PD Ports Management Limited

Annual Report and Financial Statements
for the year ended 31 December 2020

Registered number in England and Wales: 05083373

Contents

Strategic Report

For the year ended 31 December 2020

The Directors present their Annual Report on the affairs of PD Ports Management Limited (the "Company") together with the Financial Statements and Independent Auditor's Report for the year ended 31 December 2020.

Principal activities and business review

The Company acts as a management and intermediate holding company. The Company is a member of the group headed by PD Ports Limited (the "Group").

The loss for the year ended 31 December 2020 was £6,923,000, (2019: loss of £178,000). As from the start of the previous year, the Company started to charge some of its operating costs to other group companies, and hence to recognise these as revenue. The result for the year reflects this change, together with a dividend received of £580,000 from its subsidiary in the year (2019: dividend received of £nil), offset by share based payment costs of £5,199,000 (2019: £nil), further details of which can be found in Note 10.

The Balance Sheet shows that the net assets of the Company were £172,031,000 as at 31 December 2020 compared with £173,755,000 at 31 December 2019. Net assets have been impacted by the loss for the year.

Given the nature of its business and operating structure, the Directors are of the opinion that analysis using other key performance indicators is not necessary for an understanding of the development, performance or position of the Company.

Statement by the Directors in performance of their statutory duties in accordance with s172(1) Companies Act 2006

The Directors are fully aware of their responsibilities to promote the success of the Company for the benefit of its members in accordance with s172 of the Companies Act 2006 and have acted in accordance with these responsibilities during the year.

The following disclosures describe how the Board of Directors have had regard to the matters set out in section 172(1) (a-f) in respect of the Company's stakeholders and forms the Directors' Statement required under Section 414CZA of the Companies Act 2006.

Matters set out in section 172(1) (a-f)

The Company's business is managed by the Group Board. The Group Board is responsible for overseeing the performance of the Group's business and for making the major decisions relating to matters of both strategic and tactical importance to the furtherance of Group's activities. It meets four times a year, and the agenda for the meetings includes the following items at a minimum: Health & Safety and compliance matters, approvals for capital expenditure, review of key projects and commercial initiatives and financial update. The Group's monthly and quarterly results are reviewed by board members on conference calls and the annual business planning process is undertaken with engagement from board members, culminating in the approval of the Business Plan by the full board at its last meeting of the year.

Matters set out in section 172(1) (a-f) (continued)

As an infrastructure business, the Group considers very carefully the likely consequences of any major decision it makes in the long term, with the overall objective of generating and preserving value. The Group Board therefore reviews capital projects in a comprehensive manner, considering the rationale for investment in the context of the long-term cash flows anticipated to be generated by the project, the likely impact upon the Group's relationships with its customers and employees, and the risk profiles of the relevant market, customers and suppliers. The impact that the investment would have on the Group's existing infrastructure assets is also a key consideration.

Safety is the first of PD Ports' core values and is always the first agenda item on all Group Board and management team meetings. The Group Board review all lost time accidents and dangerous occurrences, with the objective of understanding the root causes, as part of the Group-wide focus on the ensuring the safety and wellbeing of all of our employees in the workplace. The executive Directors and other members of the executive management team undertake regular health and safety inspections in all areas of the Group's business, in which they engage directly with employees at all levels. In addition, there are a network of Safety, Environmental and Wellbeing Champions across the business, which have direct access to the management and executive teams to raise and discuss relevant concerns and areas for ongoing improvement initiatives.

The Group works closely with its customers and suppliers in a number of different areas. The Group Board are supportive of a wide range of initiatives which enhance the economic prospects of the Tees Valley, such as the successful bid by Teesside to be designated as one of the Freeports in England, the development of offshore wind, hydrogen and other low carbon energy initiatives, on the basis that these are complementary to the long-term interests of the Group.

The Group Board are aware that they set the tone for the overall control environment across the whole Group. They therefore monitor the Anti-Bribery and Corruption and Code of Conduct policies which are in place, and which are designed to ensure that the Group maintains the highest standards of conduct in its business dealings with all stakeholders, and internally within the Group. This is disseminated across all employees through training programmes which are undertaken annually and is embedded in our policies for dealing with customers and suppliers. The Group has a whistleblower hotline, to facilitate any employee raising concerns on any matter directly to the Group Board, who investigate and resolve all such issues on a timely basis.

