

ABP MIDCO UK HOLDINGS LIMITED

(Company Number 12701688)

ANNUAL REPORT AND ACCOUNTS 2020

For the period from incorporation on 29 June 2020 to 31 December 2020



ABP MIDCO UK HOLDINGS LIMITED

ANNUAL REPORT AND ACCOUNTS 2020

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Strategic report

The directors present their strategic report for the period from 29 June 2020 to 31 December 2020.

Principal activity and strategy

The company was incorporated on 29 June 2020. The principal activity of the company is as an intermediate investment holding company within the group owned by the company's ultimate parent undertaking, ABP (Jersey) Limited (the "group" and "ABPJ" respectively).

Important events of the year

During the period the group has taken action to enhance the group's liquidity and capital position by issuing new debt to third parties at the level above the senior debt ringfence above ABPA Holdings Group. The new debt has been issued by a new entity ABP Midco UK Limited ("Midco").

To facilitate completion of this transaction within the terms of the current financing documents, the company was incorporated on 29 June 2020 and interposed in the group structure as the wholly owned subsidiary of ABP Subholdings UK Limited ("ABPS").

The company acquired the entire share capital of ABP Midco UK on 10 August 2020 in consideration for £1,000,001,010.01, satisfied by the issue of 1 share to ABPS.

Due to this restructure the company was reassigned an intercompany loan due from Midco in exchange for new intercompany loan notes issued by the company to ABPS.

During the period interest continued to be accrued on the intercompany loans as set out in note 7. In 2020, £nil non-cash interest was received from Midco and £nil non-cash interest was paid to ABPS.

Performance

During the period the company made a loss of £17.5m, reflecting the recognition of expected credit losses on intercompany loans of £17.5m. The loss also includes the £nil net finance costs on borrowings from ABPS and finance income on loans to Midco.

The primary driver of performance is the ability of the wider group's main trading group, ABP Acquisitions Holdings Limited ("ABPAH"), to generate cash flows, as indicated by the following:

	2020	2019
ABPA Holdings Limited	£m	£m
Consolidated EBITDA ¹	288.8	315.4
Cash generated by operations	319.1	295.1

¹ Consolidated EBITDA (earnings before interest, tax, depreciation and amortisation) is calculated in accordance with the definitions set out in the group's credit facilities and after excluding certain items

Position at the end of the year

At 31 December 2020, the company had net assets of £982.5m, which includes an investment in subsidiary of £1.0bn and borrowings of £3,367.7m.

Strategic Report (continued)

Principal risks and uncertainties

The company has limited risk because it interacts only with fellow group companies and, indirectly, its ultimate parent company's shareholders as part of the financing structure of the group owned by ABP (Jersey) Limited ("ABPJ"). The nature of the interactions is set out in notes 5, 6, 7, 9, and 11 to the accounts. Within the interactions the principal risks are timing of interest receipts and payments and repayment of principal at the end of the loan terms. Agreements are structured so that the company should not be exposed to these risks at any time other than ultimately by the ability of the underlying trading group to pay its debts. Further details on financial risk management are set out below and in note 8.

Financial risk management

The company's main financial risks are liquidity, credit and capital risk. Treasury matters for the company are controlled centrally by the group as set out in note 8.

Liquidity risk

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

Credit risk

The company is exposed to credit related losses in the event of non-performance by counterparties to financial transactions. The company mitigates this risk by only transacting with related parties with security provided under intra-group borrowing arrangements. As such the exposure to credit risk is considered to be minimal.

Capital risk

The company keeps its funding structure under review in order to fulfil its principal activity of financing as an intermediate investment holding company within the group owned by the company's ultimate parent undertaking, ABPJ.

The company currently finances its business with loans from its immediate parent undertaking, ABP Subholdings UK Limited. Details of these loan notes can be found in notes 7, 8 and 11.

Trading group risks and uncertainties

The company's future viability and risk management are ultimately dependent upon the performance of the wider trading group owned by ABPJ and the ability of its UK-wide ports and transport operations to generate cash flows. Further details of the risks and uncertainties relating to the wider trading group, including the impact of the Covid-19 virus, can be found in the Annual Report and Accounts of ABPA Holdings Limited.

