Oversight of implementation and progress of the ABP sustainability strategy with a target of reaching net zero by 2040 | <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 • Development and oversight of the ABP strategy which includes energy generation and storage as a key strategic direction |
|---|--|

Actions and Decisions

- | | |
|---|--|
| <ul style="list-style-type: none"> • Approval of the Lowestoft Eastern Energy Facility, a major investment project on Lowestoft’s Outer Harbour, to support the offshore energy sector • Launch of ABP’s sustainability strategy with a target of reaching net zero by 2040 | <ul style="list-style-type: none"> • Energy reduction programme undertaken, with a focus on increasing energy efficiency and reducing consumption, including roll out of smart meters throughout the port estate. • Purchase of lower emission plant and equipment pursuant to ABP’s sustainability strategy |
|---|--|

Strategic report (continued)

7. 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.

7.1 Customer Investment

Stakeholders, Issues and Factors Considered: Customers, Infrastructure Investment, UK Government, Local Communities

Throughout the year, the Board has considered and approved several capital expenditure projects which support customers across the regions. One such example was the approval of a project, in conjunction with Brittany Ferries, to provide improved facilities at the Port of Plymouth, including a new passenger boarding bridge, improving the embarkation and disembarkation of foot passengers, refurbishment of the existing passenger terminal building and major strengthening and replacement works to the existing wharf, dolphins and RORO ramp, extending the life of these assets.

Both ABP and Brittany Ferries have worked with Plymouth City Council (PCC) to secure grant funding through the Plymouth and South Devon Freeport seed capital programme.

In making the decision to proceed with the project, the Board received management proposals following negotiations with the customer, internal assessments and financial modelling and considered key factors, including being able to future-proof the docks for years to come which mean that the community and broader economy benefit from increased activities within the region.

7.2 Strategic Acquisition

Stakeholders, Issues and Factors Considered: Shareholder Value, Long Term Impact, Customers, UK Government, Local Communities

During the year the Board approved the purchase of the freehold of a 227.5-acre site known as Stallingborough Interchange (Stallingborough) signalling a further commitment to our property strategy. The acquisition provides an extension to our port activities in Immingham, the largest port in the UK by tonnage, and Grimsby, the largest UK offshore operations and maintenance port. The prominent site is earmarked for commercial port opportunities including automotive, bulk warehousing, distribution and logistics uses, advanced manufacturing, as well as green energy initiatives.

Strategic report (continued)

7.2 Strategic Acquisition (continued)

In a prime strategic location next to the A180 and located two miles from the Port of Immingham and six miles from the Port of Grimsby, the designated site is one of the largest of the original Enterprise Zones in the area and is key to future proofing the continued growth of ABP's commercial business on the Humber, as well as significant investment in the region for jobs.

In making the decision to acquire Stallingborough, the Board particularly considered the long-term strategic potential of the site. As demand is expected to increase for energy generation, automotive storage, bulk warehousing, and storage and distribution uses, our space constraints within our ports will increase. This additional land will ensure the delivery of state-of-the-art infrastructure, facilities, and technological innovation for new and existing customers.

7.3 Sustainability Strategy Projects

Stakeholders, Issues and Factors Considered: Environment, UK Government, 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 2023, ABP 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. Throughout the year, the Board has considered and approved several projects which support its sustainability strategy. One such example was the approval of Lowestoft Eastern Energy Facility (LEEF), a major investment project on Lowestoft's Outer Harbour in state-of-the-art infrastructure to support the offshore energy sector. Designed to support offshore energy projects in the Southern North Sea, the award-winning LEEF project will attract many offshore energy supply chain companies to Lowestoft, bringing new jobs and prosperity to the area whilst safeguarding the important kittiwake population. In addition, it will also support the oil and gas sector through the energy transition period.

Considerations for the Board, when approving the project, included the significant potential the site has to play in the Southern North Sea with opportunities in both the offshore wind and nuclear markets, helping the group in meeting its sustainability strategy targets, as well as supporting the UK Government's commitment to net zero. In addition, consideration was given to the reputation of the group for setting high standards in conducting its operations and to enhancing opportunities with existing and new customers, such as Sizewell C.

By Order of the Board



MM Wyatt
Director
25 April 2023

Directors' report

The directors present the report and the audited accounts of Associated British Ports (number ZC000195) for the year ended 31 December 2023.

1. Principal office

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

2. Dividends

The company declared interim dividends of £160m during the current year (2022: £180m) 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 (2022: £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 & Short Sea Ports (resigned 30 June 2023)
McCartain, MBW	Director, Safety, Engineering and Marine
Pedersen, HL	Chief Executive Officer
Paonessa, FA	Capital Projects Director (appointed 1 April 2024)
Rumsey, AJ	Chief HR Officer
van Weezel, HA	Chief Information Officer
Walker, JW	Chief Commercial Officer & Regional Director, Wales & Short Sea Ports (from 30 June 2023)
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 in section 6.1 of the strategic report. 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.

Directors' report (continued)

5. Human resources policies (continued)

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 7 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.

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 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's Remuneration and Nomination Committee ("RemCo").

Directors' report (continued)

6.2 Principle Two – Board Composition (continued)

The Board benefits from directors who have a broad range of skills, backgrounds and knowledge. 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.

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. Some Board meetings also take place at different ports during the year, so directors have the opportunity to visit locations and meet local staff and customers.

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.

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 regular business updates, discussions with customers and potential customers, 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 section 3 of the Strategic Report.

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 on its website 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 section 6 of the Strategic Report.

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. The audit for the financial year ending 31 December 2024 was tendered during 2023. Following the tender, Ernst & Young LLP will be resigning as the company's auditor on completion of the audit of this year's Annual Report and Accounts. On the recommendation of the Audit and Risk Committee the Board intends to appoint PricewaterhouseCoopers LLP to fill the casual vacancy created by Ernst & Young's resignation.

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



A M Morgan
Secretary
25 Bedford Street, London, WC2E 9ES
25 April 2024

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 and the group will not continue in business.

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

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

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

Opinion

We have audited the financial statements of Associated British Ports (the company) for the year ended 31 December 2023 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 material accounting policy information. 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 2023 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 2025;
- 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 2025. 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;

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

- 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
- 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 a period to 30 June 2025, including any events beyond the period, and considered it to be appropriate.

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.

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

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 38, 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.

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

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

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

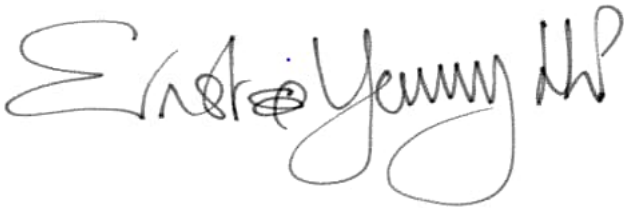
- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework and taxation, namely: Companies Act 2006, Corporation Tax, Value Added Tax and Payroll legislation and UK adopted international accounting standards;
- We understood how Associated British Ports 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 Committee and noted that there was no contradictory evidence;
- We met with in house legal counsel to discuss identified instances of potential and actual non-compliance with laws and regulations and reviewed advice from received external specialists and met with the external specialists to discuss their advice. We also reviewed correspondence with relevant regulatory authorities where relevant. Further we reviewed reports by Internal Audit to the Audit and Risk Committee;
- 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. Where appropriate we involved specialists to assist in the design of our procedures; and
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures included: 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 laws and regulations, enquiries of in-house legal counsel and of Management, obtaining confirmations from external lawyers that the company had consulted and a review of correspondence with regulators.

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

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

Use of our report

This report is made solely to the 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.

A handwritten signature in black ink, appearing to read "Ernst & Young LLP", written in a cursive style.

Steven Lunn (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
25 April 2024

Income Statement for the year ended 31 December 2023

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

	Note	2023 £m	2022* £m
Revenue	2	707.2	662.5
Cost of sales		(292.9)	(301.4)
Gross profit		414.3	361.1
Administrative expenses		(131.4)	(123.9)
Other income		5.0	7.1
Increase in fair value of investment properties	10	96.8	148.4
Operating profit	3	384.7	392.7
Analysed between:			
Underlying operating profit before the following items:			
Increase in fair value of investment properties	10	96.8	148.4
Net unrealised gain on fuel derivatives		(2.4)	0.8
		384.7	392.7
Finance costs	6	(47.7)	(33.6)
Finance income	6	4.3	1.4
Profit after realised finance costs		341.3	360.5
Unrealised foreign exchange gains	6	-	0.1
Profit before taxation		341.3	360.6
Taxation charge	7	(83.6)	(76.2)
Profit for the year attributable to equity shareholder		257.7	284.4

*Comparatives have been reclassified to conform with current presentation

The company declared interim dividends of £160.0m in the current year (2022: £180.0m).

