**Unaudited condensed group income statement for the six months ended 30 June**

| | Note | 2022 £m | 2021 £m |
|---|---|---|---|
| **Revenue** | 2 | **328.6** | 290.2 |
| Cost of sales | | **(146.6)** | (129.7) |
| **Gross profit** | | **182.0** | 160.5 |
| Administrative expenses | | **(56.5)** | (57.4) |
| Other income | | **1.7** | 0.4 |
| **Operating profit** | | **127.2** | 103.5 |
| Analysed between: | | | |
| Underlying operating profit before the following items: | | **129.3** | 109.6 |
| Depreciation and amortisation of fair value uplift of assets acquired in a business combination | | **(5.2)** | (6.1) |
| Net unrealised gain on fuel derivatives | | **3.2** | 1.9 |
| Exceptional items | | **(0.1)** | (1.9) |
| | | **127.2** | 103.5 |
| Finance costs | 3 | **(231.8)** | (214.7) |
| Finance income | 3 | **8.6** | 9.7 |
| **Loss after finance costs** | | **(96.0)** | (101.5) |
| Net unrealised gain on derivatives at fair value through profit and loss | 3 | **397.3** | 70.3 |
| Unrealised foreign exchange (losses)/gains | 3 | **(38.5)** | 12.1 |
| **Profit/(loss) before taxation** | | **262.8** | (19.1) |
| Taxation charge | 4 | **(71.4)** | (42.1) |
| **Profit/(loss) for the period attributable to equity shareholder** | | **191.4** | (61.2) |

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

**Unaudited condensed group statement of comprehensive income for the six months ended 30 June**

| | 2022 £m | 2021 £m |
|---|---|---|
| **Profit/(loss) for the period attributable to equity shareholder** | **191.4** | (61.2) |
| | | |
| **Other comprehensive income/(expense):** | | |
| *Other comprehensive income/(expense) not to be reclassified to profit and loss in subsequent periods:* | | |
| Deferred tax on revaluation of investment property | **-** | (0.9) |
| Remeasurement gain relating to net retirement benefit liabilities | **28.0** | 20.1 |
| Deferred tax associated with remeasurement gain relating to net retirement benefit liabilities | **(7.3)** | (3.2) |
| **Other comprehensive income for the period, net of tax** | **20.7** | 16.0 |
| **Total comprehensive income/(expense) for the period, net of tax, attributable to equity shareholder** | **212.1** | (45.2) |

**Unaudited condensed group balance sheet**

| | Note | At 30 June 2022 £m | At 31 December 2021 £m |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Goodwill | 6 | **1,051.9** | 1,051.9 |
| Intangible assets | 6 | **83.3** | 88.7 |
| Property, plant and equipment | 6 | **1,812.6** | 1,821.4 |
| Right of use assets | 6 | **4.8** | 5.8 |
| Investment property | 6 | **2,241.0** | 2,216.6 |
| Retirement benefit assets | 5 | **86.4** | 62.8 |
| Derivative financial instruments | 9 | **105.2** | 152.7 |
| Trade and other receivables | 7 | **1.7** | 5.5 |
| | | **5,386.9** | 5,405.4 |
| **Current assets** | | | |
| Property and land held for sale | | **0.4** | 0.8 |
| Derivative financial instruments | 9 | **29.1** | 15.4 |
| Trade and other receivables | 7 | **147.8** | 117.6 |
| Cash and cash equivalents | 8 | **59.0** | 105.9 |
| | | **236.3** | 239.7 |
| **Total assets** | | **5,623.2** | 5,645.1 |
| | | | |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Borrowings | 8 | **(239.4)** | (109.7) |
| Derivative financial instruments | 9 | **(33.4)** | (60.8) |
| Trade and other payables | | **(71.7)** | (86.6) |
| Deferred income | | **(47.5)** | (38.2) |
| Provisions | | **(33.9)** | (34.0) |
| Current tax liabilities | | **(6.7)** | (2.1) |
| | | **(432.6)** | (331.4) |
| **Non-current liabilities** | | | |
| Borrowings | 8 | **(5,829.5)** | (5,827.3) |
| Derivative financial instruments | 9 | **(540.5)** | (947.4) |
| Retirement benefit liabilities | 5 | **(30.7)** | (41.1) |
| Trade and other payables | | **(23.7)** | (23.3) |
| Deferred income | | **(97.0)** | (91.7) |
| Provisions | | **(18.6)** | (19.8) |
| Deferred tax liabilities | | **(207.4)** | (132.0) |
| | | **(6,747.4)** | (7,082.6) |
| **Total liabilities** | | **(7,180.0)** | (7,414.0) |
| | | | |
| **Net liabilities** | | **(1,556.8)** | (1,768.9) |
| | | | |
| **Shareholder's deficit** | | | |
| Share capital | | **-** | - |
| Revaluation reserve | | **959.3** | 959.3 |
| Other reserve | | **1,000.0** | 1,000.0 |
| Accumulated losses | | **(3,516.1)** | (3,728.2) |
| **Total shareholder's deficit** | | **(1,556.8)** | (1,768.9) |