Strategic Report (continued)

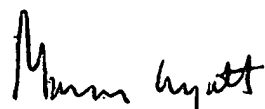
Section 172 Statement

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 likely long-term impact of those decisions and also their responsibilities and duties to stakeholders relevant to the company's operations. Directors receive training on their duties as part of their induction, which is refreshed on an ongoing basis as necessary.

Future outlook

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

By Order of the Board

A handwritten signature in black ink, appearing to read 'MM Wyatt', is written over a horizontal line.

MM Wyatt
Director
28 April 2021

Directors' report

The directors present their report and the audited accounts of the company (number 12701688) for the period ended 31 December 2020.

Registered office

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

Directors

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

Pedersen, HL	(appointed 29 June 2020)
Wyatt, MM	(appointed 29 June 2020)
Kennedy, SR	(alternate to HL Pedersen and MM Wyatt) (appointed 29 June 2020)

Directors' indemnities

ABP (Jersey) Limited 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. In addition, the articles of association of the company permit the directors and officers of the company to be indemnified in respect of liabilities incurred as a result of their office.

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.

Matters disclosed in the strategic report

The directors have chosen to disclose the following matters 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;
- Indication of likely future developments in the business; and
- How the directors have engaged with those in a business relationship with the company.

Dividends

The directors do not recommend the payment of a final dividend.

Auditor re-appointment

In accordance with s.487 of the Companies Act 2006, the auditor is deemed to have been re-appointed and Ernst & Young LLP will therefore continue as auditor to the company.

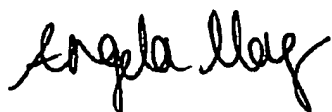
Directors' report (continued)

Audit information

Having made enquiries of fellow directors and the company's auditor, each of the directors named above have confirmed that in accordance with s.418 of the Companies Act 2006 the following disclosures have been made to the auditors of the company:

- 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



ABP Secretariat Services Limited
Secretary
25 Bedford Street
London, WC2E 9ES
28 April 2021

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

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

Company law requires the directors to prepare accounts for each financial year. Under that law the directors have elected to prepare the company accounts in accordance with International Accounting Standards ("IASs") in conformity with the requirements of the Companies Act 2006. Under company law, the directors must not approve accounts unless they are satisfied that they give a true and fair view of the assets, liabilities, financial position and profit or loss of the company. In preparing those accounts, the directors are required to:

- select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- 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 IASs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the company's financial position and financial performance;
- state whether IASs in conformity with the requirements of the Companies Act 2006, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is appropriate to presume that the company will not continue in business.

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

Under applicable law and regulations, the directors are also responsible for preparing a strategic report and directors' report 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 ABP MIDCO HOLDINGS UK LIMITED

Opinion

We have audited the financial statements of ABP Midco Holdings UK Limited (the company) for the year ended 31 December 2020 which comprise Income Statement, Statement of Comprehensive Income, Balance Sheet, Statement of Cash Flows, Statement of Changes in Equity and the related notes 1 to 14, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006.

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006; 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.

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 from the date of approval of the balance sheet until 30 June 2022.

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 with the annual report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ABP MIDCO HOLDINGS UK LIMITED (continued)

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 there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- 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 6, 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ABP MIDCO HOLDINGS UK LIMITED (continued)

Auditor's responsibilities for the audit of the financial statements

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

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

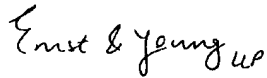
- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (Companies Act 2006 and International Accounting Standards)
- We understood how ABP Midco Holdings UK Limited is complying with those frameworks by making enquiries of management and those responsible for legal and compliance procedures and the Company Secretary. We corroborated our enquiries through our review of board minutes and papers provided to the Audit and Risk Committees and noted that there was no contradictory evidence
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by meeting with management within various parts of the business to understand where they considered there was susceptibility of fraud. We also considered performance targets and their influence on efforts made by management to manage Key Performance Indicators. Where this risk was considered higher, we performed audit procedures to address each identified fraud risk. These procedures included testing manual journals and were designed to provide reasonable assurance that the financial statements were free from fraud or error.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved a review of board minutes to identify any noncompliance with laws and regulations, a review of the reporting to the Audit and Risk Committee on compliance with regulations, enquiries of Legal Counsel and of Management.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ABP MIDCO HOLDINGS UK 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.



