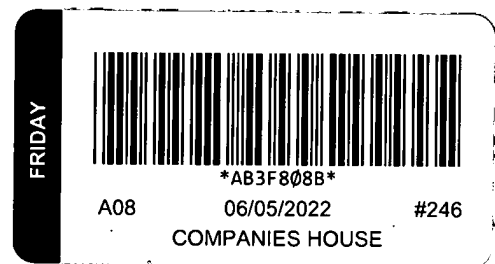


ABP BONDS UK LIMITED

(Company Number 05885161)

ANNUAL REPORT AND ACCOUNTS 2021



ABP BONDS UK LIMITED
ANNUAL REPORT AND ACCOUNTS 2021

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ABP BONDS UK LIMITED ANNUAL REPORT AND ACCOUNTS 2021

Strategic report

The directors present their strategic report for the year ended 31 December 2021.

Principal activity and strategy

The company (number 05885161) is a special purpose vehicle established for the purpose of financing the acquisition and subsequent funding of Associated British Ports Holdings Limited ("ABPH") by ABP Acquisitions UK Limited ("ABPA"), an intermediate subsidiary undertaking of the company.

Important events of the year

On 3 August 2021, the company's rights in respect of the intercompany loan due to ABP Mezzanine Holdco UK Limited ("ABPM") due in 2028 of £416.0m principal amount together with accrued interest, were assigned to ABP SubHoldings UK Limited ("ABPS"), the company's direct subsidiary, with ABPS assuming the company's obligations. Simultaneously, the company agreed to cancel the matching intercompany loan issued by it to ABPS, comprising £416.0m principal and accrued interest.

Performance

The loss for the year was £13.1m (2020: £51.5m). The current year loss reflects net finance costs of £32.2m (2020: £28.2m) associated with the company's borrowings, a credit from the reversal of Expected Credit Loss provisions of £14.7m (2020: charge of £17.7m), and a tax credit of £4.4m (2020: charge of £5.6m). ABP (Jersey) Limited ("ABPJ") has confirmed that it will continue to finance the company to enable it to meet its liabilities as they fall due.

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

	2021	2020
ABPA Holdings Limited	£m	£m
Consolidated EBITDA ¹	310.2	288.8
Cash generated by operations	304.7	319.1

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 2021, the company had net assets of £656.5m (2020: net assets of £669.6m), which includes an investment in subsidiary of £1.0bn (2020: £1.0bn).

Principal risks and uncertainties

The company has limited risk because it interacts only with fellow group companies and the shareholders of ABPJ as part of the financing structure of the group owned by ABPJ. The nature of the interactions is set out in notes 4, 6, 7, 9, 11 and 13 to the accounts. Within the interactions the principal risks are the 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 10.

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 10.

ABP BONDS UK LIMITED ANNUAL REPORT AND ACCOUNTS 2021

Strategic report (continued)

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 the acquisition and subsequent funding of ABPH, by ABPA, an intermediate subsidiary undertaking of the company.

The company currently finances its business with Preference shares held by its immediate parent undertaking's shareholders (see note 13).

Trading group risks and uncertainties

The company's future viability and risk management are ultimately dependent upon the performance of the wider trading group ultimately owned by ABPJ and the ability of its UK-wide ports and transport operations to generate cash flows. Further details of these can be found in the Annual Report and Accounts of ABPAH.

Future outlook

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

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

Events after the reporting period

Since the balance sheet date the political unrest between Russia and Ukraine has heightened, culminating with a territorial invasion of Ukraine by Russian armed forces. This situation has continued to escalate and most governments, including that of the UK, have imposed economic, trade and shipping sanctions on Russia. Associated British Ports ("ABP"), the principal operating entity in the group, may be impacted by the consequence of these sanctions and by the resulting reduced trade flows with Russia. As these sanctions were not in place at the balance sheet date, management have concluded that the economic impact of the Ukraine / Russia conflict is a non-adjusting post balance sheet event.

ABP BONDS UK LIMITED ANNUAL REPORT AND ACCOUNTS 2021

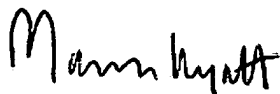
Strategic report (continued)

Events after the reporting period (continued)

The wider group owned by ABPJ is carefully monitoring the fast changing nature and extent of the economic sanctions on Russia and is liaising with the relevant authorities (including the Department for Transport - DfT) and statutory bodies to ensure the company is compliant with relevant sanctions laws. There is a risk that the sanctions could impact the company's contracts with suppliers and customers, which could disrupt business operations, which could as a result adversely impact the group's EBITDA.