Statement of comprehensive income for the year ended 31 December 2023

	Note	2023 £m	2022 £m
Profit for the year attributable to equity shareholder		257.7	284.4
Other comprehensive income/(loss):			
<i>Other comprehensive income/(loss) not to be reclassified to income statement in subsequent periods:</i>			
Surplus arising on revaluation of investment property	10	9.6	52.5
Deferred tax on revaluation of investment property	20	0.5	(7.7)
Remeasurement loss relating to net retirement benefit liabilities	13	(14.7)	(45.2)
Deferred tax associated with remeasurement loss relating to net retirement benefit liability	20	3.3	10.8
Other comprehensive (loss)/income for the year, net of tax		(1.3)	10.4
Total comprehensive income for the year net of tax, attributable to equity shareholder		256.4	294.8

Balance Sheet as at 31 December 2023

	Note	2023 £m	2022 £m
Assets			
Non-current assets			
Intangible assets	8	50.8	51.5
Property, plant and equipment	9	1,408.4	1,402.1
Investment property	10	2,722.2	2,494.0
Investments	11	54.6	54.6
Retirement benefit assets	13	19.5	15.3
Derivative financial instruments	15	-	0.5
Trade and other receivables	12	2.2	1.9
		4,257.7	4,019.9
Current assets			
Derivative financial instruments	15	0.3	1.8
Trade and other receivables	12	126.9	118.0
Cash and cash equivalents		51.5	42.8
		178.7	162.6
Total assets		4,436.4	4,182.5
Liabilities			
Current liabilities			
Borrowings	14	(1.4)	(2.4)
Derivative financial instruments	15	(0.7)	(0.2)
Trade and other payables	17	(186.2)	(175.3)
Deferred income	18	(45.5)	(41.6)
Provisions	19	(28.3)	(28.1)
Current tax liabilities		-	-
		(262.1)	(247.6)
Non-current liabilities			
Borrowings	14	(667.1)	(579.3)
Derivative financial instruments	15	-	(0.1)
Retirement benefit liabilities	13	(33.6)	(26.6)
Trade and other payables	17	(85.7)	(77.0)
Deferred income	18	(106.9)	(104.9)
Provisions	19	(15.9)	(14.6)
Deferred tax liabilities	20	(339.6)	(303.3)
		(1,248.8)	(1,105.8)
Total liabilities		(1,510.9)	(1,353.4)
Net assets		2,925.5	2,829.1
Holding company's equity			
Revaluation reserve		2,005.2	1,896.7
Accumulated losses		920.3	932.4
Total holding company's equity		2,925.5	2,829.1

The financial statements were approved by the Board and signed on its behalf on 25 April 2024 by:

MM Wyatt
Director

Statement of cash flows for the year ended 31 December 2023

	Note	2023 £m	2022 £m
Cash flows from operating activities			
Cash generated by operations	21	385.3	352.8
Interest paid		(27.9)	(29.7)
Interest received		4.2	0.8
Lease interest paid		(0.4)	(0.5)
Income tax paid		(28.0)	(19.0)
Net cash inflow from operating activities		333.2	304.4
Cash flows from investing activities:			
Net proceeds from sale of property, plant and equipment		1.8	1.0
Net proceeds from sale of investment property		6.1	3.9
Net proceeds from sale of land held for sale		-	0.8
Government grants received		1.5	15.3
Purchase of intangible assets		(9.4)	(9.6)
Purchase of property, plant and equipment		(107.4)	(117.0)
Purchase of investment property		(97.7)	(30.0)
Net cash outflow from investing activities		(205.1)	(135.6)
Cash flows from financing activities:			
New borrowings		87.0	-
Repayment of borrowings		(93.0)	(221.2)
Payment of dividend		(110.0)	-
Payment of principal portion of lease liabilities		(3.4)	(3.1)
Net cash outflow from financing activities		(119.4)	(224.3)
Change in cash and cash equivalents during the year		8.7	(55.5)
Cash and cash equivalents at 1 January		42.8	98.3
Cash and cash equivalents at 31 December		51.5	42.8
Cash and cash equivalents comprises			
Cash		5.0	3.6
Deposits		35.5	28.2
Rent deposit accounts		11.0	11.0
Cash and cash equivalents at 31 December		51.5	42.8

Statement of changes in equity for the year ended 31 December 2023

	Revaluation reserve £m	Retained earnings £m	Total £m
At 1 January 2023	1,896.7	932.4	2,829.1
Profit for the year	98.9	158.8	257.7
Other comprehensive income/(loss)	9.6	(10.9)	(1.3)
Total comprehensive income	108.5	147.9	256.4
Dividends declared	-	(160.0)	(160.0)
At 31 December 2023	2,005.2	920.3	2,925.5

	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/(loss)	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

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

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.

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

Statement of compliance

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

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.

Changes to presentation

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

- Exceptional costs of £1.0m (2022 £1.6m) have been included within underlying operating profit as they were not considered to be material.
- Provisions (note 19) has been reanalysed to separately disclose property provisions of £32.5m (2022: £25.9m) that were previously included within other provisions. Restructuring provisions of £0.6m (2022: £0.1m), previous shown separately, are now included within other provisions. This reflects the relative materiality of each class of provision.
- Reclassification of 5.6m deferred income from contract liability to property (note 18)

Notes to the financial statements**1. Accounting policies (continued)****1.1 Basis of preparation (continued)****Going concern basis**

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

- For the year ended 31 December 2023 the company generated cash from operations of £385.3m and the company's strategic plan forecasts this level of performance to continue in the future;
- As at 31 December 2023, the company had net assets of £2,925.5m. These include net current liabilities of £83.4m.

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 until 30 June 2025.

The group's business plan was developed taking in consideration the impact of the ongoing geopolitical events and their potential impact on the global economy and consequently on business performance. The emergence of conflict in the Middle East increases the risk of negative macroeconomic consequences. 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, the strong 2023 performance, and the company's ability to take effective mitigating actions to counter downside scenarios. The company has demonstrated the ability to deliver cost control measures and cost saving initiatives and to establish strict criteria for capital investment.

Management will continue to forecast the group's results as new information becomes available and have modelled different scenarios, including a downside scenario, where headroom against the leverage covenant becomes limited within the going concern period, before mitigating actions are applied. If the actual results are significantly worse than forecast, the group has the option of pursuing further mitigating measures that are under its own control to cut costs and preserve cash. These include further reductions in variable staff and other variable costs to match reduced activity, delaying or holding back its capital programme, reassess amounts distributed to shareholders and, if the downside period persists, structurally reviewing costs for further savings.

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 2023, the group had access to £250m 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 (see note 16 on financial risk management). In addition, the group has in place £160m of debt service reserve liquidity facilities to cover annual interest costs. These are renewed annually and are drawn with a final maturity of 2028 if not renewed.

Notes to the financial statements

1. Accounting policies (continued)

1.1 Basis of preparation (continued)

Going concern basis (continued)

Given the nature, maturity dates and counterparties of these liabilities (as set out in notes 14, 15 and 16), as well as the group's track record of its ability to refinance debt and generate cash flows, notwithstanding the impact of the external economic environment, the directors are confident that the group has the ability to continue to meet its liabilities as they fall due for the foreseeable future and therefore the financial statements have been prepared on a going concern basis.

1.2 New standards and amendments adopted

No new standards effective for the first time for the annual reporting period commencing 1 January 2023 have a material impact on the financial statements of the company.

New standards, amendments and interpretations issued but not yet effective

The IASB and IFRIC have issued a number of standards, amendments and interpretations for IFRS 16 on sale and leaseback transactions, IAS 1 on the classification of current and non current liabilities, IAS 21 on lack of exchangeability of currency and IFRS7 and IAS 7 on disclosure of supplier finance arrangements. These all have an effective date of implementation for accounting periods beginning after the start of the group's current financial year. The impact of these new standards will be analysed in advance of the accounting period ending 31 December 2024.

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

1.3 Significant estimates, judgements and assumptions

The preparation of the financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may ultimately differ from those estimates.

Estimates

The significant estimates in applying these policies are as follows:

- Valuation of investment property – note 11
- Valuation of defined benefit pension scheme liabilities – note 13

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 Material 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.

Notes to the financial statements

1. Accounting policies (continued)

1.4 Material accounting policies (continued)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

- Other revenue consists of individual services provided to customers, primarily sales of environmental consultancy services and provision of marina facilities. Each service is a performance obligation and revenue is recognised at a point in time when the performance obligation is complete or, where appropriate, over time as the service is provided. Where revenue is recognised over time the transaction price is allocated based on the time spent on the performance obligation in the period of recognition against the time the performance obligation will take to complete.

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

Agent versus principal relationships

When a third party is involved in providing goods or services to the company's customers, management determines whether the company is a principal or an agent in these transactions by evaluating the nature of the promise to the customer. The company 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 company's role is only to arrange for a third party to provide the goods or services then the company 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.

The following criteria are also applied in assessing impairment of specific assets:

Notes to the financial statements

1. Accounting policies (continued)

1.4 Material accounting policies (continued)

Impairment of non-financial assets (continued)

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

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

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 rent 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 borrowing costs and other appropriate net outgoings) until such time as it is possible to determine fair value, consistent with the criteria in measuring completed investment property, with the exception of underlying land, which is included at carrying value before construction commenced.

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

Notes to the financial statements

1. Accounting policies (continued)

1.4 Material accounting policies (continued)

Investment property (continued)

Transfers of investment properties to property, plant and equipment or land held for sale are made at fair value at the date of change in use or classification.

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

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

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

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 asset 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.