Lloyd Brown

for and on behalf of Ernst & Young LLP,

London

29 April 2021

Income statement for the period ended 31 December

	Note	2020 £m
Expected credit losses of group receivables	6	(17.5)
Finance costs	3	(100.9)
Finance income	3	100.9
Loss before taxation		(17.5)
Taxation	4	-
Loss for the year		(17.5)

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

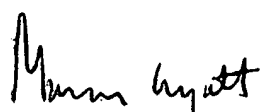
Statement of comprehensive income for the period ended 31 December

There was no other comprehensive income during the year or prior year. Total comprehensive income is represented by the loss for the year.

Balance sheet as at 31 December

	Note	2020 £m
Assets		
Non-current assets		
Investments	5	1,000.0
Group receivables	6	3,348.4
		4,348.4
Current assets		
Group receivables	6	1.8
		1.8
Total assets		4,350.2
Liabilities		
Current liabilities		
Borrowings	7	(1.8)
		(1.8)
Non-current liabilities		
Borrowings	7	(3,365.9)
		(3,365.9)
Total liabilities		(3,367.7)
Net assets		982.5
Shareholder's deficit		
Share capital		-
Share premium	9	1,000.0
Accumulated losses		(17.5)
Total shareholder's equity		982.5

The financial statements were approved by the Board on 28 April 2021 and signed on its behalf by:



MM Wyatt
Director

Statement of cash flows for the period ended 31 December

	Note	2020 £m
Cash flows from operating activities		
Cash flows from operations	10	-
Net cash flow from operating activities		-
Change in cash and cash equivalents during the year		-
Cash and cash equivalents at 1 January		-
Cash and cash equivalents at 31 December		-

Statement of changes in equity for the period ended 31 December

	Share capital £m	Share premium £m	Accumulated losses £m	Total £m
At 1 January 2020	-	-	-	-
Intercompany reorganisation	-	1,000.0	-	1,000.0
Loss for the year	-	-	(17.5)	(17.5)
At 31 December 2020	-	1,000.0	(17.5)	982.5

Notes to the financial statements

1. Accounting policies

1.1 Basis of preparation

The financial statements have been prepared on a going concern basis under the historical cost basis.

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 no comparative information in respect of the previous period as it's the first year of trade.

Going concern basis

The company's future viability is ultimately dependent on the performance of the wider trading group owned by the company's intermediate subsidiary undertaking, ABPA Holdings Limited ("ABPAH"), and group management's decisions on the flow of capital as well as the funding of losses being incurred by the company.

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. The primary driver of performance is the ability of the ABPAH group to generate cash flows. For the year ended 31 December 2020 the ABPAH group had consolidated EBITDA, calculated in accordance with the group's credit facilities of £288.8m and cash generated by operations of £319.1m, and the group expects to maintain strong cashflow generation.

The directors have considered the company's current liabilities of £1.8m, which is current interest due to ABP Subholdings UK Limited ("ABPS"), the company's immediate parent undertaking.

The company also has non-current amounts and interest accrued thereon due to ABPS totalling £3,365.9m repayable in 2027 and 2028, matched by amounts due from ABP Midco UK Limited as set out in notes 6, 7 and 11.

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 performance, and the group's ability to take effective mitigating actions to counter downside scenarios. The group has instigated cost control measures and cost saving initiatives and has established 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 EBITDA enhancing capex projects and, if the downside period persists, structurally reviewing costs for further savings. As a result of the actions already taken to date and further contingency plans to react to a more adverse scenario, management have concluded that the group should generate sufficient cash and EBITDA to continue as a going concern and to avoid breaching its loan covenants.