**Unaudited condensed group statement of cash flows for the six months ended 30 June**

| | Note | 2022 £m | 2021* £m |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash generated by operations | 11 | **145.7** | 143.8 |
| Interest paid | | **(83.2)** | (88.1) |
| Interest received | | **8.1** | 9.8 |
| Lease interest paid | | **(0.3)** | (0.3) |
| Income tax paid | | **(4.0)** | - |
| **Net cash inflow from operating activities** | | **66.3** | 65.2 |
| **Cash flows from investing activities** | | | |
| Net proceeds from sale of property, plant and equipment | | **0.1** | 0.8 |
| Net proceeds from sale of land held for sale | | **(1.7)** | 0.1 |
| Government grants received | | **12.7** | 14.8 |
| Purchase of intangible assets | | **(3.4)** | (3.2) |
| Purchase of property, plant and equipment | | **(55.6)** | (70.9) |
| Purchase of investment property | | **(13.7)** | (9.9) |
| **Net cash outflow from investing activities** | | **(61.6)** | (68.3) |
| **Cash flows from financing activities** | | | |
| New borrowings | | **10.0** | - |
| Payment of transaction costs on issue of borrowings | | **(0.3)** | (0.1) |
| Repayment of borrowings | | **(60.4)** | - |
| Payment of principal portion of lease liabilities | | **(1.0)** | (1.2) |
| **Net cash outflow from financing activities** | | **(51.7)** | (1.3) |
| **Change in cash and cash equivalents during the year** | | **(47.0)** | (4.4) |
| Foreign exchange gain | | **0.1** | - |
| Cash and cash equivalents at 1 January | | **105.9** | 210.3 |
| **Cash and cash equivalents at 30 June** | | **59.0** | 205.9 |

*Comparatives have been restated to conform to current presentation.

**Unaudited condensed group statement of changes in equity for the six months ended 30 June**

| | Share capital £m | Revaluation reserve £m | Other reserve £m | Accumulated losses £m | Total £m |
|---|---|---|---|---|---|
| At 1 January 2022 | - | 959.3 | 1,000.0 | (3,728.2) | (1,768.9) |
| Profit for the period | - | - | - | 191.4 | 191.4 |
| Other comprehensive income/ | - | - | - | 20.7 | 20.7 |
| **Total comprehensive income** | **-** | **-** | **-** | **212.1** | **212.1** |
| **At 30 June 2022** | **-** | **959.3** | **1,000.0** | **(3,516.1)** | **(1,556.8)** |

| | Share capital £m | Revaluation reserve £m | Other reserve £m | Accumulated losses £m | Total £m |
|---|---|---|---|---|---|
| At 1 January 2021 | - | 903.9 | 1,000.0 | (3,593.3) | (1,689.4) |
| Loss for the period | - | (0.1) | - | (61.1) | (61.2) |
| Other comprehensive income | - | - | - | 16.0 | 16.0 |
| **Total comprehensive expense** | **-** | **(0.1)** | **-** | **(45.1)** | **(45.2)** |
| **At 30 June 2021** | **-** | **903.8** | **1,000.0** | **(3,638.4)** | **(1,734.6)** |

**Unaudited notes to the interim condensed financial statements**

## 1. Accounting policies

### 1.1 Basis of preparation

These interim condensed consolidated financial statements do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. The comparative figures for the year ended 31 December 2021 are derived from the statutory accounts filed with the Registrar of Companies. The auditor's report on the statutory accounts for the year ended 31 December 2021 was unqualified and did not contain a statement under section 498 of the Companies Act 2006.