Retirement benefits

In respect of defined benefit plans, obligations are measured at their discounted present value using the projected unit credit method, while plan assets are recorded at fair value. The operating and financing costs of such defined benefit plans are recognised as staff costs in the income statement; operating costs are spread systematically over the expected service lives of employees and financing costs are recognised in the periods in which they arise. Remeasurement gains and losses and the effect of the asset ceilings are recognised immediately in the statement of other comprehensive income.

Notes to the financial statements

1. Accounting policies (continued)

1.4 Material accounting policies (continued)

Retirement benefits (continued)

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.

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 ("ECLs").

At each reporting date, the company performs an impairment analysis for all trade and other receivables to measure the allowance for 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.

Notes to the financial statements

1. Accounting policies (continued)

1.4 Material accounting policies (continued)

Financial instruments (continued)

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

Finance lease receivables are recorded in the balance sheet at the present value of lease payments to be made over the lease term discounted using the interest rate implicit in the lease. After the commencement date, finance income is recognised over the lease term based on a pattern reflecting a constant periodic rate of return and increases the finance lease receivable. The finance lease receivable is reduced for the lease payments received. Variable lease income that does not depend on an index or a rate is recognised as revenue in the period in which it is earned.

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

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

Derivative financial instruments utilised by the company comprise fuel swaps and caps and forward foreign exchange contracts. 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.

Financial assets and financial liabilities are offset and the net amount is reported in the company 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.

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. When some or all of a provision is to be reimbursed, principally insurance related, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the income statement net of any reimbursement.

Notes to the financial statements

1. Accounting policies (continued)

1.4 Material accounting policies (continued)

Taxation

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

Deferred tax is recognised in respect of temporary differences. 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.

1.5 Other accounting policies

Interest income

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

Interest expense

Interest costs are expensed in the period in which they occur and consist of interest that the company incurs in connection with the borrowing of funds. Interest expense is calculated and recorded using the effective interest method.

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

Operating leases.

The 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.

Notes to the financial statements

1. Accounting policies (continued)

1.5 Other accounting policies (continued)

Leases (continued)

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 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 this increases the amount of lease liabilities. The lease liabilities are reduced by the capital and interest payments made.

The company's lease liabilities are included in borrowings (see note 14).

Variable lease payments are recognised as expenses in the period in which they fall due.

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

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

Right of use operating assets are subsequently measured at cost less any accumulated depreciation and impairment losses and adjusted for any remeasurement of lease liabilities. 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.

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.

Amortisation 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 range between 2 and 30 years for Customer relationships, between 2 and 15 years for software and between 2 and 30 years for other intangible assets.

Notes to the financial statements

1. Accounting policies (continued)

1.5 Other accounting policies (continued)

Intangible assets (continued)

Software as a service is recognised in operating costs.

Development costs incurred on internal projects are only capitalised when the project has been demonstrated to be viable.

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 that are repayable on demand.

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.

Foreign currencies

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

Dividends

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

Notes to the financial statements**2. Revenue**

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

	2023	2022
	£m	£m
Revenue		
Call	109.8	105.0
Traffic	263.8	254.1
Cargo operations	44.3	36.7
Shortfall	27.7	19.0
Utilities	34.8	30.1
Dredging	8.9	16.3
Fixed	25.2	23.0
Other	22.2	25.1
Total revenue from contracts with customers	536.7	509.3
Lease income from investment properties	170.5	153.2
Revenue	707.2	662.5

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.

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:

	2023	2022
	£m	£m
Revenue relating to unsatisfied performance obligations at 31 December		
Not later than one year	0.6	1.2
Total	0.6	1.2

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

Operating profit is stated after charging/(crediting):

	2023	2022*
Operating profit charges/(credits)	£m	£m
Depreciation:		
Property, plant and equipment - included in cost of sales	88.6	86.1
Property, plant and equipment - included in administrative expenses	7.4	3.0
Right of use assets - included in cost of sales	1.5	1.8
Right of use assets - included in administrative expenses	0.8	0.8
Amortisation:		
Intangible assets - included in cost of sales	0.3	0.4
Intangible assets - included in administrative expenses	10.5	8.4
(Profit)/loss on disposal of property, plant and equipment, investment property, property and land held for sale and right of use assets	(9.0)	6.7
Expenses relating to short term and low value asset leases	2.4	2.8
Repairs and maintenance expenditure on investment property and property, plant and equipment	26.9	33.3
Third party labour and sub-contractor haulage	34.1	36.1
Utilities and fuel	51.2	49.3
Expected credit losses of trade and other receivables	(1.4)	(0.5)

* Comparatives have been reclassified to conform to current presentation.

Notes to the financial statements**4. Audit fees**

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

	2023	2022
	£000	£000
Remuneration paid to the auditors		
Fees payable to the company's auditor for the audit of the company's annual accounts	422	316
Fees payable to the company's auditor in respect of:		
Audit of the accounts of the group companies	21	486
Other services	16	31
Total	459	833

In 2022 the company paid the audit fees for all group companies, in 2023 the majority of group companies bore their own audit fees.

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 £34,000 (2022: £31,500).

5. Directors and employees

Staff costs are analysed as follows:

	2023	2022
	£m	£m
Staff costs		
Wages and salaries	131.2	120.3
Social security costs	15.5	14.3
Pension costs (note 13)	14.6	13.3
	161.3	147.9

Total costs are analysed by function as follows:

	2023	2022
	£m	£m
Staff costs by department		
Cost of sales	96.2	90.4
Administrative expenses	65.1	57.5
	161.3	147.9

The monthly average number of people employed during the year was 2,340 (2022: 2,297).

Directors' emoluments are analysed as follows:

	2023	2022
	£m	£m
Directors' emoluments		
Short-term employee benefit	5.6	5.4
Post-employment benefit	1.0	0.5
	6.6	5.9

Emoluments comprise amounts paid to the directors of the company by the company with two (2022: two) of the directors being paid by the immediate parent undertaking.

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

Key management compensation is analysed as follows:

	2023	2022
	£m	£m
Key management compensation	5.6	5.4
Short-term employee benefit	1.0	0.5
Post-employment benefit	6.6	5.9

Key management comprises the directors of the company including two (2022: two) directors who were also directors of the immediate parent undertaking.

Nine (2022: nine) directors of the company are eligible to join the Legal & General Workplace Mastertrust Pension Plan. At 31 December 2023, four (2022: four) directors are members of the Legal & General Workplace Mastertrust Pension Plan and nine (2022: nine) directors received an allowance for contributions towards pension schemes unconnected with the group.

	2023	2022
	£m	£m
Highest paid director	1.6	1.5
Short-term employee benefit	0.1	0.1
Post-employment benefit	1.7	1.6

6. Finance costs/(income)

	2023	2022
	£m	£m
Finance costs/(income)	49.6	36.1
Interest on amounts due from parent undertaking	0.4	0.5
Interest on lease liabilities	0.7	0.4
Other finance costs	(3.0)	(3.4)
Less: interest capitalised on non-current assets under construction	47.7	33.6
Finance costs	(4.1)	(0.9)
Other finance income	(0.2)	(0.5)
Net interest income on net defined benefit liabilities (note 13)	(4.3)	(1.4)
Finance income	-	0.1
Unrealised foreign exchange gains	43.4	32.3
Net finance costs	43.4	32.3

Notes to the financial statements**7. Taxation**

The taxation charge for the year is analysed as follows:

	2023	2022
	£m	£m
Current year tax	47.7	34.6
Prior period adjustments	(4.2)	(0.7)
Current tax	43.5	33.9
Current year deferred tax	31.3	42.1
Rate change adjustments	4.1	-
Prior year adjustments	4.7	0.2
Deferred tax (note 20)	40.1	42.3
	83.6	76.2

Current taxation in 2023 represents tax on profits remaining after offset of group relief between subsidiary undertakings. See note 20 for future expected tax rate changes.

The deferred tax charge (2022: charge) results from the fair value movements on investment property and pensions and movements resulting from qualifying additions to capital allowances pools.

