OTTER PORTS 1 LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

Registered Number: 07549546

OTTER PORTS I LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

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OTTER PORTS I LIMITED

COMPANY INFORMATION

DIRECTORS	Lord Smith of Kelvin (Chairman) R. Chang P. Charbonneau (Alternate) S. Kynaston S. Davy S. Oades A. Abidi M. Légaré S. Beer
COMPANY SECRETARY	P. Smyth
REGISTERED NUMBER	07549546
REGISTERED OFFICE	10 Bressenden Place 8th Floor London SW1E 5DH United Kingdom
INDEPENDENT AUDITOR	Deloitte LLP Statutory Auditor 110 Queen Street Glasgow G1 3BX United Kingdom

OTTER PORTS I LIMITED

STRATEGIC REPORT

Principal Activity and Future Developments

Otter Ports I Limited ("the Company") is a private company limited by shares, incorporated and registered in England. It is 100% owned by Otter Ports Holdings Ltd and is ultimately controlled by an affiliate of Public Sector Pension Investment Board. The Company operates as an intermediate holding company and acted as such throughout the year. The loans with its parent company and subsidiary were settled in December 2021 and it is expected that the Company will settle its remaining intercompany liabilities in the coming year and be liquidated thereafter.

Principal Risks and Uncertainties

The Directors of Otter Ports Group Holdings Limited ("the Group") manage the Group's risks at a group level, rather than at an individual Company level. For this reason, the Company's Directors believe that a discussion of the Group's risks would not be appropriate for an understanding of the development, performance or position of Otter Ports I Limited's business. The principal risks and uncertainties of the Otter Ports Group Holdings, which include those of the Company, are discussed in the Group's annual report which does not form part of this report, but is publicly available, as disclosed in Note 10.

There are no specific KPIs which the Directors use to monitor Company performance given that the Company is non-trading.

Going Concern

As noted above, the Company settled its loans with its parent company and subsidiary in December 2021 and it is expected that the Company will settle its remaining intercompany liabilities in the coming year and be liquidated thereafter. As a result of this, these financial statements are prepared on a basis other than Going Concern.

Financial Risk Management

Liquidity Risk

All financing arrangements are subjected to ongoing management review to ensure that assets will be sufficient to satisfy financial obligations as and when they fall due.

Credit Risk

All contractual arrangements are subject to an initial assessment of credit risk. Subsequent to contract, ongoing management review identifies where credit obligations have not been met, or are at risk of not being met. This management review also identifies and monitors the appropriate actions to be taken with a view to enforcing the Company's rights under contract.

OTTER PORTS I LIMITED

STRATEGIC REPORT (continued)

Financial Risk Management (continued)

Market Risk

The overall objective of the Company is to secure shareholder value through the effective management and development of assets, including acquisitions and disposals, over the long-term. Key market variables which affect this outcome include forecast inflation along with general macro-economic factors such as economic growth and interest rates.

The impact of potential interest rate movements on costs of specific loans is monitored regularly. Assumptions on other key market variables are tested regularly and the carrying values of the assets are re-assessed to reflect any changes which are thought likely to affect the market value at the expected point of disposal.

Capital Risk Management

The Directors of Otter Ports Group Holdings Limited manage the Group's capital risk at a group level. Their policies are discussed within the Group's annual financial statements which do not form part of this report.

Results and Dividend

The profit for the year after taxation amounted to £nil (2021 – £312). No dividends were paid during the year (2021 - £nil).

BY ORDER OF THE BOARD

R. Chang
Director

26 April 2023

OTTER PORTS I LIMITED

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements of the Company for the year ended 31 December 2022.

Company Registration

The Company is registered and incorporated in England as number 07549546.

Directors

The Directors of the Company who were in office during the year, and up to the date of signing the financial statements, unless otherwise stated were:-

Lord Smith of Kelvin (Chairman)
R. Chang
P. Charbonneau (Alternate)
S. Davy
S. Kynaston
S. Oades
M. Bryan (resigned 28 December 2022)
A. Abidi
M. Légaré
S. Beer (appointed 25 January 2022)

Indemnification of Directors

The Company has granted an indemnity to its directors (which extend to the performance of any duties as a director of any associated company) against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such a qualifying third-party indemnity provision remains in force as at the date of approving the Directors' Report.