The group prepares its annual consolidated financial statements in accordance with UK adopted International Accounting Standards ("IASs"). The interim condensed consolidated financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*. They do not include all the information and disclosures required in the group's annual consolidated financial statements and should be read in conjunction with the group's annual consolidated financial statements for the year ended 31 December 2021.

*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 six months period ended 30 June 2022 the group generated cash from operations of £145.7m and the group's strategic plan forecasts this level of performance to continue in the future;
- As at 30 June 2022, the group had net liabilities of £1,556.8m. These include:
    - external senior borrowings of £2,285.1m that are not due until between the second half of 2022 and 2042;
    - subordinated long-term loans, including accrued interest, due to its immediate parent undertaking, ABP Midco UK Limited, of £3,759.1m; and
    - long dated derivative financial instrument liabilities classified as non-current of £540.5m that are not expected to result in significant cash flows in the next twelve months.
- On 15 March 2022, the group's ultimate parent undertaking, ABP (Jersey) Limited, confirmed that it will continue to finance the group to enable it to meet its liabilities.

Following the territorial invasion of Ukraine by Russian armed forces, most governments, including that of the UK, have imposed economic sanctions on Russia. The group is proactively considering the exposure to customers and the impact any such contracts would have in the financial results and headroom against its loan covenants. Based on initial findings of customers impacted by the current restrictions in place and the information presently available, the group does not expect the impact of the sanctions to cause it to default on its covenants or to otherwise threaten the viability of the group.

Driven by post pandemic supply chain restrictions and the invasion of Ukraine by Russia the global economy has seen significant inflationary pressures, the inflation indicators (CPI and RPI) saw a steep increase in the latter months of 2021, which has continued into 2022. Inflation has a double impact on ABP's performance: on the cost base, where increased inflation will put pressure on costs (both internal and from external providers); and on revenues, where a significant proportion of the contracts with our customers are linked to CPI and RPI.

The group's business plan was developed taking in consideration the developments of the Covid-19 pandemic and its impact on business performance. Management continues to monitor the impact of the virus and potential business impacts and do not expect it to adversely impact the going concern assumption, based on the significant proportion of revenue that is contractually guaranteed, limited impact from the pandemic on 2020 and 2021 performance, and the group's ability to take effective mitigating actions to counter downside scenarios.

**Unaudited notes to the interim condensed financial statements**

1. **Accounting policies** (continued)

1.1 **Basis of preparation** (continued)

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

Given the nature, maturity dates and counterparties of the liabilities above (as set out in note 8), as well as the group's track record of its ability to refinance debt and generate cash flows, notwithstanding the impact of the Covid-19 pandemic, the directors are confident that the 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 **Changes in accounting policies**

***New standards, amendments and interpretations adopted***
The interim condensed consolidated financial statements have been prepared in accordance with the accounting policies set out in the group's annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of new standards, amendments and interpretations effective from 1 January 2022. Several standards, amendments and interpretations apply for the first time in 2022, but do not have a material impact on the interim condensed consolidated financial statements of the group.

***New standards, amendments and interpretations issued but not yet effective***
The group's annual consolidated financial statements for the year ended 31 December 2021 disclose new standards, amendments and interpretations issued by the IASB and IFRIC with an effective date of implementation for accounting periods beginning after the start of the group's current financial year along with the anticipated impact on the group. New amendments to standards have subsequently been issued. The directors do not anticipate that the adoption of these new amendments will have a material impact on the group's consolidated financial statements in the period of initial application.