Tax on items credited/(charged) to Other Comprehensive Income analysed as follows:

	2023	2022
	£m	£m
Tax on items credited/(charged) to Other Comprehensive Income		
Deferred tax associated with remeasurement gain/loss relating to net retirement benefit liabilities	3.3	10.8
Deferred tax on revaluation of investment property	0.5	(7.7)

The taxation charge for the year is higher than the standard rate of taxation in the UK of 23.5% (2022: 19.0%). The differences are explained below:

	2023	2022
	£m	£m
Tax charge on profit		
Profit before taxation	341.3	360.6
Profit before taxation multiplied by standard rate of corporation tax in the UK of 23.5% (2022: 19.0%)	80.2	68.5
Effects of:		
Expenses not deductible for tax	(1.4)	(1.5)
Deferred taxes measured at higher tax rates	4.1	9.7
Tax in respect of prior years	0.7	(0.5)
Total tax charge for the company	83.6	76.2

Notes to the financial statements

7. Taxation (continued)

	2023	2022
	£m	£m
Tax rate		
Effective tax rate	24.5%	21.1%
Total tax charge for the company	83.6	76.2
Effects of permanent differences:		
Related party debt – disregarded	1.3	1.1
Depreciation on non-qualifying assets	(1.0)	(1.8)
Other non-qualifying	1.1	2.2
Prior year adjustment	(0.7)	0.5
Deferred taxes measured at higher tax rates	(4.1)	(9.7)
Tax credit for the company after removing permanent differences	80.2	68.5
Tax rate after permanent differences	23.5%	19.0%

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

8. Intangible assets

Acquired intangible assets	Software	Other	Total
2023	£m	£m	£m
Cost			
At 1 January	155.9	14.4	170.3
Additions	8.7	1.5	10.2
Transfers from/(to)property, plant and equipment	0.2	(0.2)	-
Disposals	(9.6)	(1.8)	(11.4)
At 31 December	155.2	13.9	169.1
Accumulated amortisation			
At 1 January	(111.9)	(6.9)	(118.8)
Charge for the year	(8.4)	(2.4)	(10.8)
Disposals	9.5	1.8	11.3
At 31 December	(110.8)	(7.5)	(118.3)
Net book value			
At 1 January	44.0	7.5	51.5
At 31 December	44.4	6.4	50.8

Notes to the financial statements

8. Intangible assets (continued)

Acquired intangible assets 2022	Software £m	Other £m	Total £m
Cost			
At 1 January	154.0	10.3	164.3
Additions	5.0	4.5	9.5
Transfers within intangible assets	(0.1)	0.1	-
Transfers to investment property	(0.2)	-	(0.2)
Disposals	(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)
Transfers to investment property	0.2	-	0.2
Disposals	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

Software comprise IT software acquisition and subsequent development costs.

Other intangible assets include development costs related to strategic assets and projects.

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
2023	£m	£m	£m	£m	£m	£m	£m
Cost							
At 1 January	395.8	341.4	845.3	87.4	595.5	178.8	2,444.2
Additions	0.7	1.7	7.3	2.3	15.0	98.5	125.5
Transfers within property, plant and equipment	1.4	10.0	30.1	3.6	36.1	(81.2)	-
Transfers (to)/from intangible assets	-	-	-	-	0.2	(0.2)	-
Transfers to investment property	(13.0)	(6.0)	(4.8)	-	-	(1.2)	(25.0)
Disposals and write off	-	(0.5)	(0.2)	(0.1)	(13.6)	-	(14.4)
At 31 December	384.9	346.6	877.7	93.2	633.2	194.7	2,530.3
Accumulated Depreciation							
At 1 January	(0.6)	(160.0)	(466.3)	(63.2)	(352.0)	-	(1,042.1)
Charge for the year	-	(13.2)	(40.2)	(5.4)	(39.5)	-	(98.3)
Transfers within property, plant and equipment	-	(0.1)	-	-	0.1	-	-
Transfers to investment property	-	2.6	0.6	-	-	-	3.2
Disposals and write off	-	2.7	0.4	0.1	12.1	-	15.3
At 31 December	(0.6)	(168.0)	(505.5)	(68.5)	(379.3)	-	(1,121.9)
Net book value							
At 1 January	395.2	181.4	379.0	24.2	243.5	178.8	1,402.1
At 31 December	384.3	178.6	372.2	24.7	253.9	194.7	1,408.4

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
2022	£m	£m	£m	£m	£m	£m	£m
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 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 within property, plant and equipment	-	-	(0.6)	-	0.6	-	-
Transfers to investment property	-	3.5	1.9	-	2.2	-	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

The amount of borrowing costs capitalised within property, plant and equipment during the year ended 31 December 2023 was £1.6m (2022: £2.8m). The weighted average rate used to determine the amount of borrowing costs eligible for capitalisation was 6.4% (2022: 6.5%).

Notes to the financial statements

9. Property, plant and equipment (continued)

Right of use assets

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

2023	Operational land £m	Buildings £m	Floating craft £m	Plant and equipment £m	Total £m
Cost					
At 1 January	2.4	4.3	1.3	7.6	15.6
Additions	-	-	-	1.5	1.5
Disposals	-	-	-	(0.3)	(0.3)
At 31 December	2.4	4.3	1.3	8.8	16.8

**Accumulated
Depreciation**

At 1 January	(0.6)	(2.3)	(0.5)	(7.2)	(10.6)
Charge for the year	-	(0.6)	(0.8)	(0.9)	(2.3)
Disposals	-	-	-	0.3	0.3
At 31 December	(0.6)	(2.9)	(1.3)	(7.8)	(12.6)

Net book value

At 1 January	1.8	2.0	0.8	0.4	5.0
At 31 December	1.8	1.4	-	1.0	4.2

2022	Operational land £m	Buildings £m	Floating craft £m	Plant and equipment £m	Total £m
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

Notes to the financial statements**9. Property, plant and equipment (continued)****Right of use assets (continued)**

The company as the lessee leases various operational land, buildings and plant and equipment under non-cancellable lease agreements. The lease terms vary and range from 1 to 999 years for operational land, 10 to 15 years for buildings and 2 to 16 years for plant and equipment. These leases have various escalation clauses and renewal rights and there are no financial restrictions placed upon the lessee by entering into these leases.

10. Investment property

	Port-related investment properties £m	Other investment properties £m	Land at ports held for development £m	Total £m
2023				
At valuation				
At 1 January	2,095.1	342.4	56.5	2,494.0
Additions	42.4	1.0	59.2	102.6
Disposals	(0.9)	(0.5)	(1.2)	(2.6)
Transfers within investment property	(1.8)	0.4	1.4	-
Transfers from/(to) property, plant and equipment	23.1	0.1	(1.4)	21.8
	2,157.9	343.4	114.5	2,615.8
Surplus on revaluation	9.1	0.5	-	9.6
Increase/(decrease) in fair value of investment properties	115.3	(19.8)	1.3	96.8
At 31 December	2,282.3	324.1	115.8	2,722.2

	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 from property, plant and equipment	30.6	10.3	4.1	45.0
Transfers 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/(decrease) 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)**

During the year £9.6m (2022: £52.5m) was credited directly to the revaluation reserve reflecting the increase to fair value of the properties transferred from property, plant and equipment and right of use assets to investment property (previously recorded at cost). An increase of £96.8m (2022: £148.4m) 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 2023 was £1.4m (2022: £0.6m). The weighted average rate used to determine the amount of borrowing costs eligible for capitalisation was 6.4% (2022: 6.5%).

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.

Other investment properties are all tenanted (or available to be tenanted) investment properties other than those identified as being port-related. This category includes areas of bare land which local management is marketing in its existing state to obtain non-port related tenancies and anticipate letting within one year.

Basis of valuation

Investment properties' fair value has been estimated on the basis of market value in accordance with the Appraisal and Valuation Standards issued by The Royal Institution of Chartered Surveyors ("RICS"), which is consistent with fair value as defined by IFRS 13. Investment property valuations are conducted annually by the group's internal valuation team and are reviewed by external valuers at least once every five years, which was undertaken during the year. The valuation of investment property as at 31 December 2023 was reviewed by independent valuers, Savills (UK) Limited, Chartered Surveyors regulated by RICS. The group's internal valuation team comprises regionally based Chartered Surveyors, including RICS Registered Valuers, led by the Group Head of Property.

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

Completed investment property including right of use investment property

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

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

Notes to the financial statements**10. Investment property (continued)****Basis of valuation (continued)**

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

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

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

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

Investment property fair value inputs	Port-related investment properties	Other investment properties and land held for development	Total
2023			
Observable			
Average income per acre £'000	103.5	9.7	51.6
Income range per acre £'000	0 – 548	0 – 185.7	0 - 548
Unobservable			
Yield – average %	11.3	9.5	10.8
Yield – range %	5.0 – 33.3	5.0 – 24.0	5.0 – 33.3
Other assumptions			
Other purchasers' costs %	1.8	1.8	1.8

Investment property fair value inputs	Port-related investment properties	Other investment properties and land held for development	Total
2022			
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

Notes to the financial statements**10. Investment property (continued)****Basis of valuation (continued)**

The most sensitive input to the valuation of investment property is the yield, which for 2023 averages 10.8% (2022: 11.6%). A decrease in the average yield of 0.5% would result in an increase in the aggregate valuation of £131.7m (2022: £112.0m) and an increase in the average yield of 0.5% would result in a decrease in the aggregate valuation of £120.0m (2022: £102.7m). Valuations are not dependent on any other significant unobservable inputs used in the valuations.

Lease income

Lease income, excluding other income, generated from the company's investment property portfolio amounted to £170.5m (2022: £153.2m) and related operating expenses amounted to £3.5m (2022: £3.3m). Direct operating expenses relating to vacant property are considered to be immaterial.

11. Investments

Investments in subsidiaries	£m
At 31 December 2022	54.6
At 31 December 2023	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 company 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.

Notes to the financial statements**12. Trade and other receivables**

Trade and other receivables are analysed as follows:

	2023	2022
	£m	£m
Non-current:		
Accrued income	1.4	1.8
Prepayments	0.7	-
Other receivables	0.1	0.1
Total non-current trade and other receivables	2.2	1.9
Current:		
Gross trade receivables	74.2	76.8
Amounts due from group undertakings	1.8	1.5
Prepayments	8.2	6.9
Accrued income	28.4	29.3
Other receivables	21.5	12.6
Gross current trade and other receivables	134.1	127.1
Provision for expected credit losses	(7.2)	(9.1)
Total current trade and other receivables	126.9	118.0

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.