Notes to the financial statements

1. Accounting policies (continued)

1.1 Basis of preparation (continued)

Going concern basis (continued)

Liquidity risk is principally managed by maintaining cash and borrowing facilities at a level that is forecast to provide reasonable headroom in excess of the expected future needs of the group. As at 31 December 2020, the group had access to £400.0m 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 8 on financial risk management). In addition, the group has in place £165.0m of debt service reserve liquidity facilities to cover annual interest costs. These are renewed annually and are drawn with a final maturity of 2042 if not renewed.

Given the nature, maturity dates and counterparties of these liabilities (as set out in notes 7 and 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 company has the ability to continue to meet its liabilities as they fall due for the period to 30 June 2022 and therefore the financial statements have been prepared on a going concern basis.

Consolidation exemption

These separate financial statements contain information about ABP Midco Holdings UK Limited 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 s401 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 ultimate parent undertaking, ABP (Jersey) Limited, which are available from 44 Esplanade, St Helier, Jersey, JE4 9WG.

Statement of compliance

These financial statements have been prepared in accordance with International Accounting Standards ("IASs") in conformity with the requirements of the Companies Act 2006.

1.2 Changes in accounting policies

New standards and amendments adopted

There were no new accounting standards, amendments and improvements effective for the first time for the annual reporting period commencing 1 January 2020 that had a material impact on the company.

New standards, amendments and interpretations issued but not yet effective

The IASB and IFRIC have issued a number of standards, amendments and interpretations with an effective date of implementation for accounting periods beginning after the start of the company's current financial year.

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

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

Notes to the financial statements

1. Accounting policies (continued)

1.3 Critical estimates, judgements and assumptions

The preparation of the company's 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 the directors' best knowledge of the amount, event or actions, actual results may ultimately differ from those estimates.

Estimates

The critical estimates in applying these policies relate to the calculation of Expected Credit Losses, including sensitivities, relating to group receivables as set out in note 7.

The Company is required to recognise expected credit losses (ECLs) based on unbiased forward-looking information for all group financial assets held at amortised cost. At the reporting date, an impairment allowance reflecting 12 months ECL is required for financial assets that either have not deteriorated significantly in credit quality since initial recognition or have low credit risk. If the credit risk has significantly increased since initial recognition (Stage 2), or if the financial instrument is credit impaired (Stage 3), an allowance (or provision) should be recognised for the lifetime ECLs.

The measurement of ECL is calculated using three main components: (i) probability of default (PD) (ii) loss given default (LGD) and (iii) the exposure at default (EAD).

The 12 month and lifetime ECLs are calculated by multiplying the respective PD, LGD and the EAD. The 12 month and lifetime PDs represent the PD occurring over the next 12 months and the remaining maturity of the instrument, respectively. Management estimate the PD by performing an analysis of default rates calculated by reputable external credit rating agencies and implied in credit default swap curves. The EAD represents the expected balance at default, taking into account the repayment of principal and interest from the balance sheet date to the default event. The LGD represents expected losses on the EAD given the event of default, taking into account, among other attributes, the mitigating effect of priority of repayment at the time it is expected to be realised, the time value of money and counterparty's ability to settle its obligations immediately for financial assets that are repayable on demand. For uncollateralised financial assets, management have assumed standard market recovery rates.

Judgements

In the process of applying the company's accounting policies, the directors have made the following judgement which has the most significant effect on the amounts recognised in the financial statements:

Notes to the financial statements

1. Accounting policies (continued)

1.3 Critical estimates, judgements and assumptions (continued)

Credit risk of financial assets

The company's main transactions each year, which are controlled in conjunction with the rest of the group, relate to interest accrual, receipt and payment. Ultimate realisation of principal balances depends on the performance of ABPA Holdings Limited's ("ABPAH") underlying trading group and the ability of the UK-wide ports and transport operations to generate cash flows. As such, management considers the overall group performance to be an adequate indicator of credit quality of each group company.

Therefore, when calculating Expected Credit Losses relating to group receivables, as described above, management have made the judgement that the probability of default of each group company is the same as for the group as a whole, given the close interdependencies between each group company. The other factors that are considered when assessing whether the credit risk of the group companies has deteriorated include, but are not limited to, the following:

- Evidence of working capital deficiencies or liquidity problems for the group.
- Existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant change in the group's ability to meet its debt obligations.
- An actual or expected significant adverse change in the operating results of the Group.
- Significant changes, such as reductions, in financial support from a parent entity or an actual or expected significant change in the quality of credit enhancement, that are expected to reduce the group companies' economic incentive to make scheduled contractual payments.
- Changes in the group's external credit rating.