Financial Risk Management

Details of how the Company manages its financial risks can be found in the Strategic Report on pages 2 and 3.

Future Developments

Details of future developments can be found in the Strategic Report on page 2.

Going Concern and Liquidity

As noted in the accounting policies on page 14, the Company settled its loans with its parent company and subsidiary in December 2021 and it is expected that the Company will settle its remaining intercompany liabilities in the coming year and be liquidated thereafter. As a result of this, these financial statements are prepared on a basis other than Going Concern.

Dividend

Details of dividends paid can be found in the Strategic Report on page 3.

Post Balance Sheet Events

There are no material post balance sheet events which require to be disclosed.

OTTER PORTS I LIMITED

DIRECTORS' REPORT *(continued)*

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 year. 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 101 "Reduced Disclosure Framework", and in conformity with the requirements of the Companies Act 2006. 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 the profit or loss of the Company for that period. International Accounting Standard 1 requires that the Directors:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK 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.

Independent Auditor and Disclosure of Information to Auditor

Each Director, as at the date of this report, has confirmed that insofar 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) 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 that 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 appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

BY ORDER OF THE BOARD

R. Chang
Director

26 April 2023

OTTER PORTS I LIMITED

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF OTTER PORTS I LIMITED

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Otter Ports I Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 31 December 2022 and of its result for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the balance sheet;
- the statement of changes in equity;
- the accounting policies; and
- the related notes 1 to 12.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (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 Financial Reporting Council'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.

Emphasis of matter – Financial statements prepared other than on a going concern basis

We draw attention to page 13 of the financial statements, which indicates that the financial statements have been prepared on a basis other than that of a going concern. Our opinion is not modified in respect of this matter.

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OTTER PORTS I LIMITED (continued)

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 those that are specific to the Group's business sector, 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 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 Companies Act 2006 and 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.

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.

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.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF OTTER PORTS I LIMITED (continued)

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 and external 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.

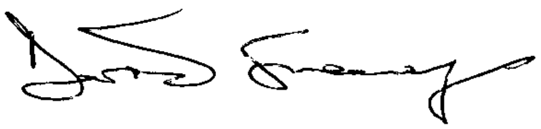
In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

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.



David Sweeney CA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Glasgow, United Kingdom

26 April 2023

OTTER PORTS I LIMITED

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 £	2021 £
Finance income	2	-	30,762,903
Finance costs	3	-	(30,762,903)
Profit before tax		-	-
Taxation	4	-	-
Profit for the year attributable to equity shareholders		-	-

Results for the year are attributable solely to discontinued operations.

The Company has no comprehensive income or expense other than those included in the Income Statement above and therefore no separate Statement of Comprehensive Income has been presented.

OTTER PORTS I LIMITED

BALANCE SHEET
AS AT 31 DECEMBER 2022

	Note	2022 £	2021 £
ASSETS			
Non-current assets			
Investment in subsidiary undertaking	5	1	1
Current assets			
Cash and cash equivalents		146,013	146,013
Total assets		146,014	146,014
LIABILITIES			
Current liabilities			
Trade and other payables	6	(40,245)	(40,245)
Total liabilities		(40,245)	(40,245)
Net assets		105,769	105,769
SHAREHOLDER'S EQUITY			
Share capital	7	1	1
Share premium	8	87,338	87,338
Retained earnings		18,430	18,430
Total shareholder's equity		105,769	105,769

The financial statements of Otter Ports I Limited, with registered number 07549546, on pages 9 to 18 were authorised and approved for issue by the Board of Directors on 26 April 2023 and signed on its behalf by:

R. Chang
Director

OTTER PORTS I LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

	Share Capital £	Share Premium £	Retained Earnings £	Total Equity £
Balance at 1 January 2021	1	87,338	18,430	105,769
Profit for the year	-	-	-	-
Balance at 31 December 2021	1	87,338	18,430	105,769
Result for the year	-	-	-	-
Balance at 31 December 2022	1	87,338	18,430	105,769

There are no restrictions on the distribution of retained earnings.