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

**Unaudited notes to the interim condensed financial statements**

## 2. Revenue

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

| | For the six months ended 30 June 2022 £m | 2021 £m |
|---|---|---|
| **Revenue** | | |
| Call | **55.1** | 50.4 |
| Traffic | **122.4** | 113.3 |
| Cargo operations | **24.9** | 21.6 |
| Shortfall | **9.8** | 5.9 |
| Utilities | **12.7** | 9.3 |
| Dredging | **5.6** | 3.6 |
| Fixed | **4.5** | 8.2 |
| Other | **15.8** | 8.0 |
| **Total revenue from contracts with customers** | **250.8** | 220.3 |
| Rental income from investment properties | **77.8** | 69.9 |
| Total lease income | **77.8** | 69.9 |
| **Total revenue** | **328.6** | 290.2 |

**Unaudited notes to the interim condensed financial statements**

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

| | For the six months ended 30 June 2022 £m | 2021 £m |
|---|---|---|
| Interest on term and revolving facilities | **1.9** | 1.9 |
| Interest on private placement notes | **22.7** | 20.4 |
| Interest on public loan notes | **20.9** | 21.1 |
| Interest on amounts due from parent undertaking | **150.7** | 132.5 |
| Interest on lease liabilities | **0.3** | 0.3 |
| Amortisation of borrowing costs and discount on issue | **1.5** | 1.0 |
| Net interest charge on net defined benefit liabilities | **-** | 0.3 |
| Other finance costs | **1.5** | 1.7 |
| Less: interest capitalised on non-current assets under construction | **(2.1)** | (2.2) |
| **Finance costs on financial assets and liabilities held at amortised cost** | **197.4** | 177.0 |
| Interest cost on derivatives at fair value through profit and loss | **34.4** | 37.7 |
| **Finance costs** | **231.8** | 214.7 |
| Net interest income on defined benefit assets | **(0.2)** | - |
| Other finance income | **(0.4)** | (0.2) |
| **Finance income on financial assets and liabilities held at amortised cost** | **(0.6)** | (0.2) |
| Interest income on derivatives at fair value through profit and loss | **(8.0)** | (9.5) |
| **Finance income** | **(8.6)** | (9.7) |
| **Net finance costs** | **223.2** | 205.0 |
| Net unrealised gain on derivatives at fair value through profit and loss | **(397.3)** | (70.3) |
| Unrealised foreign exchange gains | **-** | (12.1) |
| Unrealised foreign exchange losses | **38.5** | - |
| **Net (gain)/loss** | **(135.6)** | 122.6 |

4. **Taxation**

The group is subject to UK corporation tax. The rate of taxation applicable to the group's taxable profits for the six months ended 30 June 2022 was 19.0% (period ended 30 June 2021: 19.0%). The current tax charge for the six months ended 30 June 2022 amounted to £3.2m (period ended 30 June 2021: charge of £1.7m). Taxable profits have remained broadly in line between periods due mainly to the fair value gains on derivatives which are disallowable in both periods.

The deferred tax charge for the six months ended 30 June 2022 amounted to £68.2m (period ended 30 June 2021: charge of £40.4m). The current period charge is driven by the change in the fair value of derivatives and the impact of a change in the rate expected on the realisation of the deferred tax.

**Unaudited notes to the interim condensed financial statements**

5. **Pension commitments**

***Income statement***

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

| | For the six months ended 30 June 2022 £m | 2021 £m |
|---|---|---|
| ABPGPS and unfunded retirement benefit arrangements | **0.9** | 1.2 |
| Industry wide schemes | **0.1** | 0.1 |
| Defined contribution arrangements | **5.7** | 5.0 |
| **Net pension charge recognised within operating profit** | **6.7** | 6.3 |
| Net interest (income)/charge on net defined benefit assets/liabilities | **(0.2)** | 0.3 |
| **Net pension charge recognised in loss before taxation** | **6.5** | 6.6 |

***Balance sheet***

The retirement benefit assets and obligations were:

| | At 30 June 2022 £m | At 31 December 2021 £m |
|---|---|---|
| ABPGPS – net funded pension assets | **86.4** | 62.8 |
| ABPGPS – net unfunded pension liability | **(1.9)** | (2.0) |
| | **84.5** | 60.8 |
| PNPF | **(28.8)** | (39.1) |
| **Net retirement benefit assets** | **55.7** | 21.7 |
| | | |
| Net retirement benefit assets total | **86.4** | 62.8 |
| Net retirement benefit obligations total | **(30.7)** | (41.1) |
| **Net retirement benefit assets** | **55.7** | 21.7 |

The valuation for the group's main defined benefit pension scheme was reviewed by the group's actuary at 30 June 2022. Based on this review, the scheme's net surplus was estimated as being £84.5m at 30 June 2022 (31 December 2021: £60.8m), representing an increase of £23.7m. At 30 June 2022 there have been no significant changes to the assumptions used at 31 December 2021.