The wider group is proactively considering the exposure of suppliers and customers impacted by the current sanctions and the impact any such contracts would have in the financial results and headroom against its loan covenants. Based on initial findings of suppliers and 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.

By Order of the Board

A handwritten signature in black ink, appearing to read 'MM Wyatt', is positioned below the 'By Order of the Board' text.

MM Wyatt
Director
19 April 2022

ABP BONDS UK LIMITED ANNUAL REPORT AND ACCOUNTS 2021

Directors' report

The directors present their report and the audited accounts of the company (number 05885161) for the year ended 31 December 2021.

Registered office

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

Dividends

The directors do not recommend the payment of a dividend (2020: £nil).

Directors

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

Pedersen, HL

Wyatt, MM

Kennedy, SR (alternate to HL Pedersen and MM Wyatt)

Directors' indemnities

The company's immediate parent undertaking, ABP (Jersey) Ltd ("ABPJ"), 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 consider the following matters of strategic importance and have chosen to disclose these in the strategic report:

- Financial risk management objectives and policies and details of the company's exposure to liquidity, credit and capital risk and other risk disclosures;
- Important events after the reporting period and an indication of likely future developments in the business; and
- How the directors have engaged with those in a business relationship with the company.

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.

ABP BONDS UK LIMITED ANNUAL REPORT AND ACCOUNTS 2021

Directors' report (continued)

Audit information

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

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

By Order of the Board



ABP Secretariat Services Limited
Secretary
25 Bedford Street
London, WC2E 9ES
19 April 2022

ABP BONDS UK LIMITED ANNUAL REPORT AND ACCOUNTS 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 UK adopted International Accounting Standards ("IAS"). 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*, and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IAS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the company's financial position and financial performance;
- state whether IAS, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis, unless it is appropriate to presume that the company will not continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions, 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.

ABP BONDS UK LIMITED ANNUAL REPORT AND ACCOUNTS 2021

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ABP BONDS UK LIMITED

Opinion

We have audited the financial statements of ABP Bonds UK Limited (the Company) for the year ended 31 December 2021 which comprise the Income Statement, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Cash Flows, the Statement of Changes in Equity and the related notes 1 to 16, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards.

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31 December 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the period to 30 June 2023.

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.

ABP BONDS UK LIMITED ANNUAL REPORT AND ACCOUNTS 2021

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

Other information

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

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

ABP BONDS UK LIMITED ANNUAL REPORT AND ACCOUNTS 2021

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

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

Auditor's responsibilities for the audit of the financial statements

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

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 UK adopted international accounting standards).
- We understood how ABP Bonds 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.

ABP BONDS UK LIMITED ANNUAL REPORT AND ACCOUNTS 2021

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

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

Use of our report

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

The image shows a handwritten signature in black ink that reads "Ernst & Young LLP". The signature is written in a cursive, flowing style.

*Lloyd Brown (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
20 April 2022*

ABP BONDS UK LIMITED ANNUAL REPORT AND ACCOUNTS 2021

Income statement for the year ended 31 December

	Note	2021 £m	2020 £m
Administrative credits/(expenses)	2	14.7	(17.7)
Finance costs	4	(302.4)	(294.4)
Finance income	4	270.2	266.2
Loss before taxation		(17.5)	(45.9)
Taxation credit/(charge)	5	4.4	(5.6)
Loss for the year attributable to equity shareholders		(13.1)	(51.5)

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

Statement of comprehensive income for the year ended 31 December

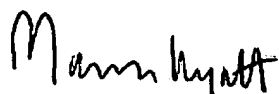
There was no other comprehensive income during the year or prior year. Total comprehensive income is represented by the loss for the year.

ABP BONDS UK LIMITED ANNUAL REPORT AND ACCOUNTS 2021

Balance sheet as at 31 December

	Note	2021 £m	2020 £m
Assets			
Non-current assets			
Investments	6	1,000.0	1,000.0
Deferred tax asset	8	63.4	42.5
Group receivables	7	3,094.8	3,378.2
		4,158.2	4,420.7
Current assets			
Trade and other receivables	7	8.2	1.8
Cash and cash equivalents		-	-
		8.2	1.8
Total assets		4,166.4	4,422.5
Liabilities			
Current liabilities			
Borrowings	9	-	(1.8)
Current tax liability		-	(1.1)
		-	(2.9)
Non-current liabilities			
Borrowings	9	(0.4)	(530.3)
Preference shares	11	(2,688.8)	(2,688.8)
Dividend accrued on preference shares	11	(820.7)	(530.9)
		(3,509.9)	(3,750.0)
Total liabilities		(3,509.9)	(3,752.9)
Net assets		656.5	669.6
Shareholder's equity			
Share capital	11	-	-
Retained earnings		656.5	669.6
Total shareholder's equity		656.5	669.6