OTTER PORTS I LIMITED

ACCOUNTING POLICIES
FOR THE YEAR ENDED 31 DECEMBER 2022

The Company is a private company limited by shares, incorporated and domiciled in England under the Companies Act 2006. The Company operates as an intermediate holding company and acted as such throughout the year. The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Basis of Preparation

The financial statements have been prepared in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework" and in conformity with the requirements of the Companies Act 2006. The financial statements have been prepared on a basis other than going concern, under the historical cost convention as modified by the revaluation of investment properties at fair value and certain financial assets and financial liabilities at fair value through profit or loss.

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 101 "Reduced Disclosure Framework":

- the requirements of paragraphs 10(d), 10(f), 16, 40A, 40B, 40C, 40D and 111 of IAS 1 Presentation of Financial Statements;
- the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
    - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
    - paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of paragraphs 134 to 136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraphs 17 and 18A of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group; and
- IFRS 15, 'Revenue from contracts with customers': second sentence of paragraph 110, and paragraphs 113(a), 114, 115, 118, 119 (a) to (c), 120 to 127 and 129.

The Company is a subsidiary of Otter Ports Holdings Ltd (OPH), a company incorporated in Grand Cayman. In accordance with section 401 of the Companies Act 2006 and IFRS 10.4(a), the Company is not required to produce consolidated financial statements as its results are included in the consolidated OPH financial statements. The OPH financial statements will be filed at Companies House along with these financial statements in accordance with the Companies Act 2006 section 401.

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

ACCOUNTING POLICIES (continued)

A summary of the more material accounting policies is set out below.

Going Concern

The Company settled its loans with its parent company and subsidiary in December 2021 and it is expected that the Company will settle its remaining intercompany liabilities in the coming year and be liquidated thereafter. As a result of this, these financial statements are prepared on a basis other than Going Concern. No material adjustments have arisen as a result of ceasing to apply the going concern basis.

New Accounting Standards

In the current year, the Company has adopted the following amendments to existing accounting standards issued by the International Accounting Standards Board.

- Amendment to IAS 16 Property, Plant & Equipment. Proceeds before intended use – effective date 1 January 2022
- Amendments to IFRS 3 Business Combinations. Reference to the conceptual framework – effective date 1 January 2022
- Amendments to IAS 37 Provisions, Contingent Liabilities & Contingent Assets. Onerous contracts – cost of fulfilling a contract – effective date 1 January 2022
- Amendment to IFRS 1 First time adoption of International Financial Reporting Standards. Subsidiary as a first- time adopter – effective date 1 January 2022
- Amendment to IFRS 9 Financial Instruments. Fees in the '10 per cent test' for derecognition of financial liabilities – effective date 1 January 2022
- Amendment to IFRS 16. Lease incentives – effective date 1 January 2022

Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements. There were no new accounting standards adopted by the Company in the year.

Investment in Subsidiary

Investments are stated at cost less any permanent diminution in value. Costs include the fair value of the consideration paid.

Interest

Interest is payable and receivable on group borrowings at fixed rates as disclosed in Notes 2 and 3. Interest is payable and receivable half yearly on parent and subsidiary company balances and interest is charged on late settlement of interest.

Current Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the Income Statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

The Company is part of the Otter Ports Group which includes a number of companies which are part of a tax group for certain aspects of the tax legislation. One of these aspects relates to group relief whereby current tax liabilities can be offset by current tax losses arising in other companies within the same tax group. Payment for group relief is made equal to the tax benefit and amounts are included within the current tax disclosures.

Share Capital and Share Premium

Ordinary shares are classified as equity. Consideration received for ordinary shares over and above the par value is classified separately as share premium.

Dividends

Dividends are recorded in the financial statements in the period in which they are approved by the shareholders or when paid in the case of interim dividends. Inter-group dividends are recorded in the period in which they are approved and paid by the subsidiary company's Board.