Employee engagement

The Group recognises its responsibilities towards keeping employees informed of matters affecting them as employees and the economic factors affecting the performance of the Group. To this end, consultations take place at appropriate times with employees' representatives and trade unions, and regular communications, including newsletters, are circulated to all employees.

The Group recognises its obligations towards disabled people and endeavours to provide employment where possible, having regard to the physical demands of the Group's operations and the abilities of the disabled persons. Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of a member of staff becoming disabled, every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Principal risks and uncertainties

The Company finances its activities with a combination of intercompany borrowings and cash. Other financial assets and liabilities, such as trade debtors and trade creditors, arise directly from the Company's operating activities.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the company uses its cash balance and debt facilities available from other group companies.

Credit risk

Risk of exposure to external credit is deemed low for this entity given it is not trading with external customers.

Macro-economic risks

The Company and Group is, in common with most other businesses, subject to macro-economic risks outside of its control.

As a consequence of the discovery and spread of the COVID-19 virus across the world, there was a sudden and sharp reduction in the level of global economic activity with effect from the first quarter of 2020, the impact of which continued throughout the year and subsequently, up to the current date. Whilst global GDP fell in 2020, the Group did not suffer significant adverse impacts to either its total volumes or its financial results as a result of COVID-19. The key risk to the Group would be if the pandemic caused any long-term changes to internal and external demand for goods and hence led to reduced volumes passing through its facilities. Given the recovery in global trade in the second half of 2020 and the current economic indicators, combined with the vaccination programmes now being implemented, this is considered unlikely. The Directors consider that, in its position as the owner and operator of infrastructure assets critical to the continuation of the UK's ability to trade with other countries and with its experience over the past year, the Group has a high level of resilience against any permanent or long-term adverse impact caused by the current pandemic.

On 30 December 2020, the EU–UK Trade and Cooperation Agreement was signed between the European Union and the United Kingdom. It has been applied provisionally since 1 January 2021, when the previous transition arrangements ended, and it provides for 100% tariff liberalisation for the movement of goods between the UK and the European Union. The Directors have considered the impact of this agreement upon the Group's business, and do not consider that it will have a material adverse impact on the Group's ability to continue to trade successfully under its current business model.

The Group monitors and manages these business risks through a series of regular meetings of the Group and divisional management to discuss operational, strategic and risk issues, as well as through meetings of the Group Risk Committee which assesses the major risks and key controls designed to manage these risks. The financial risk management policies and objectives are set out in more detail in the Statement of Accounting Policies.

Future Developments

The Directors anticipate that the Company will continue as a holding company for the foreseeable future.

Approved by the Board and signed on its behalf by:

J F Calje
Director
16 April 2021

Company registration number: 05083373

Directors' responsibilities statement

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial period. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland." Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of its profit or loss for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable United Kingdom accounting standards 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 inappropriate to presume that the Company will continue in business.

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

Directors

The Directors who served during the year and since are set out below:

G Montesi
D J Robinson
J F Calje
J M Hopkinson
F Ortiz
J Kelly (resigned 10 January 2020)

Directors' indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its Directors which were made during the year and remain in force at the date of this report.

Dividends

The Company has not declared any dividends in respect of the year ended 31 December 2020 or since the year end (2019: £nil).

Strategic Report

The Directors are responsible for preparing a Strategic Report in accordance with S414C (11) of the Companies Act 2006.

The Directors have chosen to include the following information within the Strategic Report and consequently this information is not included in this report:

- Principal activity and business review;
- Principal risks and uncertainties, including financial risk management objectives and policies; and
- Future developments.

Employee engagement

The statement on employee engagement is included in the s172 disclosures within the Strategic Report on pages 2-5.

Business Relationships

The statement on business relationships is included in the s172 disclosures within the Strategic Report on pages 2-5.

Auditor and disclosure of information to the auditor

Each Director, as at the date of this report, has confirmed that in so far as they are aware there is no relevant audit information (that is, information needed by the Company's auditor in connection with preparing their report as defined in the Companies Act 2006) of which the Company's auditor is unaware, and they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of this information. This confirmation is given and should be interpreted in accordance with the provisions of S418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to continue in office as auditor and consequently they have been re-appointed accordingly.

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance, financing and position are set out in the Strategic Report on pages 2-5, which also sets out the principal risks and uncertainties facing the Company.

Going concern (continued)

The Company is managed and financed as part of the Group. The Group prepares long term financial projections on an annual basis, which include cash flows. These are used to compute future financial covenant ratios on all of its borrowing agreements, and to assess the level of future headroom expected against the respective financial covenants.