The financial statements were approved by the Board on 19 April 2022 and signed on its behalf by:



MM Wyatt
Director

ABP BONDS UK LIMITED ANNUAL REPORT AND ACCOUNTS 2021

Statement of cash flows for the year ended 31 December

	Note	2021 £m	2020 £m
Cash flows from operating activities			
Cash flows from operations	12	-	-
Interest received		15.0	3.0
Income taxes paid		(15.0)	(3.0)
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		-	-

Details of significant non-cash transactions affecting the company are set out in notes 12 and 13.

Statement of changes in equity for the year ended 31 December

	Share capital £m	Retained earnings £m	Total £m
At 1 January 2020	-	721.1	721.1
Loss for the year	-	(51.5)	(51.5)
At 31 December 2020	-	669.6	669.6
Loss for the year	-	(13.1)	(13.1)
At 31 December 2021	-	656.5	656.5

ABP BONDS UK LIMITED ANNUAL REPORT AND ACCOUNTS 2021

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 comparative information in respect of the previous period.

Going concern basis

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

- The company has net current assets of £8.2m; and
- The company has net assets of £656.5m.

The company's future viability is ultimately dependent upon the performance of the wider trading group owned by the company's immediate parent 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. ABP (Jersey) Limited has confirmed that it will continue to finance the company to enable it to meet its liabilities as they fall due.

The group's business plan was developed taking in consideration the 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. 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.

ABP BONDS UK LIMITED ANNUAL REPORT AND ACCOUNTS 2021

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 2021, the group had access to £350.0m of committed and undrawn borrowing facilities, which are available for between two and three 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 10 on financial risk management). In addition, the group has in place £160.0m of debt service reserve liquidity facilities to cover annual interest costs. These are renewed annually.

Given the nature, maturity dates and counterparties of these liabilities (as set out in notes 9 and 13), 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 2023 and therefore the financial statements have been prepared on a going concern basis.

Consolidation exemption

These separate financial statements contain information about ABP Bonds 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 immediate 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 UK adopted International Accounting Standards.

1.2 Changes in accounting policies

New standards and amendments adopted

Interest Rate Benchmark Reform – Phase 2, amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The group has adopted these amendments from 1 January 2021. As a result the group has used the practical expedient where floating rate assets and liabilities are subject to changes to the interest rate basis as a result of Interest Rate Benchmark Reform ("IRBR"). Where the contractual cash flows resulting from IRBR meet the conditions to be considered economically equivalent to those under the previous interest rate basis the carrying value of the financial asset or liability remains unchanged (note 10).

No other new standards effective for the first time for the annual reporting period commencing 1 January 2021 have a material impact on the consolidated financial statements of the group.

ABP BONDS UK LIMITED ANNUAL REPORT AND ACCOUNTS 2021

Notes to the financial statements

1. Accounting policies (continued)

1.2 Changes in accounting policies (continued)

New standards, amendments and interpretations issued but not yet effective

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.

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 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.

ABP BONDS UK LIMITED ANNUAL REPORT AND ACCOUNTS 2021

Notes to the financial statements

1. Accounting policies (continued)

1.3 Critical estimates, judgements and assumptions (continued)

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:

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 2021 the ABPAH group had consolidated EBITDA, calculated in accordance with the group's credit facilities, as disclosed in the strategic report of £310.2m and cash generated by operations of £304.7m. 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.

Recoverability of financial assets

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. 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.

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Notes to the financial statements

1. Accounting policies (continued)

1.3 Critical estimates, judgements and assumptions (continued)

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.

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:

1. The financial asset is held in order to collect contractual cash flows; and
2. 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;
 - the company has transferred substantially all the risks and rewards of the asset; or
 - 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.

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Notes to the financial statements

1. Accounting policies (continued)

1.4 Significant accounting policies (continued)

Financial instruments (continued)

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.

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.

Share Capital

Ordinary shares are classified as equity.

Preference shares are classified as financial liabilities in non-current liabilities. Preference shares are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest method. Dividends on the cumulative Preference shares are recognised in finance costs.

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.

On forgiveness of amounts due from subsidiary undertaking the company derecognises the carrying value of amounts due from subsidiary undertaking on the balance sheet and recognises an equivalent amount as an additional cost of investments in subsidiaries.

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.