Current accrued income includes contract assets as at 31 December 2023 of £1.7m (31 December 2022: £0.9m).

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.

The group's loss allowance movements measured at an amount equal to the lifetime expected credit losses are as follows:

	2023	2022
	£m	£m
Provision for expected credit losses		
At 1 January	(9.1)	(10.4)
Provision for the expected credit losses	(4.7)	(2.3)
Expected credit losses reversed	6.1	2.8
Receivables written off as uncollectable	0.5	0.8
At 31 December	(7.2)	(9.1)

Notes to the financial statements**12. Trade and other receivables (continued)**

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

	2023	2022	2023	2022
	£m	£m	%	%
Age analysis of gross trade receivables and accrued income				
Not yet overdue	100.7	98.7	6.2	8.3
Up to 3 months	0.9	8.3	1.0	1.0
3 to 6 months	0.4	0.8	32.6	67.7
Over 6 months	0.7	0.3	83.6	100.0

As at 31 December 2023 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:

	2023	2022
	£m	£m
Aged analysis of overdue gross trade receivables		
Up to 3 months	0.6	8.2
3 to 6 months	-	0.3
Total past due but not impaired receivables	0.6	8.5

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

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 (“MNOFP”) – two industry wide defined benefit schemes for non-associated employers;
- The Legal & General Worksave Mastertrust (“MyPension Plan”) – a multi-employer defined contribution arrangement;
- The Ensign Retirement Plan (“ERP”) – a multi-employer defined contribution mastertrust arrangement; and
- Unfunded retirement benefit arrangements in respect of former employees.

On 1 January 2021 the PNPF 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 apprentices are enrolled in the Cash Balance Section. The ERP was closed on 31 March 2023 with all assets being transferred to the SMART mastertrust. The ERP was subsequently wound up in September 2023.

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

Notes to the financial statements**13. Pension commitments (continued)****Summary***Income statement*

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

	2023	2022
	£m	£m
ABPGPS and unfunded retirement benefit arrangements	0.9	1.8
Industry wide schemes	0.9	0.1
Defined contribution arrangements	12.8	11.4
Net pension charge recognised within operating profit	14.6	13.3
Net interest credit on net defined benefit liabilities	(0.2)	(0.5)
Net pension charge recognised in profit before taxation	14.4	12.8

Balance sheet

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

	2023	2022
	£m	£m
ABPGPS – net funded pension assets	19.5	15.3
ABPGPS – net unfunded pension liability	(1.7)	(1.6)
	17.8	13.7
PNPF	(31.9)	(25.0)
Net retirement benefit liability	(14.1)	(11.3)
Net retirement benefit assets total	19.5	15.3
Net retirement benefit obligations total	(33.6)	(26.6)
Net retirement benefit liability	(14.1)	(11.3)

During the year the ABPGPS scheme recorded a small actuarial loss due to negative returns on the scheme's assets and a decrease in the discount rate, partially offset by an actuarial gain due to changes on mortality assumptions. This was smaller than company contributions and as a result the scheme's surplus has increased to £17.8m (2022: £13.7m surplus).

The Pilots National Pension Fund scheme recorded an actuarial loss during the year due to changes in financial assumptions, negative returns on the scheme's assets, and a loss arising from experience. As a result the scheme's deficit increased to £31.9m (2022: £25.0m).

Notes to the financial statements

13. Pension commitments (continued)

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 2023 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. ABPGPS 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 ABPGPS, 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 ABPGPS.

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 a 0.1% increase in the liabilities of ABPGPS 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).

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

The surplus is recognised gross as it is anticipated that the recovery will be by way of reduced contributions over the life of ABPGPS. 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.

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 2022, which was approved in December 2023, and revealed a deficit falling short of that anticipated by the Recovery Plan put in place following completion of the 2019 valuation. This additional deficit has resulted in an amendment to the 2019 Recovery Plan being put in place with Participating Bodies from December 2023. No change has been made to the first Recovery Plan and these payments continue as planned. The next triennial valuation will take place in 2025.

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. As part of the amendment in December 2023 the group will then make a final payment of £5,363,066 in 2029. The PNPF Trustee determined the group’s share of the liabilities in the PNPF to be 35.5% as at 31 December 2010, this reduced to 29.9% in the valuation exercise as at 31 December 2019. As a result of the recent valuation exercise as at 31 December 2022 the group’s share of the relevant liabilities reduced to 28.4%. The average duration of the defined benefit plan obligation at the end of the reporting period is 10 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.

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	
	2023 %	2022 %	2023 %	2022 %
Inflation CPI	2.60	2.75	2.20	2.30
Inflation RPI (short term/long term)	3.05	3.25	3.00	3.20
Rate of increase in pensionable salaries	2.00	2.00	2.20	2.30
Rate of increase for pensions in payment ¹	2.90	3.05	2.90	3.00
Rate of increase for pensions in payment ²	2.25	2.35	3.60	3.70
Rate of increase for pensions in payment ³	2.60	2.75	2.20	2.30
Discount rate	4.65	4.90	4.50	4.90

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

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

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

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

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

	ABPGPS		PNPF	
	2023 Years	2022 Years	2023 Years	2022 Years
Male life expectancy retiring at age 60 in 15 years	26.0	26.7	27.6	27.0
Female life expectancy retiring at age 60 in 15 years	28.5	29.0	30.3	29.7

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

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

	ABPGPS		PNPF	
	2023	2022	2023	2022
	£m	£m	£m	£m
Increase in liabilities resulting from:				
Decrease in discount factor by 0.5%	23.0	23.7	5.0	5.0
Increase in inflation rate by 0.5%	15.8	16.8	2.0	4.0
Increase in rate of mortality of a 60 year old by 1 year	13.8	16.2	3.5	2.0
Increase in allocated share of the PNPF liability by 5%	-	-	5.0	4.2

Balance sheet

Changes in fair value of scheme assets were as follows:

	ABPGPS		PNPF	
	2023	2022	2023	2022
	£m	£m	£m	£m
Fair value of scheme assets at 1 January	419.0	642.9	73.5	101.0
Amounts recognised in income statement:				
Interest income	20.0	11.7	3.6	2.0
Remeasurement (loss)/gain in OCI:				
Return on assets, excluding amounts in net interest	(4.7)	(212.4)	(5.1)	(26.4)
Contributions by employees	0.1	0.1	-	-
Contributions by employer	6.3	6.7	7.3	6.6
Benefits paid	(27.9)	(28.8)	(9.0)	(9.4)
Administrative expenses paid	(1.0)	(1.2)	(0.3)	(0.3)
Fair value of scheme assets at 31 December	411.8	419.0	70.0	73.5

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

Changes in fair value of scheme obligations were as follows:

	ABPGPS		PNPF	
	2023	2022	2023	2022
	£m	£m	£m	£m
Fair value of scheme obligations at 1 January	(405.3)	(582.1)	(98.5)	(140.1)
Amounts recognised in income statement:				
Current and past service costs	(0.9)	(1.8)	-	-
Interest cost	(18.8)	(10.5)	(4.6)	(2.7)
Administrative expenses	(1.0)	-	-	-
Remeasurement gain in OCI:				
Remeasurement gain/(loss) from changes in demographic assumptions	9.0	-	(1.7)	-
Remeasurement (gain)/loss from changes in financial assumptions	(5.4)	184.1	(3.2)	38.6
Experience (loss)/gain	(0.5)	(25.1)	(3.2)	(4.0)
Contributions by employees	(0.1)	(0.1)	-	-
Benefits paid directly by the company	0.2	0.2	-	-
Benefits paid	27.9	28.8	9.0	9.4
Administrative expenses paid	1.0	1.2	0.3	0.3
Fair value of scheme obligations at 31 December	(393.9)	(405.3)	(101.9)	(98.5)

The current service cost represented 17.0% (2022: 34.5%) for the ABPGPS and unfunded retirement benefit arrangements, of the applicable pensionable payroll.

As at 31 December 2023, the cumulative remeasurement result recognised in the group's other comprehensive income amounted to a loss of £107.9m (2022: loss of £106.3m) for the ABPGPS and unfunded retirement benefit arrangements and a gain of £7.8m (2022: gain of £20.9m) 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 2023 was a gain of £15.3m (2022: loss of £200.7m) for the ABPGPS and unfunded retirement benefit arrangements and a loss of £1.5m (2022: loss of £24.4m) for the PNPF.