The key component of the Group's financial structure at the year-end was the Term Loan and associated facilities ('the Syndicated Bank Facilities'), held by PD Ports Acquisitions (UK) Limited, a fellow group company. The facilities available total £470.0m. The debt is repayable in full at maturity in December 2024. As at 31 December 2020, the amount outstanding on the facilities was £411.8m. The key financial covenant ratio in the facilities is the leverage ratio, which, at 31 December 2020, stood at 4.98x, compared with a default covenant of 9.50x, and hence the Group had significant headroom against the default covenant at that date.

In addition to its debt facilities the Group also had a cash balance of £10.5m as at 31 December 2020 to support its overall liquidity position.

The Group has a loan from a related party, which, as at 31 December 2020, amounted to £49.2m. This loan is also held by PD Ports Acquisitions (UK) Limited and has a maturity date of July 2024, with no capital repayments due until that date.

The Group's projections, taking account of reasonably possible changes in trading performance, show continued future compliance with the relevant covenants and that the Group has sufficient resources to settle all of its liabilities as they fall due.

As a consequence, the Directors have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for at least 12 months from the signing of the Financial Statements and consider that the use of the going concern basis of accounting is appropriate in drawing up the Financial Statements.

Approved by the Board and signed on its behalf by:

J F Calje
Director

Registered office
17-27 Queen's Square
Middlesbrough
TS2 1AH
United Kingdom
16 April 2021

Company registration number: 05083373

Independent Auditor's Report to the Members of PD Ports Management Limited

Report on the audit of the Financial Statements

Opinion

In our opinion the Financial Statements of PD Ports Management Limited (the 'company') :

- give a true and fair view of the state 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 United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the Financial Statements which comprise:

- the Profit and Loss Account;
- the Balance Sheet;
- the Statement of Changes in Equity;
- the Statement of Accounting Policies; and
- the related Notes 1 to 13.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

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 of at least twelve months from when the Financial Statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

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 our 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 this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Extent to which 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 material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and internal audit about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the Financial Statements. These included the UK Companies Act, pensions legislation, tax legislation; and
- do not have a direct effect on the Financial Statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included health and safety regulations.

We discussed among the audit engagement team including relevant internal specialists, such as tax and IT, regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the Financial Statements.

As a result of performing the above, we identified the greatest potential for fraud in the following area, and our specific procedures performed to address it are described below:

- revenue recognition: agreeing a sample of revenue transactions to third party documentation to gain assurance over the cut off of revenue and ensure been recognised in the correct period.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the Financial Statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, internal audit and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

Report on other legal and regulatory requirements

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 the directors' report have been prepared in accordance with applicable legal requirements.

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 any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.

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.

Scott Bayne.

Scott Bayne FCA (Senior Statutory Auditor)
For on and behalf of Deloitte LLP
Statutory Auditor
Leeds
United Kingdom

16 April 2021

Profit and Loss Account

For the year ended 31 December 2020

	Notes	2020 £'000	2019 £'000
Turnover	1	2,003	1,700
Administrative expenses		(9,768)	(2,022)
Operating loss		(7,765)	(322)
Income from investments in subsidiary undertakings	2	580	-
Loss before taxation	4	(7,185)	(322)
Tax on loss	5	262	144
Loss for the financial year		(6,923)	(178)

The accompanying notes are an integral part of this Profit and Loss Account.

In both periods the loss was derived wholly from continuing operations.

There were no recognised gains or losses in either the current or prior year other than presented in the above Profit and Loss Account, and accordingly, no separate statement of comprehensive income is presented.

Balance Sheet
As at 31 December 2020

	Notes	2020 £'000	2019 £'000
Fixed assets			
Investments	6	125,354	125,354
		125,354	125,354
Current assets			
Debtors	7	182,224	181,930
Cash at bank and in hand		246	18
		182,470	181,948
Creditors: Amounts falling due within one year	8	(135,793)	(133,547)
Net current assets		46,677	48,401
Total assets less current liabilities		172,031	173,755
Net assets		172,031	173,755
Capital and reserves			
Called-up share capital	12	22,619	22,619
Share premium account	12	151,088	151,088
Profit and loss reserve	12	(6,875)	48
Other reserves		5,199	-
Shareholder's funds		172,031	173,755

The accompanying notes are an integral part of this Balance Sheet.