For the year ended 31 December 2020 the ABPAH group had consolidated EBITDA, calculated in accordance with the group's credit facilities, as disclosed in the strategic report of £288.8m and cash generated by operations of £319.1m. The group's strategic plan indicates that a strong performance is forecast to continue in the future. Further attention is drawn to the company's and group's approach to risk and capital management which is set out in the company's strategic report. Therefore, management have made the judgement that the credit quality of the group, and the individual group companies, has not significantly deteriorated and group receivables continue to qualify as Stage 1 financial assets for which 12-month ECL has been estimated.

The directors believe that there are no other areas of the company's accounting policies involving a high degree of judgement or complexity nor are there any areas where assumptions and estimates are significant to the financial statements.

Notes to the financial statements

1. Accounting policies (continued)

1.4 Significant accounting policies

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

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.

Group 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 group 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.

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

A financial asset is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and

either

- a) the company has transferred substantially all the risks and rewards of the asset; or
- b) the company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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

Notes to the financial statements

1. Accounting policies (continued)

1.4 Significant accounting policies (continued)

A financial liability is derecognised when the obligation is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the company income statement. When the contractual cash flows are renegotiated or modified but do not result in the de-recognition of the financial liability, the difference between the net present value of the modified contractual cash flows discounted at the financial liability's original effective interest rate and the present value of the existing financial liability, is recognised in profit or loss.

1.5 Other accounting policies

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.

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.

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.

2. Directors and employees

The directors of ABP Midco UK Holdings Limited were directors of a number of companies within the ABP (Jersey) Limited ("ABPJ") group. The directors believe that their services to the company are incidental to their role for other group companies and therefore consider that they receive no remuneration in respect of qualifying services to this company.

The company had no employees during the year.

Notes to the financial statements

3. Finance costs/(income)

	2020 £m
Interest on amounts due to parent undertakings	100.9
Finance costs	100.9
Interest on amounts due from subsidiary undertaking	(100.9)
Finance income	(100.9)
Net finance costs	-

4. Taxation

Current taxation for the period was £nil.

The taxation for the period is lower than the standard rate of taxation in the UK of 19.0%. The differences are explained below:

	2020 £m
Loss before taxation	(17.5)
Loss before taxation multiplied by standard rate of corporation tax in the UK of 19.0% (2019: 19.0%)	(3.3)
Effects of:	
Expenses not deductible for tax	3.3
Total tax credit for the company	-

Effective tax rate	0.0%
Total tax credit for the company	-
Effects of permanent differences:	
Related party debt - disregarded	(3.3)
Tax credit for the company after removing permanent differences	(3.3)
Tax rate after permanent differences	19.0%

5. Investments

The company holds the whole of the ordinary issued share capital of ABP Midco UK Limited ("ABP Midco"). ABP Midco is an unlisted, private limited liability, intermediate investment holding company which is incorporated and domiciled in England and Wales.

	2020 £m
Addition	1,000.0
At 31 December	1,000.0

During the year the company acquired the whole of the ordinary issued share capital of ABP Midco UK Limited ("Midco") from ABP Subholdings UK Limited ("ABPS") in exchange for the issue of one share by the company to ABPS.

Midco reported a loss of £18.0m for the year ended 31 December 2020 and had shareholder's equity of £982.0m at 31 December 2020.

Notes to the financial statements

6. Group receivables

	2020 £m
Non-current	
Amounts due from subsidiary undertaking	1,138.8
Accrued interest on amounts due from subsidiary undertaking	2,227.1
Provision for expected credit loss on intercompany receivables	(17.5)
Total non-current group receivables	3,348.4
Current	
Accrued interest on amounts due from subsidiary undertaking	1.8
Total current group receivables	1.8

During the year a group restructure resulted in the company being assigned an intercompany loan due from ABP Midco UK Limited ("Midco") to ABP Subholdings UK Limited ("ABPS") in exchange for new intercompany loan notes issued by the company to ABPS.