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

Scheme assets measured at fair value is analysed as follows:

	ABPGPS		PNPF	
	2023 £m	2022 £m	2023 £m	2022 £m
Investments quoted in active markets:				
Government bonds	366.7	377.3	-	-
Investment funds	44.9	17.9	27.9	27.7
Liquidity funds	16.5	16.9	13.3	17.1
PIVs	24.7	23.1	-	-
LDI	-	-	13.7	16.0
Derivatives	0.2	4.6	0.7	0.8
Long term credit	-	-	14.4	11.0
Repurchase agreements	(172.0)	(153.8)	-	-
Cash and cash equivalents	16.9	8.8	-	0.9
Unquoted investments:				
PIVs	117.4	135.7	-	-
Derivatives	(3.5)	(11.5)	-	-
Fair value of scheme assets at 31 December	411.8	419.0	70.0	73.5

The scheme's assets were represented on a percentage basis by investments in:

	2023 %	2022 %
ABPGPS		
Liability matching and hedging investments or assets*	51.7	55.7
Bond funds	6.0	5.5
Diversified growth funds	9.7	4.3
Private credit funds	12.2	14.5
Emerging market funds	-	-
Property	17.8	18.5
Cash	2.6	1.5
	100.0	100.0

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

	2023 %	2022 %
PNPF		
Partners Growth fund	36.8	35.7
Corporate bonds	20.5	14.9
Risk Hedge	1.0	1.1
Diversified growth funds	2.3	2.0
Liquidity fund	19.0	23.3
Gilts	19.6	21.8
Cash	0.8	1.2
	100.0	100.0

Notes to the financial statements

13. Pension commitments (continued)

Schemes accounted for on a defined benefit basis (continued)

Historical record – ABPGPS and unfunded retirement benefit arrangements

	2023	2022	2021	2020	2019
	£m	£m	£m	£m	£m
Amounts for the current and previous years are as follows:					
Fair value of scheme assets	411.8	419.0	642.9	640.2	623.3
Present value of funded scheme obligations	(392.3)	(403.7)	(580.1)	(635.8)	(602.0)
Present value of unfunded obligations	(1.7)	(1.6)	(2.0)	(2.3)	(2.1)
Net assets recognised in the balance sheet	17.8	13.7	60.8	2.1	19.2
Remeasurement gain/(loss) due to changes in assumptions	3.6	184.1	32.0	(56.9)	(65.9)
Experience (loss)/gain on scheme obligations	(0.5)	(25.1)	6.7	(1.0)	(3.6)
Experience (loss)/gain on scheme assets	(4.7)	(212.4)	16.1	36.2	40.4
Remeasurement (loss)/gain relating to net retirement benefit assets/liabilities recognised in other comprehensive income	(1.6)	(53.4)	54.8	(21.7)	(29.1)

Historical record – PNPF

	2023	2022	2021	2020	2019
	£m	£m	£m	£m	£m
Amounts for the current and previous years are as follows:					
Fair value of scheme assets	70.0	73.5	101.0	101.8	114.0
Present value of funded scheme obligations	(101.9)	(98.5)	(140.1)	(152.1)	(172.6)
Net assets recognised in the balance sheet	(31.9)	(25.0)	(39.1)	(50.3)	(58.6)
Remeasurement (loss)/gain due to changes in assumptions	(4.8)	38.6	6.7	(9.4)	(10.8)
Experience (loss)/gain on scheme obligations	(3.2)	(4.0)	(2.1)	23.8	(2.3)
Experience (loss)/gain on scheme assets	(5.1)	(26.4)	1.0	(10.8)	10.1
Remeasurement (loss)/gain relating to net retirement benefit assets/liabilities recognised in other comprehensive income	(13.1)	8.2	5.6	3.6	(3.0)

Schemes accounted for on a defined contribution basis

The Merchant Navy Officers Pension Fund (“MNO PF”)

The MNO PF 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 MNO PF 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 MNO PF 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 MNO PF closed to future benefit accrual on 31 March 2016.

Notes to the financial statements

13. Pension commitments (continued)

Schemes accounted for on a defined contribution basis (continued)

The Merchant Navy Officers Pension Fund (“MNOPF”) (continued)

ABP has approximately a 0.1% share of the MNOPF 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 2023 and 2022 the company had no contributions to this scheme and expects no contributions to be payable in 2024.

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 2023 the company expensed as defined contribution pension costs a total of £12.8m (2022: £11.4m) of contributions to this plan.

The Ensign Retirement Plan (“ERP”)

The ERP was an industry-wide Mastertrust pension arrangement available to employers and employees who may, or may not, be associated with the maritime industry. The plan fell under independent trustee governance but was partly funded by the Trustee of the MNOPF and sat alongside the defined benefit arrangement within the framework of the MNOPF. The ERP had approved Mastertrust status from the Pensions Regulator and is a defined contribution pension arrangement. The company had enrolled apprentices into the plan. Contributions to the Ensign Mastertrust ceased as at 31 March 2023 and it was subsequently wound up in September 2023 after the assets held for members were transferred to the SMART Pension Mastertrust. As this was a defined contribution arrangement, we have no further connection to the Plan.

In 2023 the company expensed as defined contribution pension costs a total of £9,260 (2022: £63,318) of contributions to this plan.

The defined contribution pension cost represents the actual contributions payable by the company to the Legal & General and Ensign Mastertrusts. At 31 December 2023, there were no amounts outstanding as being due to these arrangements from the company (2022: £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.

Notes to the financial statements**13. Pension commitments (continued)****Section 37 certification**

On 16 June 2023, in the case *Virgin Media v NTL Pension Trustees II Limited (and others)*, the High Court ruled on the correct interpretation of historic legislation governing the amendment of contracted-out Defined Benefit (“DB”) schemes. The court found that section 37 of the PSA93 (“section 37”) renders invalid and void any amendment to the scheme’s rules which related to section 9(2B) rights, in so far as it was introduced without the required written actuarial confirmation that the scheme would continue to satisfy the relevant statutory standard after the amendment was made. The decision is relevant for schemes which were contracted-out on a DB basis from 6 April 1997.

The relevant legislation did not require confirmation to be given in any particular form, so a Section 37 Confirmation could have been wrapped up as part of actuarial advice given at the relevant time. A deed making specific reference to a Section 37 Confirmation (or not as the case may be) will not necessarily be conclusive either way. The court also did not address the legal position in the event a Section 37 Confirmation amendment has been misplaced and cannot currently be physically evidenced. Until a number of further questions are clarified as part of the ongoing legal process, it remains unclear as to the impact, if any, on any contracted-out DB schemes.

The PNPF is a multi-employer scheme of both employed and self-employed members (circa 60% being self-employed) has provided contracted-out benefits to employed members. Associated British Ports is a Participating Body in the PNPF. Under the rules of the PNPF, the Participating Bodies are consulted on changes to the rules but not required to agree. As such Associated British Ports would not be in receipt of any Section 37 Confirmation if one was required for an amendment.

Associated British Ports understands that the PNPF Trustee has in place policies and procedures to ensure compliance with laws and regulations. The steps taken to ensure compliance with laws and regulations includes the appointment of a professional Chair Trustee and regular trustee meetings with attendance by professional advisers including the Scheme Actuary. Associated British Ports believes that the requirement for a Section 37 Confirmation for amendments relating to reference scheme benefits was well known, and decisions should have been taken at the time changes were being made as to whether or not Section 37 was triggered and a Section 37 Confirmation was required.

Until this case progresses further and concludes, the PNPF Trustees are following legal advice and taking no further action to investigate. It is not possible at this stage to assess this case that would result in any change to the liability that has been calculated by the actuary. Associated British Ports considers the current actuarial estimates to represent the best estimate available of the liabilities.

Notes to the financial statements**14. Borrowings**

Borrowings are analysed as follows:

	2023	2022
	£m	£m
Borrowings		
Current:		
Lease liabilities	1.4	2.4
Total current borrowings	1.4	2.4
Non-current:		
Amounts due to parent undertaking	663.5	574.7
Lease liabilities	3.6	4.6
Total non-current borrowings	667.1	579.3

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.

Interest on the loan amounts due to parent undertaking due in 2040, accruing interest at 8.6% (2022: 6.8% per annum plus SONIA compound) accrues annually in arrears and can be settled in cash at any time or deferred until maturity of the facility.

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

	2023	2022
	£m	£m
Lease liabilities		
At 1 January	7.0	8.2
Additions	1.4	1.9
Interest expense	0.4	0.5
Payments	(3.8)	(3.6)
At 31 December	5.0	7.0

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. Expenses relating to short term and low value asset leases are disclosed in note 3.

Notes to the financial statements**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 are:

Derivatives at fair value 2023	Expiry date	Notional litres	Net amounts of presented in the balance sheet	
			Financial assets £m	Financial liabilities £m
Fuel swaps and caps	2024-2025	18.0m litres	0.3	(0.7)
Fair value of derivative financial instruments*			0.3	(0.7)
Derivatives not offset in the balance sheet			-	-
Net amount of derivatives			0.3	(0.7)

*Right to offset under master netting arrangements.

Derivatives at fair value 2022	Expiry date	Notional litres	Net amounts of presented in the balance sheet	
			Financial assets £m	Financial liabilities £m
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 of derivatives			2.3	(0.3)

*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:

	2023	2022
	£m	£m
Derivatives		
Current assets:	0.3	1.8
Non-current assets	-	0.5
Total assets	0.3	2.3
Current liabilities:	(0.7)	(0.2)
Non-current liabilities	-	(0.1)
Total liabilities	(0.7)	(0.3)

Disclosure of the financial risks related to these financial instruments is set out 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 following methods and assumptions were used to estimate the fair values:

- The fair value of cash and cash equivalents, current trade and other receivables and current trade and other payables approximates to their carrying amounts due to the short-term maturities of these instruments
- 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
- The derivative financial instrument swaps are not traded in an active market, hence their fair value is determined by using discounted cash flow valuation techniques. These valuation techniques maximise the use of observable market data where available, including fuel prices and implied volatilities, and rely as little as possible on entity specific estimates and accords to Level 2 in the fair value hierarchy
- The fair value of foreign exchange contracts is based on market price, corresponding to Level 1 in the fair value hierarchy.