The valuation for the PNPF was reviewed by the scheme's actuary at 30 June 2022. Based on this review, the group's share of the scheme's net deficit was estimated as being £28.8m (31 December 2021: £39.1m), representing a decrease of £10.3m. At 30 June 2022 there have been no significant changes to the assumptions used at 31 December 2021.

**Unaudited notes to the interim condensed financial statements**

6. **Movements in fixed assets**

| | Goodwill | Intangible assets | Property, plant and equipment | Investment property | ROU assets |
|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m |
| **Six months ended 30 June 2022** | | | | | |
| Net book value as at 1 January 2022 | 1,051.9 | 88.7 | 1,821.4 | 2,216.6 | 5.8 |
| Additions | - | 2.7 | 48.3 | 12.4 | 0.1 |
| Transfers between asset categories | - | - | (12.0) | 12.0 | - |
| Disposals and write offs | - | (0.1) | (0.1) | - | - |
| Depreciation and amortisation | - | (8.0) | (45.0) | - | (1.1) |
| **Net book value at 30 June 2022** | **1,051.9** | **83.3** | **1,812.6** | **2,241.0** | **4.8** |

| | Goodwill | Intangible assets | Property, plant and equipment | Investment property | ROU assets |
|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m |
| **Year ended 31 December 2021** | | | | | |
| Net book value as at 1 January 2021 | 1,051.9 | 97.8 | 1,759.0 | 2,137.2 | 6.8 |
| Additions | - | 8.0 | 160.4 | 19.7 | 1.3 |
| Transfers between asset categories | - | - | (5.1) | 5.1 | - |
| Transfers to property and land held for sale | - | - | (0.5) | (0.3) | - |
| Disposals and write offs | - | - | (3.4) | (0.6) | - |
| Depreciation and amortisation | - | (17.1) | (89.0) | - | (2.3) |
| Surplus on revaluation | - | - | - | 12.1 | - |
| Increase in fair value of investment properties | - | - | - | 43.4 | - |
| **Net book value at 31 December 2021** | **1,051.9** | **88.7** | **1,821.4** | **2,216.6** | **5.8** |

*Intangible assets*
During the six months ended 30 June 2022, the major amounts capitalised included: £0.5m of software relating mainly to IT related projects and £2.1m of other intangibles assets related to non software technology.

*Property, plant and equipment*
During the six months ended 30 June 2022, the major amounts capitalised included: £5.6m for two cranes on the Humber, £4.9m for the dredging programme at the container terminal in Southampton, £3.5m for the Border Control Post schemes at Hull and Plymouth, £2.0m for shed infrastructure at Hull, £1.7m for container development at Southampton, £1.3m for the cruise terminal at Southampton and £1.3m for ferry infrastructure at Ayr.

**Unaudited notes to the interim condensed financial statements**

6. **Movements in fixed assets** (continued)

*Investment property*
During the six months ended 30 June 2022, the major amount capitalised was £3.2m for the quays and fish dock development in Fleetwood, £2.7m relating to the new plasterboard factory in Newport, £1.5m for remediation works in Barry and £2.3m improvement works in Southampton.

During the six months ended 30 June 2022 and 30 June 2021 there was no change in fair value of investment properties recognised directly in the income statement.

*Right of use assets*
During the six months ended 30 June 2022, the main additions were in respect of new leased cars.

*Leases exempted*
During the six months ended 30 June 2022, the group recognised lease expense from short-term leases of £1.2m (period ended 30 June 2021: £0.9m) and leases of low value assets of £0.1m (period ended 30 June 2021: £0.1m).