Critical Accounting Judgements, Key Assumptions and Estimation Uncertainty

In the application of the Company's accounting policies, the Directors are required to make judgements, estimates and assumptions concerning the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

There are no critical judgements, assumptions or areas of estimation uncertainty that affect these financial statements.

OTTER PORTS I LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

1. Operating profit

Services provided by the Company's auditor
Fees in relation to the audit of the Company are settled by the Company's subsidiary, Forth Ports Limited. This amounted to £4k in the year (2021 - £4k). No non-audit services were provided by the Company's auditor in the year (2021 – none).

Key management compensation
Key management remuneration is incurred and paid by the Company's subsidiary company - Forth Ports Limited. No Directors received remuneration directly through the Company during the year (2021 - £nil). The Directors received total remuneration of £111k from the Group during the year (2021: £92k), but it is not practicable to allocate this between their services as executives of each Company within the Group. There are no other employees of the Company (2021 - none).

2. Finance income

	2022	2021
	£	£
Interest receivable from Group undertakings	-	30,762,903

Interest is charged at a fixed rate of 16.25%, with interest being charged on unpaid interest

3. Finance costs

	2022	2021
	£	£
Interest payable to parent company	-	30,762,903

Interest is charged at a fixed rate of 16.25%, with interest being charged on unpaid interest.

4. Taxation

	2022	2021
	£	£
Analysis of tax charge for the year		
Current tax – charge for the year	-	-

The tax for the year is equal to (2021 – equal to) the standard rate of corporation tax in the UK of 19% (2021 – 19%) as shown below:

	2022	2021
	£	£
Profit before tax	-	-
Profit multiplied by rate of corporation tax in the UK of 19% (2021 – 19%)	-	-

As announced in the 2021 Budget on 3rd March 2021, the UK corporate income tax rate shall increase from 19% to 25% from 1st April 2023. This rate change was substantively enacted on 24th May 2021 by Finance Bill 2021. Current tax credits have been group relieved by the availability of profits in fellow subsidiaries for the years ended 31 December 2021 and 31 December 2022.

5. Investment in subsidiary

	2022	2021
	£	£
Shares in subsidiary	1	1

The Company owns 100% of the share capital of 1 £1 ordinary share of Otter Ports II Limited, an intermediate holding company. Otter Ports II Limited is registered and domiciled in England. Details of subsidiary undertakings are provided in Note 11.

6. Trade and other payables

	2022	2021
	£	£
Amounts due to Group undertakings	26,182	26,182
Amounts due to parent company	14,063	14,063
	40,245	40,245

Amounts due to Group and parent undertakings are payable on demand and are expected to be fully paid during the next twelve months. Inter-company loans were settled in the prior year such that no interest bearing loans remain in the Company. The Directors consider that the carrying amount of payables approximates to their fair value. Disclosures in relation to Financial and Capital Risk Management are set out in the Strategic Report on pages 2 and 3.

7. Share capital

	2022	2021
	£	£
Authorised, allotted and fully paid		
1 ordinary share of £1	1	1

The Company also has 1310 "B" shares of 0.000001p in issue. The B shares carry no voting rights or rights to dividends from the Company.

8. Share Premium

The 1310 "B" shares of 0.000001p were issued for a price of £66.67 per share, giving a share premium of £87,338.

9. Dividend

The Company paid no dividends in 2022 or 2021.

10. Ultimate parent company

The Company is 100% owned by Otter Ports Holdings Ltd, which is 100% owned by Otter Ports Group Holdings Limited a company incorporated in Grand Cayman. Otter Ports Holdings Ltd is the smallest and Otter Ports Group Holdings Limited is the largest group of undertakings for which Group financial statements are available. Both have a registered office at Ugland House, South Church Street, George Town, Cayman Islands. Otter Ports Group Holdings Limited is ultimately controlled by an affiliate of Public Sector Pension Investment Board, based in Canada. As Public Sector Pension Investment Board does not prepare consolidated financial statements for public use, the next most senior parent is Otter Ports Group Holdings Limited and copies of its consolidated financial statements may be obtained from its principal place of business at 10 Bressenden Place, 8th Floor, London, SW1E 5DH.