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

Treasury matters throughout the group of which the company is a member are controlled centrally and carried out in compliance with policies approved by the Board of Associated British Ports Holdings Limited (“ABPH”), the company’s immediate parent undertaking. The Board of ABPH monitors treasury matters and approves significant decisions. The treasury function’s purpose is to identify, mitigate and hedge financial risks inherent in the group’s business operations and capital structure. The company’s liquidity, interest rate and capital risks, along with credit risk relating to cash, are managed by the group. The company’s 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 by the wider group, owned by 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 reserve (comprised of committed undrawn borrowing facilities and cash and cash equivalents) on the basis of expected cash flows.

The company’s financial liabilities based on undiscounted contractual payments are disclosed in the table below:

	Borrowings (excluding lease liabilities) £m	Lease liabilities £m	Derivative financial instruments £m	Trade and other payables £m	Total £m
Contractual financial liabilities at December 2023					
Not later than one year	55.3	1.9	-	186.2	243.4
More than one year but not more than two years	110.3	1.7	-	84.0	196.0
More than two years but not more than five years	165.6	1.3	-	-	166.9
More than five years	1,247.4	50.3	-	-	1,297.7
Total payments	1,578.6	55.2	-	270.2	1,904.0

Notes to the financial statements

16. Financial instruments (continued)

Financial risk management (continued)

Contractual financial liabilities at December 2022	Borrowings (excluding lease liabilities) £m	Lease liabilities £m	Derivative financial instruments £m	Trade and other payables £m	Total £m
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 disclosures in the tables above are based on contractual payments as they existed as at 31 December 2023 and 31 December 2022.

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 floating rate 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:

Undrawn borrowing facilities	2023 £m	2022 £m
Expiring in:		
More than five years	136.5	225.3
Undrawn borrowing facilities	136.5	225.3

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 2023 was £250.0m (2022: £280.0m).

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

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

Foreign exchange risk

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

Credit risk

Credit risk with banks and financial institutions is managed by the wider group. The group monitors the credit risk of banking counterparts, tracking credit default swap rates and credit ratings of actual and potential counterparties. Cash deposits of the group at the year-end were all with counterparties with a credit rating of A3 or better and the weighted average maturity of deposits was 1 day from 31 December 2023.

Customer credit risk is managed locally in line with a company policy which is designed to ensure that the company's exposure to concentration of credit is appropriately managed through implementation of credit checks and limits. Based on the quality and diversity of its customer base and institutions with which cash is deposited, management considers the company's exposure to concentration of credit risk not to be material. The company uses external credit rating agencies to assess and monitor its trade receivables.

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

Given the counterparties of the receivables, as set out in note 12, management considers the company's exposure to credit risk to be minimal. The maximum exposure to credit risk at 31 December 2023 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.

Notes to the financial statements**16. Financial instruments (continued)****Financial risk management (continued)*****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 holds a long term loan balance with its immediate parent undertaking, ABP Holdings Limited "ABPH". Under the Transport Act 1981 the company is restricted to borrowing only from its immediate parent ABPH at levels predetermined by the board of ABPH. Ultimate realisation of principal balances depends on the performance of the company and the ability of the ports and transport operation to generate cash flows

The company's overall strategy remains unchanged from 2022.

17. Trade and other payables

	2023	2022
	£m	£m
Current:		
Trade payables	31.1	28.3
Amounts due to group undertakings	61.7	60.8
Amounts due to subsidiary undertakings	15.7	16.0
Accruals	63.9	64.1
Other creditors	9.3	2.3
Taxation	4.5	3.8
Total current trade and other payables	186.2	175.3
Non-current:		
Amounts due to subsidiary undertakings	45.8	45.8
Accruals	27.3	19.1
Other creditors	12.6	12.1
Total non-current trade and other payables	85.7	77.0

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

Other creditors is made up of non recurring non trade payables, and includes rent related security deposits of £12.1m (2022: £11.5m) along with amounts due for 3rd party insurance and damages liabilities.

Notes to the financial statements

18. Deferred income

	Contract Liability	Deferred Property Income	Government grants	Total
	£m	£m	£m	£m
At 1 January 2022	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*	8.8	33.7	15.2	57.7
At 31 December 2022*	15.3	85.8	45.4	146.5
Credited to income statement during the year	(8.7)	(46.9)	(4.1)	(59.7)
Amounts received in advance and deferred	2.2	61.9	1.5	65.6
At 31 December 2023	8.8	100.8	42.8	152.4

* Comparatives have been reclassified to conform to current presentation

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

	2023 £m	2022 £m
Current	45.5	41.6
Non-current	106.9	104.9
Total deferred income	152.4	146.5

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

During the year the company received government grants of £1.5m (2022: £15.2m). These include £0.7m for the development of Gypfor Plasterboard Factory and £0.6m for the Automotive Terminal Operating System.

19. Provisions

	Property	Retrospective employer liabilities	Other	Total
2023	£m	£m	£m	£m
At 1 January	25.9	9.0	7.8	42.7
(Credited)/charged to income statement during the year	6.7	(1.5)	-	5.2
Utilised in the year	(0.1)	-	(4.2)	(4.3)
Amortisation of discounting	-	0.6	-	0.6
At 31 December	32.5	8.1	3.6	44.2
Expected utilisation within one year	24.5	0.2	3.6	28.3

Notes to the financial statements**19. Provisions (continued)**

	Property	Retrospective employer liabilities	Other	Total
2022*	£m	£m	£m	£m
At 1 January	7.6	15.5	16.0	39.1
(Credited)/charged to income statement during the year	11.5	(6.7)	(0.3)	4.5
Utilised in the year	-	(0.1)	(1.1)	(1.2)
Transfers between accounts	6.8	-	(6.8)	-
Amortisation of discounting	-	0.3	-	0.3
At 31 December	25.9	9.0	7.8	42.7
Expected utilisation within one year	20.2	0.1	7.8	28.1

* Comparatives have been reclassified to conform to current presentation.

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

	2023	2022
	£m	£m
Provisions		
Current	28.3	28.1
Non-current	15.9	14.6
Total provisions	44.2	42.7

Property

Property provisions include:

- £6.0m 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.
- £21.3m 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.

Retrospective employer liabilities

The company carries a provision in respect of employer's liability in relation to certain industrial diseases.

The company's exposure in relation to retrospective industrial diseases have been subject to a full review in 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 5.5% (2022: 3.8%). The actuarial assessment identified a reasonable discounted estimate of the reserves to be in the range £7.0m to £11.7m (2022: £7.0m to £11.7m). In the light of uncertainty associated with asbestos related claims, the company provides in the middle of the range.

Notes to the financial statements**19. Provisions (continued)****Other provisions**

Other provisions includes environmental remediation identified in relation to marine areas and equipment and not related to land or property, and ongoing business restructuring.

20. Deferred tax

The UK corporation tax rate change from 19% to 25% (effective 1 April 2023). As a result the deferred tax balances are remeasured at 19% or 25% (2022: 19% or 25%) as appropriate for the period in which they are expected to crystallise.

Adjustments in respect of previous periods are charged/(credited) to income statement.

The movement on the deferred tax is shown below:

	2022	Previous period	Charged/	Charged/	
2023	£m	adjustments	(credited)	(credited)	2023
		£m	to income	to OCI	£m
			statement		
			£m	£m	£m
Deferred tax	111.1	4.3	6.9	-	122.3
Accelerated tax depreciation					
Revaluation of operational land and investment properties	210.4	-	24.1	(0.5)	234.0
Capital losses	(13.2)	0.4	0.8	-	(12.0)
Retirement benefit obligations	(2.9)	-	2.7	(3.3)	(3.5)
Other	(2.1)	-	0.9	-	(1.2)
Net deferred tax liability	303.3	4.7	35.4	(3.8)	339.6

	2021	Previous period	Charged/	Charged/	
2022	£m	adjustments	(credited)	(credited)	2022
		£m	to income	to OCI	£m
			statement		£m
			£m	£m	£m
Deferred tax	110.0	0.3	0.8	-	111.1
Accelerated tax depreciation					
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

The company has unrecognised capital losses of £314.1m (2022: £314.1m) that have no expiry date and are only available for offset against gains from future sales of land and buildings from the port estates. These have not been recognised as gains from future property sales cannot be projected with sufficient certainty.