The Financial Statements of PD Ports Management Limited, registered number 05083373, on pages 13 to 26 were approved by the Board of Directors and authorised for issue on 16 April 2021. These were signed on its behalf by:

J F Calje
Director

Statement of Changes in Equity

For the year ended 31 December 2020

	Called up Share Capital £'000	Share Premium Account £'000	Profit and Loss Account £'000	Other Reserves £'000	Total £'000
As at 1 January 2019	**22,619**	**151,088**	**226**	-	**173,933**
Total comprehensive loss	-	-	(178)	-	(178)
As at 31 December 2019	**22,619**	**151,088**	**48**	-	**173,755**
Total comprehensive loss	-	-	(6,923)	-	(6,923)
Credit to equity for cash settled share based payments		-		5,199	
As at 31 December 2020	**22,619**	**151,088**	**(6,875)**	**5,199**	**172,031**

Statement of Accounting Policies

For the year ended 31 December 2020

The principal accounting policies, all of which have been applied consistently during the current and preceding financial year, are set out below. The financial statements have been prepared in accordance with financial reporting standards (FRS 102) issued by the Financial Reporting Council.

General information and basis of accounting

The Company is incorporated as a private company limited by shares in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The registered office address is disclosed on page 8. The nature of the Company's operations and its principal activities are set out on page 2.

The functional and presentational currency of the Company is considered to be sterling because that is the currency of the primary economic environment in which the Company operates.

The financial statements have been prepared under the historical cost convention, and in accordance with Financial Reporting Standard 102 (FRS 102). The Company has taken advantage of the exemption from preparing consolidated financial statements afforded by Section 400 of the Companies Act 2006 because it is a member of the Group headed by PD Ports Limited which prepares consolidated financial statements which are publicly available.

The Company is deemed a qualifying entity under FRS 102. On this basis its intermediate parent company, which prepares consolidated financial statements which are publically available, has approved its eligibility for disclosure exemptions, this report excludes a cash flow statement, key management compensation disclosure and related party disclosures.

Going concern

The financial statements have been prepared on the going concern basis. Further details can be found in the Directors' report on pages 6-8.

Critical accounting judgements and key sources of estimation uncertainty

In the opinion of the Directors, due to the nature of the Company there are no key sources of estimation uncertainty or areas of critical accounting judgement that the directors have made in the process of applying the Company's accounting policies.

Turnover

Turnover represents the fees and other charges receivable on services by the Company on behalf of the PD Ports Limited subsidiaries, net of VAT. Turnover is recognised when services are delivered and collection is considered probable.

Investments

Fixed asset investments are shown at cost less provision for impairment. The carrying value of investments are considered every year, where the Directors identify an impairment the adjustment is charged to the Profit and Loss Account. Dividends receivable are recorded gross in the Profit and Loss Account when they are received.

Taxation

The tax credit/expense represents the sum of the current tax and deferred tax receivable or payable.

Current tax is based on taxable profit for the year. Taxable profit differs from net profit, as reported in the Profit and Loss Account, because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The provision for current tax is computed using the single best estimate of likely outcome approach, taking into account the uncertainties regarding the tax treatment of items which may not have been fully agreed with the relevant tax authorities. The assessments on such items is reviewed on a regular basis, taking appropriate advice, and, to the extent that the likely or final outcome is different from that previously estimated, any differences are provided in the year in which such a revised estimate is made.

The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the Balance Sheet date and is recognised when it is considered probable that there will be a future cash outflow.

Deferred tax

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the Balance Sheet date that are expected to apply to the reversal of the timing difference. Deferred tax relating to non-depreciable property measured using the revaluation model and investment property is measured using the tax rates and allowances that apply to the sale of the asset. In other cases, the measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only where the Company has a legally enforceable right to do so and where the assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity. There is no expiry date on timing differences, unused tax losses or tax credits.