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Notes to the financial statements

1. Accounting policies (continued)

1.5 Other accounting policies (continued)

Taxation

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

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

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

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

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

2. Administrative expenses

Remuneration received by Ernst & Young LLP is detailed below and has been borne by a subsidiary undertaking.

	2021 £000	2020 £000
Fees payable to the company's auditor for the audit of the company's annual accounts	14	15

Loss before taxation is stated after (crediting)/charging:

	2021 £m	2020 £m
<i>Expected credit losses of group and other receivables</i>	<i>(14.7)</i>	<i>17.7</i>

3. Directors and employees

The directors of ABP Bonds UK 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 (2020: £nil).

The company had no employees during the year (2020: nil).

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Notes to the financial statements

4. Finance costs/(income)

	2021 £m	2020 £m
Interest on amounts due to parent undertaking	0.1	0.3
Interest on amounts due to group undertakings	12.5	23.2
Interest on amounts due to subsidiary undertaking	-	4.4
Preference dividend accrual	289.8	266.5
Finance costs	302.4	294.4
Interest on amounts due from subsidiary undertaking	(270.2)	(266.2)
Finance income	(270.2)	(266.2)
Net finance costs	32.2	28.2

5. Taxation

	2021 £m	2020 £m
Analysis of (credit)/charge for the year		
Current year tax	10.8	4.1
Prior period adjustments	5.7	-
Current tax	16.5	4.1
Current year deferred tax	-	5.7
Rate change adjustments	(15.2)	(5.2)
Prior year adjustments	(5.7)	1.0
Deferred Tax (note 8)	(20.9)	1.5
Taxation	(4.4)	5.6

Current taxation in 2021 represents tax on profits remaining after offset of group relief between subsidiary undertakings. Current taxation in 2020 represents tax on profits.

The deferred tax credit (2020: charge) results predominantly from the reduction in the deferred tax rate.

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Notes to the financial statements

5. Taxation (continued)

The taxation credit for 2021 (2020: charge) is lower than the standard rate of taxation in the UK of 19.00% (2020: 19.00%). The differences are explained below:

	2021 £m	2020 £m
Loss before taxation	(17.5)	(45.9)
Loss before taxation multiplied by standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)	(3.3)	(8.7)
Effects of:		
Items not deductible for tax	14.1	18.5
Reduction in deferred taxes due to a change in tax rate	(15.2)	(5.2)
Tax in respect of prior years	-	1.0
Total tax (credit)/charge for the company	(4.4)	5.6
Effective tax rate	25.1%	-12.2%
Total tax (credit)/charge for the company	(4.4)	5.6
Effects of permanent differences:		
Related party debt - disregarded	(14.1)	(18.5)
Reduction in deferred taxes due to a change in tax rate	15.2	5.2
Tax in respect of prior years	-	(1.0)
Tax credit for the company after removing permanent differences	(3.3)	(8.7)
Tax rate after permanent differences	19.0%	19.0%

6. Investments

	Interest in subsidiary undertaking	
	2021 £m	2020 £m
At 1 January	1,000.0	1,000.0
At 31 December	1,000.0	1,000.0

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

ABPS reported a profit for the year ended 31 December 2021 of £11.6m (2020: loss of £19.3m) and had shareholder's equity at 31 December 2021 of £964.1m (2020: £952.5m). Following an assessment of the value of the underlying trading group owned by ABPS the directors have satisfied themselves that the recoverable amount is greater than the carrying amount of investment in subsidiaries.

ABP BONDS UK LIMITED ANNUAL REPORT AND ACCOUNTS 2021

Notes to the financial statements

7. Group and other receivables

	2021 £m	2020 £m
Non-current		
Amounts due from subsidiary undertaking	722.8	1,138.8
Accrued interest on amounts due from subsidiary undertaking	2,375.0	2,257.1
Provision for expected credit losses	(3.0)	(17.7)
Total non-current group and other receivables	3,094.8	3,378.2
Current		
Accrued interest on amounts due from subsidiary undertaking	-	1.8
Other receivables	8.2	-
Total current group and other receivables	8.2	1.8

During the year, as part of an intercompany loan restructure the company cancelled an intercompany loan issued by it to ABP SubHoldings UK Limited ("ABPS"), comprising £416m principal and accrued interest, and simultaneously ABPS assumed the liability for a loan due to ABP Mezzanine Holdco UK Limited ("ABPM")

Amounts due from subsidiary undertaking represents a loan to the company's immediate, wholly owned subsidiary undertaking, ABPS, and interest accrued thereon. The loan accrues interest at 9% and matures in 2027. 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 13.

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 and an allowance for impairment of £3.0m has been recognised.