Amounts due from subsidiary undertaking represent loans to the company's immediate, wholly owned subsidiary undertaking, Midco, and interest accrued thereon. Amounts have been included in current and non-current based on the expected realisation of the asset.

Further details of the amounts due from subsidiary undertaking are also disclosed in note 11.

Amounts due from subsidiary undertaking are not overdue for repayment and are not considered to be impaired. Management has undertaken an impairment analysis in order to estimate the Expected Credit Losses (ECLs) that are possible from default events over the next twelve months. Management have concluded that the ECLs are material and consequently an allowance for impairment of £17.5m has been recognised.

The most sensitive inputs to the impairment analysis is the probability of default ("PD") based on industry averages, which for 2020 meant a marginal PD of 0.77% (2019: 0.34%), and the Loss Given Default ("LGD"), also based on industry averages, which for 2020 meant a LGD of 80%. An increase in the PD of 0.5% pts would increase the ECL by £11.3m (ECL of £28.8m). Additionally, an increase in the LGD of 10% pts would increase the ECL by £2.2m (ECL of £19.7m).

Disclosure of the financial risks related to these financial instruments is set out in note 8.

The company's receivables are denominated in sterling.

7. Borrowings

	2020 £m
Current	
Interest on amounts due to parent undertaking	1.8
Total current borrowings	1.8
Non-current	
Amounts due to parent undertaking	1,138.8
Interest on amounts due to parent undertaking	2,227.1
Total non-current borrowings	3,365.9

Notes to the financial statements

7. Borrowings (continued)

Amounts due to parent undertaking represents loans from ABP Subholdings UK Limited ("ABPS") assigned to the company following an intercompany restructure.

Interest on the intercompany loan accruing interest at 9.0% per annum accrues annually in arrears and can be settled in cash at any time or deferred until maturity of the facility. The outstanding interest accrued as at 31 December 2020 was £2,113.6m.

Interest on the loan due to parent undertaking due in 2028, accruing interest at 3.95% per annum plus 6 month sterling LIBOR, is accrued and payable in cash semi-annually. In line with the terms of the borrowing agreement the company is permitted, at its discretion, to defer payment until a subsequent interest payment date or the final redemption date. Interest charged in 2020 of £23.2m was deferred in line with the agreement. The total outstanding interest accrued as at 31 December 2020 was £115.3m of which £1.8m has been disclosed as current.

Disclosure of the financial risks related to these financial instruments is set out in note 8. More detail on the company's related party borrowings is set out in note 11. There is no collateral held as security. The company's borrowings are denominated in sterling.

8. Financial instruments

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

Fair value of financial instruments

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

The carrying amounts of all the company's financial instruments are reasonable approximations of fair value.

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

- The fair value of current group receivables, borrowings and group payables approximates to their carrying amounts due to the short-term maturities of these instruments;
- The fair value of fixed rate intercompany loans has been based on a cash flow projection with reference to observed market returns and accords to Level 2 in the fair value hierarchy. As the fixed rate at 31 December 2020 and 2019 approximates market rate, the book value approximates fair value; and
- The fair value of floating rate intercompany loans approximates to their carrying value as they bear interest at a rate linked to LIBOR and there have been no significant changes in credit risk since the issue of the instruments. A cash flow projection approach has been used with reference to observed market returns and accords to Level 2 in the fair value hierarchy.

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 intermediate subsidiary undertaking. The Board of

Notes to the financial statement**8. Financial instruments (continued)****Financial risk management (continued)**

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 main financial risks are liquidity, credit and capital risk. The wider group, owned by ABP (Jersey) Limited, aims to manage these risks to an acceptable level.

Liquidity risk

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

The table below analyses the company's financial liabilities carried at amortised cost, based on undiscounted contractual payments:

2020	Borrowings £m	Total £m
Not later than one year	23.2	23.2
More than one year but not more than two years	25.5	25.5
More than two years but not more than five years	78.7	78.7
More than five years	5,277.1	5,277.1
Total payments	5,404.5	5,404.5

Borrowings disclosure in the tables above is based on contractual payments as they existed as at 31 December 2020.