Financial instruments

Financial assets and liabilities are recognised when the Group becomes party to the contractual provisions. Financial liabilities and equity instruments are classified according to the substance of the contractual arrangement entered into.

a) **Financial assets and liabilities**

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those classified as at fair value through profit or loss which are initially measured at fair value, unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument. For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

b) **Debt**

Debt is initially stated at the amount of the net proceeds after the deduction of issue costs. The carrying amount of debt is increased by the finance cost in respect of the accounting year and reduced by payments made during the year.

c) **Finance**

Finance charges, including direct issue costs, are accounted for on an accruals basis, using the effective interest method and are amortised to the Profit and Loss Account over the life of the associated loans

d) **Equity**

An equity instrument is any contract which evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Retirement benefit costs

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

Share based payments

PD Ports Limited, a parent company, has issued share based payments to certain employees of the Company (the "Participating Employees"). These are considered to be largely cash settled in the future as the Participating Employees, once fully vested, have a right to sell the majority of their shares to the company. The value of the share based payments is calculated on an annual basis, using the methodology set out in the Company's Articles of Association, which is based upon a specific multiple of an earnings metric broadly equivalent to the Group's EBITDA for the year then ended and the value of debt at the year-end, including a preferential rate of return on loans from related parties. The consequent valuation, which can therefore vary materially from year to year dependent upon the Group's financial performance. This is shown in the Statement of Changes In Equity as a liability, with a cost equivalent to the change in the fair value of the liability, reflected in the Income Statement as an employment cost.

The value of the share based payments considered to be equity settled are measured at fair value at the date of grant. The fair value excludes the effect of non market-based vesting conditions. The fair value is determined by reference to the cash settled valuation at date of grant and the projected results of the Group on the date of grant, and is expensed on a straight line basis over the vesting period, based on the group's estimate of equity instruments that will eventually vest.

None of the Participating Employees are employed by the company which issued the shares. The relevant expense is reflected in this company which bears the employment costs of the relevant Participating Employees, whilst the liability to purchase the shares from the Participating Employees is reflected in the Balance Sheet of PD Ports Limited.

1 Turnover

Turnover which related solely to the provision of services, arose wholly within the UK and from the principal activity.

2 Income from investments in subsidiary undertakings

	2020 £'000	2019 £'000
Dividends received from group undertakings	580	-

3 Staff costs

a) Directors' remuneration

Messrs Hopkinson and Calje were employed by the Company. It is not practicable to determine the proportions of such emoluments which are attributable to these Directors' services to the Company. The total remuneration of these Directors in respect of the current and prior year are disclosed in the table below.

The other Directors were not paid any emoluments by the Company or any other member of the Group.

	2020 £'000	2019 £'000
Emoluments	837	677
Amounts paid to highest paid Director		
Emoluments	432	343

The Group contributed to the defined contribution pension arrangements of no Directors (2019: none).

b) Employee costs

Employee costs were as follows:

	2020 £'000	2019 £'000
Wages and salaries	1,989	1,497
Social security costs	268	252
Pension costs: Defined contribution schemes	73	48
Share based payments	5,199	-
	7,529	1,797

The average number of employees of the Company was 6 (2019: 6).

4 Loss before taxation

Fees payable to the Company's auditor for the audit of the Company's financial statements amounted to £9,544 (2019: £9,000). There were no fees (2019: £nil) payable to the Company's auditor for other services provided.

5 Tax on loss

	2020 £'000	2019 £'000
Current tax		
UK corporation tax - current year	488	62
Adjustments in respect of prior years	(227)	82
Total current tax	261	144
Deferred tax	-	-
Adjustments in respect of prior years	1	-
Total tax	262	144

Deferred tax relates primarily to timing differences on capital allowances.

Factors affecting the tax charge in the year

The tax assessed for the year is different from the standard rate of UK corporation tax 19% (2019: 19%). The differences are explained below:

	2020 £'000	2019 £'000
Loss before tax	(7,185)	(322)
Loss multiplied by the standard rate of corporation tax in the UK of 19% (2019: 19%)	1,365	61
Effects of:		
Permanent differences	(877)	1
Prior year adjustments	(226)	82
Total tax credit for the year	262	144

Permanent differences in the year relate primarily to dividends received from group companies.

5 Tax on loss (continued)

Factors that may affect future tax charges

Finance Act 2016 had previously enacted provisions to reduce the main rate of UK corporation tax to 17% from 1 April 2020 and accordingly the deferred tax at 31 December 2019 had been calculated at this rate. However, in the March 2020 Budget it was announced that this reduction would not occur and the Corporation Tax Rate would be held at 19%. The Provisional Collection of Taxes Act was used to substantively enact the revised 19% tax rate on 17 March 2020 and accordingly the deferred tax balances have been re-calculated to 19% at the year end.