Notes to the financial statements**21. Cash flow reconciliations**

Reconciliation of profit before taxation to cash generated by operations:

	2023	2022
	£m	£m
Cash generated by operations		
Profit before taxation	341.3	360.6
Finance costs	47.7	33.6
Finance income	(4.3)	(1.4)
Net unrealised gain on operating derivatives	2.4	(0.8)
Depreciation of property, plant and equipment and right of use assets	98.3	91.7
Amortisation of intangible assets	10.8	8.8
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	(9.0)	6.7
Increase in provisions	1.0	3.3
Increase in fair value of investment properties	(96.8)	(148.4)
Difference between pension contributions paid and defined benefit pension charge through income statement	(11.8)	(11.7)
Operating cash flows before movements in working capital	379.6	342.4
Increase/(decrease) in trade and other receivables	2.4	(15.7)
Increase in trade and other payables and deferred income	3.3	26.1
Cash generated by operations	385.3	352.8

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

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

	At 1 January	Cash flows	Non-cash	At 31
	(liability)/		changes	December
	asset			(liability)/
	£m	£m	£m	asset
2023	£m	£m	£m	£m
Long-term intercompany borrowings	(574.7)	143.9	(232.7)	(663.5)
Lease liabilities	(7.0)	3.8	(1.8)	(5.0)
Total	(581.7)	147.7	(234.5)	(668.5)

Notes to the financial statements**21. Cash flow reconciliations (continued)**

	At 1 January (liability)/ asset	Cash flows	Non-cash changes	At 31 December (liability)/ asset
2022*	£m	£m	£m	£m
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)

* Comparatives have been reclassified to conform to the current presentation.

22. Related party transactions**Transactions with the Trustee of the Associated British Ports Group pension Scheme**

The company has multiple pension arrangements, predominantly defined contribution, and also operates a defined benefit scheme managed by the Trustee of the Associated British Ports Group Pension Scheme (“ABPGPS”) (see note 13). During the year, the company charged ABPGPS £0.2m (2022: £0.2m) in respect of administrative services.

During the year CPP Investment Board Private Holdings reimbursed the company for project related costs of £2.3m.

Transactions with key management personnel

Details of compensation of key management personnel are set out in note 5.

Notes to the financial statements**22. Related party transactions (continued)****Transactions with fellow group companies**

The company has also 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
Solent Gateway Limited	Group undertaking
ABPH Marine (Guernsey) Limited	Group undertaking
ABP Safeguard Limited	Wholly owned subsidiary
Aldwych Logistics Investments Limited	Wholly owned subsidiary
Colchester Dock Transit Company Limited	Wholly owned subsidiary
Exxtor Shipping Services Limited	Wholly owned subsidiary
Humber Pilotage (C.H.A.) Limited	Wholly owned subsidiary
Ipswich Port Limited	Wholly owned subsidiary
Northern Cargo Services Limited	Wholly owned subsidiary
RPM Industrial Site Services Limited	Wholly owned subsidiary
Southampton Free Trade Zone Limited	Wholly owned subsidiary
The Teignmouth Quay Company Limited	Wholly owned subsidiary
UK Dredging Management Limited	Wholly owned subsidiary
W.E. Dowds (Shipping) Limited	Wholly owned subsidiary
Whitby Port Services Limited	Wholly owned subsidiary

Notes to the financial statements**22. Related party transactions (continued)**

The company has the following borrowings with the related party:

Related party borrowings	Due date	Interest rate per annum	2023 £m	2022 £m
		8.6% (2022: 6.8%) per annum plus SONIA compound		
Associated British Ports Holdings Limited	2040		(663.5)	(574.7)
			(663.5)	(574.7)

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:

	2023 £m	2022 £m
Intercompany borrowing at start of the year	(574.7)	(591.9)
Non cash increase in borrowing	(23.1)	(17.7)
Interest charged 8.6% per annum (2022: 6.8%)	(49.6)	(36.1)
Dividend declared	(160.0)	(180.0)
Dividend paid	110.0	-
Interest paid	27.9	29.8
Net borrowing repaid	6.0	221.2
Related party borrowing at end of the year	(663.5)	(574.7)

Non cash increase in borrowings represents group tax relief from parent undertaking

Notes to the financial statements**22. Related party transactions (continued)**

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

	2023	2022
	£m	£m
Related party trade and other receivables:		
ABP (Aldwych) Limited	1.5	1.5
Solent Gateway limited	0.3	-
Total current receivable	1.8	1.5
Related party trade and other payables:		
ABP Marine Environmental Research Limited	(3.6)	(3.2)
ABP Property Development Company Limited	(5.0)	(5.0)
ABP Security Limited	(0.2)	(0.1)
ABPH Marine (Guernsey) Limited	-	(0.1)
Grosvenor Waterside Investments Limited	(39.0)	(38.9)
Millbay Development Company Limited	(0.2)	(0.1)
Solent Gateway Limited	(0.3)	-
W.E. Dowds (Shipping) Limited	(4.1)	(4.4)
ABP Southampton Properties Limited	(4.1)	(4.1)
Auto Shipping Limited	(0.5)	(0.5)
Grosvenor Waterside Asset Management Limited	(0.1)	(0.1)
Immingham Bulk Terminal Limited	(8.6)	(8.6)
The Teignmouth Quay Company Limited	(11.7)	(11.7)
Total current payable	(77.4)	(76.8)
Humber Pilotage (C.H.A.) Limited	(2.0)	(2.0)
Colchester Dock Transit Company Limited	(5.3)	(5.3)
Ipswich Port Limited	(24.7)	(24.7)
Northern Cargo Services Limited	(1.1)	(1.1)
Southampton Free Trade Zone Limited	(1.5)	(1.5)
Exxtor Shipping Services Limited	(11.2)	(11.2)
Total non current payable	(45.8)	(45.8)
Total current account balances	(121.4)	(121.1)

Notes to the financial statements**22. Related party transactions (continued)**

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 are shown in the following tables show:

	2023	2022
	£m	£m
ABP Marine Environmental Research Limited		
Intercompany payable at start of the year	(3.2)	(1.7)
Movement for the year	(0.4)	(1.5)
Intercompany payable at end of the year	(3.6)	(3.2)

	2023	2022
	£m	£m
ABP Security Limited		
Intercompany payable at start of the year	(0.1)	(0.1)
Movement for the year	(0.1)	-
Intercompany payable at end of the year	(0.2)	(0.1)

	2023	2022
	£m	£m
ABPH Marine (Guernsey) Limited		
Intercompany payable at start of the year	(0.1)	(0.1)
Movement for the year	0.1	-
Intercompany payable at end of the year	-	(0.1)

	2023	2022
	£m	£m
Grosvenor Waterside Investments Limited		
Intercompany payable at start of the year	(38.9)	(38.7)
Movement for the year	(0.1)	(0.2)
Intercompany payable at end of the year	(39.0)	(38.9)

	2023	2022
	£m	£m
Millbay Development Company Limited		
Intercompany payable at start of the year	(0.1)	(0.1)
Movement for the year	(0.1)	-
Intercompany payable at end of the year	(0.2)	(0.1)

	2023	2022
	£m	£m
Solent Gateway Limited		
Intercompany payable at start of the year	-	-
Movement for the year	(0.3)	-
Intercompany payable at end of the year	(0.3)	-

Notes to the financial statements**22. Related party transactions (continued)**

	2023	2022
	£m	£m
W.E. Dowds (Shipping) Limited		
Intercompany payable at start of the year	(4.4)	(0.9)
Movement for the year	0.3	(3.5)
Intercompany payable at end of the year	(4.1)	(4.4)

23. Financial commitments

	2023	2022
	£m	£m
Capital commitments		
Capital expenditure contracted but not provided for	44.2	38.6

24. Contingent liabilities

Guarantees and securities to wider group:

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 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.

Industry wide defined benefit pension schemes:

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.

Notes to the financial statements**25. Leases****Company as lessor**

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

Operating lease receivables

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:

	2023	2022
	£m	£m
Operating lease receivables		
Not later than one year	118.8	110.9
More than one year but not more than two years	103.4	92.6
More than two years but not more than three years	94.1	86.8
More than three years but not more than four years	76.1	80.3
More than four years but not more than five years	69.0	64.4
More than five years	836.2	783.3
Total	1,297.6	1,218.3

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, of these finance leases, 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 lease payments of £3.8m (2022: £3.6m).

Notes to the financial statements**26. Subsidiary undertakings**

All subsidiaries have a registered address of 25 Bedford Street, London, WC2E 9ES and operate in England and Wales, unless otherwise stated. The company's controlling interest in subsidiary undertakings is represented by ordinary shares. All ordinary shares have voting rights in the same proportion to the shareholding.

	% 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

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.

Notes to the financial statements**27. Holding company and ultimate controlling parties (continued)**

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

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

	% of A Ordinary shares	% of B Ordinary shares	% of Preference shares
2023			
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 Federated Hermes Diversified Infrastructure Fund LP, Hermes Infrastructure Fund I LP ¹ and Hermes Infrastructure (Alaska) LP)	6.12	6.12	6.12
	100.00	100.00	100.00

¹ previously called Hermes GPE Infrastructure Fund LP

	% 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 Federated Hermes Diversified Infrastructure Fund LP, Hermes Infrastructure Fund I LP ¹ and Hermes Infrastructure (Alaska) LP)	6.12	6.12	6.12
	100.00	100.00	100.00

¹ previously called Hermes GPE Infrastructure Fund LP .