Interest on the loan due to parent undertaking due in 2028, accruing interest at 3.95% per annum plus 6 month sterling LIBOR, which was deferred in 2020, can be deferred (as described in note 7) until the final redemption date and has therefore been included in the same category as the principal repayment in 2028. Subsequent interest is calculated on the principal as well as any deferred interest. Interest can only be deferred if the company has insufficient funds available, therefore in the maturity analysis interest has been included in the year in which the interest becomes payable prior to repayment of the principal amount in 2028, with no compounding of interest.

As interest payments on the loan due to parent undertaking due in 2027, accruing interest at 9.0% per annum can be deferred (as described in note 7) they have been included in the maturity analysis in the same category as the principal repayment. The principal repayments of the loans due to parent undertaking are expected to be at the respective maturity dates.

Credit risk

Given the counterparties of group receivables, as set out in note 7, and the security provided under intra-group borrowing arrangements, the directors consider the company's exposure to credit risk to be minimal. 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 directors determined that the allowance for expected credit losses as at 31 December 2020 is £17.5m.

The maximum exposure to credit risk at the reporting date for group receivables is the carrying value of each class of receivable.

Notes to the financial statement**8. Financial instruments (continued)****Financial risk management (continued)****Capital risk**

The company holds a limited number of long term loan balances with its immediate subsidiary undertaking, ABP Midco UK Limited ("Midco"), and its immediate parent undertaking ABP Subholdings UK Limited ("ABPS"). These balances were created as part of the intercompany restructure during the year. The company's main transactions each year, which are controlled in conjunction with the rest of the group, relate to interest accrual, receipt and payment.

Ultimate realisation of principal balances depends on the performance of the ABPAH underlying trading group and the ability of the UK-wide ports and transport operation to generate cash flows.

Further attention is drawn to the company's and wider group's approach to risk, which is set out in the company's strategic report.

9. Share capital

	2020 £m
Issued and fully paid	
1,001 ordinary shares of £0.01 each	-

During the year the company acquired the entire share capital of Midco in consideration for £1,000,001,010.01, satisfied by the issue of 1 share to ABPS.

10. Cash generated by operations

	2020 £m
Reconciliation of loss before taxation to cash generated by operations:	
Loss before taxation	(17.5)
Finance costs	100.9
Finance income	(100.9)
Operating cash flows before movements in working capital	(17.5)
Provision for expected credit losses	17.5
Cash generated by operations	-

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

	At 1 January liability £m	Cash flows £m	Non-cash changes £m	At 31 December liability £m
2020				
Non-current amounts due to parent undertaking	-	-	(3,365.9)	(3,365.9)
Total	-	-	(3,365.9)	(3,365.9)

Notes to the financial statements

11. Related party transactions

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

Name	Relationship
ABP SubHoldings UK Limited	Immediate parent
ABP Midco UK Limited	Wholly owned immediate subsidiary

The company has the following loans receivable/(payable) with the related parties:

Name	Due date	Interest rate	2020
		per annum	£m
ABP Midco UK Limited	2027	9.0%	722.8
ABP Midco UK Limited	2028	3.95% plus 6 month sterling LIBOR	416.0
Interest accrued			2,228.9
			3,367.7

Name	Due date	Interest rate	2020
		per annum	£m
ABP Subholdings UK Limited	2027	9.0%	(722.8)
ABP Subholdings UK Limited	2028	3.95% plus 6 month sterling LIBOR	(416.0)
Interest accrued			(2,228.9)
			(3,367.7)

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

ABP Midco UK Limited	2020 £m
Intercompany borrowing at start of the period	-
Intercompany restructuring	3,266.8
Interest charged	100.9
Intercompany borrowing at end of the period	3,367.7

ABP Subholdings UK Limited	2020 £m
Intercompany borrowing at start of the period	-
Intercompany restructuring	(3,266.8)
Interest charged	(100.9)
Intercompany borrowing at end of the period	(3,367.7)

Notes to the financial statements**12. Contingent liabilities**

As part of the security package for borrowing facilities of the company's subsidiary undertaking ABP Midco UK Limited ("Midco") the company has granted fixed or floating charges over their shares in and receivables due from Midco.