The most sensitive inputs to the impairment analysis is the probability of default ("PD") based on industry averages, which for 2021 meant a marginal PD of 0.12% (2020: 0.77%), and the Loss Given Default ("LGD"), also based on industry averages, which for 2021 meant a LGD of 80%. An increase in the PD of 0.5% pts would increase the ECL by £12.4m. Additionally, an increase in the LGD of 10% pts would increase the ECL by £0.3m.

Disclosure of the financial risks related to these financial instruments is set out in note 10.

The company's receivables are denominated in sterling.

ABP BONDS UK LIMITED ANNUAL REPORT AND ACCOUNTS 2021

Notes to the financial statements

8. Deferred tax

The movement on the company's deferred tax is shown below:

	2020 £m	Adjustments in respect of previous periods credited to income statement £m	Credited to income statement £m	2021 £m
Carried forward non-trading losses	42.5	5.7	15.2	63.4
Deferred tax asset	42.5	5.7	15.2	63.4

	2019 £m	Adjustments in respect of previous periods charged to income statement £m	Charged to income statement £m	2020 £m
Carried forward non-trading losses	44.0	(1.0)	(0.5)	42.5
Deferred tax asset	44.0	(1.0)	(0.5)	42.5

The company has a deferred income tax asset of £63.4m (2020: £42.5m) that can be offset against its own future net taxable interest income and future taxable gains of other group entities.

The company had no other losses (2020: £nil) that can be carried forward against future taxable income.

9. Borrowings

	2021 £m	2020 £m
Current		
Interest on amounts due to group undertaking	-	1.8
Total current borrowings	-	1.8
Non-current		
Amounts due to parent undertaking	0.4	0.6
Amounts due to group undertaking	-	416.0
Interest on amounts due to parent undertaking	-	0.2
Interest on amounts due to parent undertaking	-	113.5
Total non-current borrowings	0.4	530.3

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Notes to the financial statements

9. Borrowings (continued)

On 3 August 2021, the company's obligations in respect of the intercompany loan to ABPM due in 2028 of £416.0m principal amount together with accrued interest, were assigned to ABP SubHoldings UK Limited ("ABPS"), the company's direct subsidiary, with ABPS assuming the company's obligations.

Amounts due to parent undertaking relates to a loan with the company's immediate and ultimate parent undertaking, ABP (Jersey) Limited. Interest on the loan can be paid in cash or accrued until maturity of the facility.

Disclosure of the financial risks related to these financial instruments is set out in note 10.

More detail on the company's related party borrowings is set out in note 13.

There is no collateral held as security. The company's borrowings are denominated in sterling.

10. 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.

Carrying amounts of the company's financial instruments are reasonable approximation of fair value.

The terms of the amounts due to parent undertaking are set out in note 13.

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

- The fair value of Preference shares and dividends accrued on Preference shares 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 2021 and 2020 approximates market rate the book value approximates fair value;
- The fair value of amounts due to parent undertaking is derived from expected cash flows taking account of credit risk and market observed returns for such instruments and equates to Level 2 within the fair value hierarchy;
- The fair value of fixed rate loans due from subsidiary undertaking 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 2021 and 2020 approximates market rate, the book value approximates fair value; and
- The fair value of current group receivables and group payables approximates to their carrying amounts due to the short-term maturities of these instruments.

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Notes to the financial statements

10. Financial instruments (continued)

Financial risk management

Treasury matters throughout the group of which the company is a member are controlled centrally and carried out in compliance with policies approved by the Board of Associated British Ports Holdings Limited ("ABPH"), the company's intermediate subsidiary undertaking. The Board of ABPH monitors treasury matters and approves significant decisions. The treasury function's purpose is to identify, mitigate and hedge financial risks inherent in the group's business operations and capital structure. The company's 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 and related accrued interest, based on undiscounted contractual payments:

	2021	2020
	£m	£m
Borrowings and Preference shares		
Not later than one year	-	23.2
More than one year but not more than two years	-	25.5
More than two years but not more than five years	-	78.7
More than five years	5,462.3	6,027.6
Total payments	5,462.3	6,155.0

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

As Preference share dividend payments can be deferred, they have been included in the maturity analysis in the same category as the redemption date in 2027.

As interest payments on the loan due to parent undertaking can be deferred, they have been included in the maturity analysis in the same category as the principal repayment in 2027.

The principal repayments of the Preference shares and the loans due to related parties are expected to be at the respective maturity dates.