7. **Trade and other receivables**

| | **At 30 June 2022 £m** | **At 31 December 2021 £m** |
|---|---|---|
| **Non-current** | | |
| Accrued income | **1.1** | 1.6 |
| Other receivables | **0.6** | 3.9 |
| **Total non-current trade and other receivables** | **1.7** | 5.5 |
| **Current** | | |
| Gross trade receivables | **99.4** | 73.3 |
| Prepayments | **10.7** | 7.2 |
| Accrued income | **27.0** | 22.8 |
| Other receivables | **14.7** | 18.4 |
| Interest receivable on derivatives | **6.7** | 6.5 |
| **Gross current trade and other receivables** | **158.5** | 128.2 |
| Allowance for expected credit losses | **(10.7)** | (10.6) |
| **Total current trade and other receivables** | **147.8** | 117.6 |

During the six months ended 30 June 2022, the group recognised a provision for expected credit losses measured at an amount equal to the lifetime expected credit losses on receivables arising from contracts with customers of £1.2m (period ended 30 June 2021: £1.9m).

**Unaudited notes to the interim condensed financial statements**

## 8. Net borrowings

| | Due date at 30 June 2022 | Rate per annum | At 30 June 2022 £m | At 31 December 2021 £m |
|---|---|---|---|---|
| Term and revolving facilities | 2022-2029 | 1m-3m LIBOR/compounded SONIA plus margin | **219.0** | 209.0 |
| Private placements – GBP floating rate | 2024-2033 | 6m LIBOR/compounded SONIA plus margin | **460.0** | 460.0 |
| Private placements – GBP fixed rate | 2023-2035 | 3.43% - 4.38% | **365.0** | 365.0 |
| Private placements – USD fixed rate | 2022-2029 | 3.82% - 4.62% | **285.9** | 285.9 |
| Private placements – JPY fixed rate | 2032 | 1.00% | **63.6** | 63.6 |
| Public loans – GBP floating rate | 2022-2033 | 3m LIBOR/compounded SONIA plus margin | **134.9** | 134.9 |
| Public loans – GBP fixed rate | 2026-2042 | 5.25% - 6.25% | **550.0** | 550.0 |
| Public loans – EUR fixed rate | 2023 | 3.22% - 3.50% | **118.6** | 118.6 |
| Net accumulated foreign exchange loss on external debt | | | **100.5** | 62.0 |
| Deferred borrowing costs | | | **(12.4)** | (13.5) |
| **External debt** | | | **2,285.1** | 2235.5 |
| Interest payable on external debt and derivatives | | | **17.2** | 16.7 |
| Interest receivable on derivatives | | | **(6.7)** | (6.5) |
| Lease liabilities | | | **7.5** | 8.4 |
| Cash and cash equivalents | | | **(59.0)** | (105.9) |
| **Net external debt** | | | **2,244.1** | 2,148.2 |
| Amounts due to parent undertaking | 2023-2028 | 9.00% ; 6m LIBOR/compounded SONIA plus margin | **1,138.8** | 1,199.2 |
| Interest on amounts due to parent undertaking | | | **2,620.3** | 2,477.2 |
| **Net borrowings** | | | **6,003.2** | 5,824.6 |

| | | |
|---|---|---|
| Current borrowings | **239.4** | 109.7 |
| Non-current borrowings | **5,829.5** | 5,827.3 |
| Less: interest receivable on derivatives | **(6.7)** | (6.5) |
| Less: cash and cash equivalents | **(59.0)** | (105.9) |
| **Net borrowings** | **6,003.2** | 5,824.6 |

During the six months ended 30 June 2022 external borrowings remained broadly consistent with the prior year end with the exception of foreign currency loans which have been impacted by the volatility in the exchange rate. The increase in net accumulated foreign exchange losses on external debt is due to the weakening of Sterling against the Euro and the US dollar.

Amounts due to parent undertaking represent two loans from ABP Midco UK Limited, the group’s immediate parent undertaking, which largely match borrowings from the shareholders of the group’s ultimate parent undertaking held by the group’s intermediate parent undertaking, ABP Bonds UK Limited, and fellow group undertaking, ABP Mezzanine Holdco UK Limited.

Borrowings of the group are secured over all of the group’s investments (and in the case of Associated British Ports Holdings Limited, the group’s wholly owned intermediate subsidiary undertaking, the Associated British Ports ownership rights).