13. 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 (with the exception of Associated British Ports, which is governed by the Transport Act 1981 and Southampton Port Security Authority Limited, which is limited by guarantee). All ordinary shares have voting rights in the same proportion to the shareholding.

	% held by Company
Subsidiary undertakings: Holding/financing	
ABP Acquisitions UK Limited	100
ABP Finance Plc	100
ABP Midco UK Limited (incorporated 29 June 2020)	100
ABPA Holdings Limited	100
Subsidiary undertakings: Ports and transport	
ABP Security Limited	100
Associated British Ports	(see below) ¹
Associated British Ports Holdings Limited	100
Immingham Bulk Terminal Limited	100
W.E. Dowds (Shipping) Limited	100
Subsidiary undertakings: Property	
ABP Property Development Company Limited	100
Grosvenor Waterside Investments Limited	100
Millbay Development Company Limited	100
Subsidiary undertakings: Group services	
ABP Marine Environmental Research Limited	100
ABPH Marine (Guernsey) Limited ² (domiciled in Guernsey)	100
UK Dredging Management Limited	100
W.E.D. (Services) Limited	100

¹Under the Transport Act 1981, Associated British Ports Holdings Limited, the company's intermediate subsidiary undertaking, has powers over Associated British Ports ("ABP") corresponding to the powers of a holding company over a wholly owned subsidiary undertaking. ABP's registered office is 25 Bedford Street, London, WC2E 9ES.

²Registered address is Frances House, Sir William Place, St. Peter Port, Guernsey, GY1 4HQ.

Notes to the financial statements

13. Subsidiary undertakings (continued)

Subsidiary undertakings: Dormant	% held by Company
ABP (Aldwych) Limited	100
ABP (No. 1) Limited	100
ABP (Pension Trustees) Limited	100
ABP Connect Limited	100
ABP Marchwood Limited	100
ABP Nominees Limited	100
ABP Quest Trustees Limited	100
ABP Safeguard Limited	100
ABP Secretariat Services Limited	100
ABP Southampton Properties Limited	100
Aldwych Logistics Investments Limited	100
American Port Services Holdings Limited	100
Amports Cargo Services Limited	100
Amports Contract Personnel Limited	100
Amports Holdings Limited	100
Amports Vehicle Terminals Limited	100
Associated British Ports Investments Limited	100
Auto Shipping Limited	100
Colchester Dock Transit Company Limited	100
Exxtor Shipping Services Limited	100
Grosvenor Buchanan Properties Limited ¹ (domiciled in Scotland)	100
Grosvenor Waterside (Cardiff Bay) Limited	100
Grosvenor Waterside (Holdings) Limited	100
Grosvenor Waterside Asset Management Limited	100
Grosvenor Waterside Developments Limited	100
Grosvenor Waterside Group Limited	100
Humber Pilotage (C.H.A.) Limited	100
Ipswich Port Limited	100
Marine Environmental Research Limited	100
Northern Cargo Services Limited	100
RPM Industrial Site Services Limited	100
Slater's Transport Limited	100
Southampton Free Trade Zone Limited	100
Southampton Port Security Authority Limited	(see below) ²
The Teignmouth Quay Company Limited	100
Whitby Port Services Limited	100

¹Registered address is Associated British Ports, Port Office, Ayr, Ayrshire, KA8 8AH.

²This company is a subsidiary undertaking limited by guarantee.

14. Ultimate parent undertaking and controlling parties

The company is a private company limited by shares registered in England and Wales.

The immediate parent undertaking is ABP Subholdings UK Limited.

Notes to the financial statements

14. Ultimate parent undertaking and 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 International Financial Reporting Standards as adopted by the European Union and are available from its registered office at 44 Esplanade, St Helier, Jersey, JE4 9WG. The consolidated financial statements of ABPJ are the smallest and largest group in which the company is included.

The wider group's main trading group headed by ABPA Holdings Limited (ABPAH) annual report and accounts can be obtained at its registered offices, 25 Bedford Street, London, WC2E 9ES.

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

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