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Notes to the financial statements

10. Financial instruments (continued)

Financial risk management (continued)

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 2021 is £3.0m (2020: £17.7m). The maximum exposure to credit risk at the reporting date for group receivables is the carrying value of each class of receivable.

Capital risk

The company keeps its funding structure under review in order to fulfil its principal activity of financing the acquisition and subsequent funding of Associated British Ports Holdings Limited.

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 redemption of the Preference shares redeemable in 2027 depends on the performance of the ABPA Holdings Limited underlying trading group and the ability of the UK-wide ports and transport operations to generate cash flows.

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

11. Share capital

	2021	2020
	£m	£m
Issued, called-up and fully paid		
Ordinary shares		
303 (2020: 303) Ordinary shares of £0.01 each	-	-
Total Ordinary shares	-	-
Issued and fully paid		
Preference shares		
268,878,151,281.62 (2020: 268,878,151,281.62) Preference shares of £0.01 each	2,688.8	2,688.8
Total Preference shares	2,688.8	2,688.8
Dividends		
Dividends accrued on preference shares	820.7	530.9
Total Preference shares	820.7	530.9

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Notes to the financial statements

11. Share capital (continued)

The preference shares are classified as financial liabilities within non-current liabilities.

The Preference shares do not carry any voting rights at general meetings, nor carry any further right of participation in the profits of the company other than the entitlement to the Preference dividend. On a return of capital, the Preference shareholders are paid in priority to the Ordinary shareholders an amount equal to the issue price of the Preference share and any unpaid dividends. Ordinary shareholders have the right to receive a repayment of capital and participate in any surplus assets. The Preference shares carry a right to receive a fixed cumulative preferential dividend at the annual rate of 9.0% of the issue price per Preference share. Amounts due in respect of the Preference share dividend accrue daily and are calculated in respect of the period to each dividend payment date assuming a 365 day year.

Dividends are accrued and payable at 31 December, or at other dates as the company (with the prior consent of Preference shareholders) elects. Dividends can be deferred by the Board of directors until a subsequent dividend payment date or the final redemption date whereupon the deferred amount shall carry interest at an annual rate of 9.0%.

Dividends accrued on Preference shares are payable annually in arrears and can be settled in cash, or deferred until a subsequent dividend payment date or the final redemption date. Amounts of dividend accrued on Preference shares settled in cash are dependent on the amounts of interest income the company receives in cash from its immediate subsidiary undertaking, ABP SubHoldings UK Limited ("ABPS"), which in turn is dependent on the lending agreements of that company's intermediate subsidiary undertaking, ABPA Holdings Limited ("ABPAH") and its immediate subsidiary undertakings, ABP Finance Plc ("ABPF") and ABP Acquisitions UK Limited ("ABPA"). As at 31 December 2021 the total outstanding dividends accrued and deferred on the Preference shares was £820.7m (2020: £530.9m).

The Preference shares shall be redeemed by the company at the earliest of (i) a listing; (ii) a sale; and (iii) 16 February 2027, unless otherwise resolved by the Board (with the consent of ABPJ's shareholders). In certain circumstances, early redemption is permitted, including where written notice is received from all Preference shareholders acting together. However, if the company is unable, because of having insufficient funds, to redeem the Preference shares the redemption will take place as soon as the company is lawfully able to do so.

12. Cash flows from operations

	2021	2020
	£m	£m
Reconciliation of loss before taxation to cash flows from operations:		
Loss before taxation	(17.5)	(45.9)
Finance costs	302.4	294.4
Finance income	(270.2)	(266.2)
Operating cash flows before movements in working capital	14.7	(17.7)
Changes in group and other receivables/payables	(14.7)	17.7
Cash flows from operations	-	-

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Notes to the financial statements

12. Cash flows from operations (continued)

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

	At 1 January liability £m	Cash flows £m	Non-cash changes £m	At 31 December liability £m
2021				
Non-current Preference shares and accrued dividends	(3,219.7)	-	(289.8)	(3,509.5)
Non-current intercompany borrowings	(530.3)	-	529.9	(0.4)
Total	(3,750.0)	-	240.1	(3,509.9)

	At 1 January liability £m	Cash flows £m	Non-cash changes £m	At 31 December liability £m
2020				
Non-current Preference shares and accrued dividends	(2,953.2)	-	(266.5)	(3,219.7)
Non-current intercompany borrowings	(508.9)	-	(21.4)	(530.3)
Total	(3,462.1)	-	(287.9)	(3,750.0)

13. Related party transactions

Total shareholder loans / Preference shares are as follows:

Facility type	Due date	Interest/ dividend rate per annum	2021 £m	2020 £m
<i>Preference shares</i>				
Preference shares	2027	9.0%	2,688.8	2,688.8
Dividend accrued on Preference shares			820.7	530.9
Total			3,509.5	3,219.7
			2021 £m	2020 £m
Preference shares at start of year			2,688.8	2,688.8
Preference shares at end of year			2,688.8	2,688.8
Dividend accrued on Preference shares at start of year			530.9	264.4
Dividend accrued on Preference shares during year			289.8	266.5
Dividend accrued on Preference shares at end of year			820.7	530.9

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Notes to the financial statements

13. Related party transactions (continued)

Details of the shareholder loans / Preference shares held by each related party and related transactions are shown below:

Borealis ABP Holdings B.V.	2021	2020
	£m	£m
Preference shares at start of year	594.0	594.0
Preference shares at end of year	594.0	594.0
Dividend accrued on Preference shares at start of year	117.3	58.4
Dividend accrued on Preference shares during year	63.9	58.9
Dividend accrued on Preference shares at end of year	181.2	117.3
Borealis Ark Holdings B.V.	2021	2020
	£m	£m
Preference shares at start of year	212.6	212.6
Preference shares at end of year	212.6	212.6
Dividend accrued on Preference shares at start of year	42.0	20.9
Dividend accrued on Preference shares during year	22.9	21.1
Dividend accrued on Preference shares at end of year	64.9	42.0
CPPIB (Hong Kong) Limited	2021	2020
	£m	£m
Preference shares at start of year	911.0	911.0
Preference shares at end of year	911.0	911.0
Dividend accrued on Preference shares at start of year	179.9	89.6
Dividend accrued on Preference shares during year	98.2	90.3
Dividend accrued on Preference shares at end of year	278.1	179.9
Cheyne Walk Investment Pte Limited	2021	2020
	£m	£m
Preference shares at start of year	537.8	537.8
Preference shares at end of year	537.8	537.8
Dividend accrued on Preference shares at start of year	106.2	52.9
Dividend accrued on Preference shares during year	58.0	53.3
Dividend accrued on Preference shares at end of year	164.2	106.2
Kuwait Investment Authority	2021	2020
	£m	£m
Preference shares at start of year	268.9	268.9
Transfer to Wren House Infrastructure LP	(268.9)	-
Preference shares at end of year	-	268.9
Dividend accrued on Preference shares at start of year	53.0	26.4
Dividend accrued on Preference shares during year	18.4	26.6
Transfer to Wren House Infrastructure LP	(71.4)	-
Dividend accrued on Preference shares at end of year	-	53.0

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13. Related party transactions (continued)

Wren House Infrastructure LP	2021 £m	2020 £m
Preference shares at start of year	-	-
Transfer from Kuwait Investment Authority	268.9	-
Preference shares at end of year	268.9	-
Dividend accrued on Preference shares at start of year	-	-
Transfer from Kuwait Investment Authority	71.4	-
Dividend accrued on Preference shares during year	10.7	-
Dividend accrued on Preference shares at end of year	82.1	-
Anchorage Ports LLP	2021 £m	2020 £m
Preference shares at start of year	164.5	164.5
Preference shares at end of year	164.5	164.5
Dividend accrued on Preference shares at start of year	32.5	16.2
Dividend accrued on Preference shares during year	17.7	16.3
Dividend accrued on Preference shares at end of year	50.2	32.5

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

Name	Relationship
ABP (Jersey) Limited	Immediate parent
ABP Mezzanine Holdco UK Limited	Group undertaking
ABP SubHoldings UK Limited	Immediate subsidiary

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

Name	Due date	Interest rate per annum	2021 £m	2020* £m
ABP SubHoldings UK Limited	2027	9.0%	722.8	722.8
ABP SubHoldings UK Limited	2028 ¹	3.95% per annum plus 6 month sterling LIBOR	-	416.0
Interest accrued			2,375.0	2,258.9
			3,097.8	3,397.7

*comparative has been updated to conform with current presentation

Name	Due date	Interest rate per annum	2021 £m	2020 £m
ABP (Jersey) Limited	2027	12.0%	(0.4)	(0.6)
Interest accrued			-	(0.2)
			(0.4)	(0.8)

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Notes to the financial statements

13. Related party transactions (continued)

Name	Due date	Interest rate per annum	2021 £m	2020 £m
ABP Mezzanine Holdco UK Limited	2028 ²	3.95% per annum plus 6 month sterling LIBOR	(531.3)	(416.0)
Interest accrued			(12.6)	(115.3)
Transfer of intercompany payable to SubHoldings UK Limited			543.9	
			-	(531.3)