**Unaudited notes to the interim condensed financial statements**

8. **Net borrowings** (continued)

The wholly owned immediate subsidiary undertaking of the company, ABP Acquisitions UK Limited (“ABPA”), has borrowing agreements which restrict the amounts that can be paid by certain subsidiary undertakings in respect of the redemption, purchase or retirement of share capital or share premium, payments of dividends or interest in respect of shares, payments of management, advisory or other fees at arm’s length, or any repayment of subordinated debt. Were the companies to make payments in excess of these limits it would be in breach of its financing covenants. The companies subject to these restrictions are ABPA Holdings Limited, ABPA, ABP Finance PLC, Associated British Ports Holdings Limited, Associated British Ports and any other material subsidiary undertakings as defined in the agreement.

Lease liabilities are secured on related leased assets.

9. **Derivative financial instruments**

The group uses derivatives to manage its exposure to various fixed rate, floating rate and foreign currency borrowings and transactions and fuel prices. As at 30 June 2022, the group’s debt was 101% fixed in relation to interest rate movements. The exchange rate exposure in relation to all non-sterling borrowings is fully hedged. As the group does not designate any of its derivatives as hedges, the fair value changes are recognised in the income statement.

10. **Financial instruments**

**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.

Below is a comparison by class of the carrying amounts and fair value of the group’s financial instruments, other than those with carrying amounts that are reasonable approximations of fair value. Carrying amounts of the fixed rate public loan notes and fixed rate private placement notes represent principal only and exclude accrued interest and deferred borrowing costs:

| | As at 30 June 2022 | | As at 31 December 2021 | |
|---|---|---|---|---|
| | **Book value £m** | **Fair value £m** | **Book value £m** | **Fair value £m** |
| **Financial liabilities** | | | | |
| **At amortised cost** | | | | |
| Fixed rate public loan notes | **670.6** | **735.9** | 667.4 | 792.1 |
| Fixed rate private placement notes | **813.0** | **807.2** | 777.6 | 832.9 |

The terms of the fixed rate notes are set out in note 8.

The following methods and assumptions were used to estimate the fair values:

- 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 credit quality of counterparties, fuel prices and implied volatilities, and foreign exchange spot and forward rates and interest rate curves and rely as little as possible on entity specific estimates and accords to Level 2 in the fair value hierarchy; and
- The forward foreign exchange contracts are traded in an active market, hence their fair value is based on market price, corresponding to Level 1 in the fair value hierarchy.

**Unaudited notes to the interim condensed financial statements**

## 11. Cash generated by operations

| Reconciliation of profit/(loss) before taxation to cash generated by operations: | For the six months ended 2022 £m | 2021* £m |
|---|---|---|
| Profit/(loss) before taxation | **262.8** | (19.1) |
| Finance costs | **270.3** | 214.7 |
| Net unrealised gain on derivatives at fair value through profit and loss | **(397.3)** | (70.3) |
| Finance income | **(8.6)** | (21.8) |
| Net unrealised gain on operating derivatives | **(3.2)** | (1.9) |
| Depreciation of property, plant and equipment and right of use assets | **46.1** | 45.2 |
| Amortisation of intangible assets | **8.0** | 8.6 |
| Loss on write off of intangibles and disposal of property, plant and equipment, investment property, property and land held for sale and right of use assets | **2.2** | 1.8 |
| (Decrease)/increase in provisions | **(1.4)** | 5.7 |
| Difference between pension contributions paid and defined benefit pension charge through profit and loss | **(5.9)** | (4.8) |
| **Operating cash flows before movements in working capital** | **173.0** | 158.1 |
| Increase in trade and other receivables | **(26.3)** | (18.5) |
| (Decrease)/increase in trade and other payables | **(1.0)** | 4.2 |
| **Cash generated by operations** | **145.7** | 143.8 |

*Comparatives have been restated to conform to current presentation.

## 12. Capital commitments

| | At 30 June 2022 £m | At 31 December 2021 £m |
|---|---|---|
| Group capital expenditure contracted but not provided for | **24.2** | 64.7 |

## 13. Ultimate parent undertaking and controlling parties

Details of the ultimate parent undertaking and controlling parties can be found in note 30 of the 2021 Annual Report and Accounts of ABPA Holdings Ltd and its subsidiaries. The following change has been made since this Annual Report and Accounts was signed.

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

## 14. Contingent liabilities

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