The March 2021 Budget announced a further increase to the main rate of corporation tax to 25% from April 2023. This rate has not been substantively enacted at the Balance Sheet date, as result deferred tax balances as at 31 December 2020 continue to be measured at 19%. If all of the deferred tax was to reverse at the amended 25% rate the impact on the closing DT position would be to increase the deferred tax asset by £1,000.

6 *Fixed asset investments: Shares in subsidiary undertakings*

	£'000
Cost	
At 1 January 2020 and at 31 December 2020	172,500
Impairment	
At 1 January 2020 and at 31 December 2020	(47,146)
Carrying value	
At 31 December 2019 and at 31 December 2020	125,354

The Company has direct and indirect investments in the following companies, all of which (with the exception of THPA Finance Limited) are registered and operate in the United Kingdom, and whose registered office is that of the Company as set out on page 8.

Subsidiary undertakings	Principal activity	Percentage of ordinary shares held
PD Ports Group Limited (+)	Holding company	100%
PD Portco Limited	Holding company	100%
PD Teesport Limited	Port operations, conservancy and property	100%
PD Group Management Limited	Management services	100%
PD Port Services Limited	Port operations	100%
Tees and Hartlepool Pilotage Company Limited	Pilotage	100%
THPA Finance Limited	Investment holding company	100%
Ports Holdings Limited	Investment holding and leasing company	100%
PD Shipping & Inspection Services Limited	Port operations	100%
PD Ports Properties Limited	Property management	100%
PD Ports Hull Limited	Leasing company	100%
PD Intermodal Solutions Limited	Port operations	100%
PD Freight Solutions Limited	Port operations	100%

6 Fixed asset investments: Shares in subsidiary undertakings (continued)

Subsidiary undertakings	Principal activity	Percentage of ordinary shares held
Groveport 2012 Limited	Holding company	100%
Groveport Logistics Limited	Port operations	100%
THPA Group Services Limited	Labour supplier	100%
Cleveland Wharves Limited	Dormant	100%
PD Ports Finance Limited	Leasing company	100%
Storefreight Limited	Dormant	100%
R Durham & Sons Limited	Dormant	100%
Consolidated Land Services Limited	Dormant	100%
Consolidated Land Services (Scunthorpe) Limited	Dormant	100%
Allied Transport Limited	Dormant	100%
Sellers & Batty Limited	Dormant	100%
North Lincs Haulage Co Limited	Dormant	100%
Consolidated Engineering Limited	Dormant	100%
THPA Pension Trustees Limited	Dormant	100%
THPA Pension Trustees (1976) Limited	Dormant	100%
Associated Waterway Services Limited	Dormant	100%
East Coast Port Services Limited	Dormant	100%
PD Shipping Limited	Dormant	100%
Humber Terminals Limited	Dormant	100%
PD Wharfage Limited	Dormant	100%
International Marine Management (Bond) Limited	Dormant	100%
PD Warehousing Limited	Dormant	100%
Mattak Limited	Dormant	100%
Roxburgh Henderson & Co Limited	Dormant	100%
Peterhead Towage Limited	Dormant	100%
F W Allen & Ker Limited	Dormant	100%
Glasgow Bulk Handling Limited	Dormant	100%
PD 2007 Limited	Dormant	100%
Northern Gateway Limited	Dormant	100%
C & C Agencies Limited	Dormant	100%
Worldwide Travel (Wales) Limited	Dormant	100%
Victoria Harbour Limited	Dormant	100%
Holidays & Sports Travel Limited	Dormant	100%
Benj Ackerley & Son Limited	Dormant	100%
PD Agency Limited	Dormant	100%
Italian General Shipping Limited	Dormant	100%
General Freight Limited	Dormant	100%
Groveport Pension Trustees Limited	Dormant	100%
L.S.D. Transport (1944) Limited	Dormant	100%

6 Fixed asset investments: Shares in subsidiary undertakings (continued)

THPA Finance Limited is incorporated in, and operates in, the Cayman Islands. Its registered office is c/o Intertrust, 190 Elgin Avenue, George Town, Grand Cayman, KYI-9005, Cayman Islands.

Investments held directly by the Company are denoted with (+).

7 Debtors

	2020 £'000	2019 £'000
Amounts owed by related parties	181,626	181,632
Prepayments and accrued income	7	228
Other debtors	11	68
Corporation tax	577	-
Deferred tax	3	2
	182,224	181,930

Amounts owed by related parties are unsecured, interest free and have no fixed repayment date.