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

ABP SubHoldings UK Limited	2021 £m	2020* £m
Intercompany receivable at start of the year	3,397.7	3,269.8
Interest charged	270.2	266.2
Non-cash movement in interest receivable	(11.2)	(0.5)
Advance of funds received	(15.0)	(3.0)
Intercompany restructuring	-	(134.8)
Transfer of intercompany payable	(543.9)	-
Intercompany receivable at end of the year	3,097.8	3,397.7

*comparative has been updated to conform with current presentation

ABP (Jersey) Limited	2021 £m	2020 £m
Intercompany borrowing at start of the year	(0.8)	(2.8)
Interest charged	(0.1)	(0.2)
Non-cash movement in interest payable	0.5	0.4
Intercompany restructuring	-	1.8
Intercompany borrowing at end of the year	(0.4)	(0.8)

ABP Mezzanine Holdco UK Limited	2021 £m	2020 £m
Intercompany borrowing at start of the year	(531.3)	(508.1)
Interest charged	(12.6)	(23.2)
Transfer of intercompany payable	543.9	
Intercompany borrowing at end of the year	-	(531.3)

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Notes to the financial statements

14. 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 Holdings Limited	100
ABP Midco UK Limited	100
ABP SubHoldings UK Limited	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

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.

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Notes to the financial statements

14. Subsidiary undertakings (continued)

	% held by Company
Subsidiary undertakings: Group services	
ABP Marine Environmental Research Limited	100
ABPH Marine (Guernsey) Limited ¹ (domiciled in Guernsey)	100
UK Dredging Management Limited	100
W.E.D. (Services) Limited	100
Subsidiary undertakings: Dormant	
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 ² (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) ³
The Teignmouth Quay Company Limited	100
Whitby Port Services Limited	100

¹ Registered address is Frances House, Sir William Place, St. Peter Port, Guernsey, GY1 4HQ.

² Registered address is Associated British Ports, Port Office, Ayr, Ayrshire, KA8 8AH.

³ This company is a subsidiary undertaking limited by guarantee.

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Notes to the financial statements

15. Ultimate parent undertaking and controlling parties

ABP Bonds UK Limited is a private company limited by shares registered in England and Wales.

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

2021	% of A Ordinary shares	% of B Ordinary shares	% of Preference shares
Borealis ABP Holdings B.V. (owned by OMERS Administration Corporation)	22.10	22.10	22.09
Borealis Ark 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
Wren House Infrastructure LP (controlled by Kuwait Investment Authority)	10.00	10.00	10.00
Anchorage Ports LLP (owned by Hermes GPE Infrastructure Fund LP, Hermes Infrastructure (SAP I) LP and Hermes Infrastructure (Alaska) LP)	6.12	6.12	6.12
	100.00	100.00	100.00

All share classes held by Kuwait Investment Authority were transferred to Wren House Infrastructure LP, an English Limited Partnership wholly controlled by Kuwait Investment Authority, on 18 August 2021, as part of an intragroup reorganisation. The transaction did not impact the percentage holdings of any other shareholder.

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15. Ultimate parent undertaking and controlling parties (continued)

2020	% of A Ordinary shares	% of B Ordinary shares	% of Preference shares
Borealis ABP Holdings B.V. (owned by OMERS Administration Corporation)	22.10	22.10	22.09
Borealis Ark Holdings B.V. (owned by OMERS Administration Corporation)	7.90	7.90	7.91
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

16. Events after the reporting date

Since the balance sheet date the political unrest between Russia and Ukraine has heightened, culminating with a territorial invasion of Ukraine by Russian armed forces. This situation has continued to escalate and most governments, including that of the UK, have imposed economic, trade and shipping sanctions on Russia. Associated British Ports (“ABP”), the principal operating entity in the group, may be impacted by the consequence of these sanctions and by the resulting reduced trade flows with Russia. As these sanctions were not in place at the balance sheet date, management have concluded that the economic impact of the Ukraine / Russia conflict is a non-adjusting post balance sheet event.

The wider group owned by ABPJ is carefully monitoring the fast changing nature and extent of the economic sanctions on Russia and is liaising with the relevant authorities (including the Department for Transport - DfT) and statutory bodies to ensure the company is compliant with relevant sanctions laws. There is a risk that the sanctions could impact the company’s contracts with suppliers and customers, which could disrupt business operations, which could as a result adversely impact the group’s EBITDA.

The wider group is proactively considering the exposure of suppliers and customers impacted by the current sanctions and the impact any such contracts would have in the financial results and headroom against its loan covenants. Based on initial findings of suppliers and 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.