8 Creditors: Amounts falling due within one year

	2020 £'000	2019 £'000
Trade creditors	-	(127)
Amounts owed to related parties	(132,802)	(132,369)
Corporation tax	-	(479)
Accruals and deferred income	(2,991)	(572)
	(135,793)	(133,547)

Amounts owed to related parties are unsecured, interest free and have no fixed repayment date.

9 Deferred tax asset

	2020 £'000	2019 £'000
Deferred tax (note 7)	3	2

The analysis of deferred taxation provided in the financial statements is as follows:

	2020 £'000	2019 £'000
Excess of tax allowances over depreciation	3	2

10 Share based payments

	Group £'000	Company £'000
At 1 January 2020	-	-
Recognised in the year	5,199	5,199
At 31 December 2020	5,199	5,199

On 1 May 2015, PD Ports Limited, the parent company issued 29,500 'C' Shares and 1,500 'D' Shares at par to the Brookfield Ports (UK) Limited Employee Share Trust (the 'EBT') which holds the shares on trust for the Participating Employees in accordance with the terms of the Company's Articles of Association, the EBT Trust Deed and the relevant subscription agreements. On 6 December 2017, the Company issued a further 3,000 'C' shares at a price of £5.14 each and 10,000 'E' shares at par.

The Participating Employees are certain of the Group's current and previous key management.

The first tranche of 'C' Shares were fully vested on 1 April 2015, and the 'D' Shares were fully vested on 1 April 2017. The second tranche of the 'C' Shares and the 'E' Shares vest to the relevant Participating Employees in equal instalments over the first five anniversary dates of the dates of their grants. At these dates and on each following anniversary of this date, each Participating Employee who is still employed by the Group at the time has the right to sell up to 25% of their Employee Shares (being the 'C' and 'D' shares) to PD Ports Limited for market value, which is established using a formula set out in the company's Articles. The calculation of market value is computed using fixed multiples of the Group's EBITDA and the Group's net debt. The Participating Employees' right to sell their shares is subject to their retaining, at all times, a minimum of 25% of the Employee Shares which they were originally granted. The purchase of the Employee Shares by the company is made in cash. As a consequence, 75% of the Employee Shares are accounted for as cash settled share based payments.

The Company recognised the following expenses in relation to the cash settled share based payment transactions:

	2020 £'000	2019 £'000
Credit to equity for cash settled share based payments	(5,199)	-
Expense arising from increase in fair value of liability for Employee Shares	5,199	-

10 Share based payments (continued)

The remaining 25% which must be retained has been accounted for as equity settled based on the rights attached to the shares on any potential sale of the company. However, the right to these shares is removed if the individual ceases to be an employee of the Group at which point any cash settlement is at the discretion of the Remuneration Committee of the Group.

The 'E' Shares also vest over a five year period from issue and their value is calculated based upon the market values of the Company's shares on a sale or other exit event, less the value of the Enterprise Hurdle set by the Remuneration Committee.

11 Financial commitments

As at 31 December 2020, the Company (along with certain other group companies) had guaranteed the obligations of PD Ports Acquisitions (UK) Limited, a fellow subsidiary, under the terms of the issue of that company's syndicated banking facilities. The amount guaranteed by the Company at 31 December 2020 under these arrangements totalled £412,172,000 (2019: £nil). The guarantees were secured by fixed and floating charges.

12 Called-up share capital

a) Shares

	2020 £'000	2019 £'000
Allotted, called-up and fully-paid		
226,193,261 ordinary shares of 10 pence each	22,619	22,619

The Company has one class of ordinary shares which carry no right to fixed income.

b) Other reserves

The Company's other reserves are as follows:

- The Profit and Loss Account represents cumulative profits or losses, net of dividends paid and other adjustments.
- The share premium account represents the amounts paid for shares issued in excess of their par value.
- Other reserves represents credits to equity for cash settled share based payments

13 Ultimate parent undertaking and controlling party

The Company's intermediate parent company, controlling party and the smallest corporate entity which produces consolidated financial statements including the results of the Company was PD Ports Limited, a company registered in England and Wales. Copies of the financial statements of this company are available from its registered office, 17-27 Queen's Square, Middlesbrough, TS2 1AH.

The Company's ultimate parent company, and the largest corporate entity which has produced consolidated financial statements including the results of the Company, was Brookfield Asset Management Inc., a company incorporated in Canada. Copies of the financial statements of this company are available from its registered office, Suite 300, Brookfield Place, 181 Bay Street, Toronto, Canada.