11. Subsidiaries, Joint Ventures and Associates

All Group subsidiaries have year end dates of 31 December and will make individual Annual Returns to the Registrar of Companies. The Group's joint ventures have a year end date of 31 March.

The interest in Otter Ports II Limited is held directly by Otter Ports I Limited. In all other cases the interest is held by a subsidiary. The principal country of registration and operation of the above undertakings is Scotland, with the exception of Forth Ports Finance PLC, International Transport Limited, Port of Tilbury London Limited, London Container Terminal (Tilbury) Limited and Nordic Limited which are registered and operate in England. Subsidiaries are accounted for by the Company at historical cost less provision for any impairment.

Subsidiary		Interest Held %****	Description of Undertaking
Otter Ports II Limited	***	100%	Intermediate holding company
Otter Ports Limited	***	100%	Intermediate holding company
Forth Ports Limited	*	100%	Port operator
International Transport Limited	**	100%	Intermediate holding company
Port of Tilbury London Limited	**	100%	Port operator
London Container Terminal (Tilbury) Limited	**	100%	Non-trading
Forth Estuary Towage Limited	*	100%	Towage services
Targe Towing Limited	*	100%	Towage services
Forth Ports Finance Plc	**	100%	Finance company
O M Holdings Limited	*	100%	Intermediate holding company
Oilfield Machinery Limited	*	100%	Finance company
OM Heavy Lift Limited	*	100%	Logistics services
Nordic Limited	**	100%	Intermediate holding company - non-trading
Port of Dundee Limited	*	100%	Port operator
AF Dundee Limited	*	100%	Dormant/non-trading
Forth Property Holdings Limited	*	90%	Intermediate holding company
Forth Property Investments Limited	*	90%	Property investment company
Forth Property Developments Limited	*	90%	Property development
Edinburgh Forthside Holdings Limited	*	100%	Non-trading company
FP Newhaven Two Limited	*	100%	Property investment company
Forth Properties Limited	*	100%	Property development
Forth Energy Limited	*	100%	Dormant/non-trading
Fife Energy (Services) Limited	*	100%	Dormant/non-trading
Forth Energy (Pipelines) Limited	*	100%	Dormant/non-trading
Forth Energy (Services) Limited	*	100%	Dormant/non-trading
Forth Energy (Tilbury) Limited	**	100%	Dormant/non-trading
Forth Energy (Retail) Limited	*	100%	Dormant/non-trading
Forth Energy (Generation) Limited	*	100%	Dormant/non-trading
Forth Energy (Distribution) Limited	*	100%	Dormant/non-trading
Edinburgh Forthside Developments Limited	*	100%	Property development

12. Subsidiaries, Joint Ventures and Associates (continued)

Subsidiary		Interest Held %****	Description of Undertaking
Port of Grangemouth Security Authority Limited	*	100%	Dormant/non-trading
Victoria Quay Limited	*	100%	Dormant/non-trading
Forthside Limited	*	100%	Dormant/non-trading
Forth Ports Trustees Limited	*	100%	Non-trading
Edinburgh Forthside Investments Limited	*	100%	Property investment company
Forth Estate Management Limited	*	100%	Dormant/non-trading
Grainfax Limited	*	100%	Dormant/non-trading
Nordic Holdings Limited	**	100%	Dormant/non-trading
Nordic Recycling (Lincoln) Limited	**	100%	Dormant/non-trading
Nordic Data Management Limited	**	100%	Dormant/non-trading
Port of London Tilbury Limited	**	100%	Dormant/non-trading
Logistics Academy East of England Limited	**	100%	Dormant/non-trading
Forthport Limited	*	100%	Dormant/non-trading
FLM Realisations Limited	*	100%	Dormant/non-trading
Leith Stevedores Limited	*	100%	Dormant/non-trading
Cruise Edinburgh Limited	*	100%	Dormant/non-trading
Sandpiper Road NHT 2014 LLP	*	33⅓%	NHT scheme with Scottish Futures Trust and City of Edinburgh Council
Western Harbour NHT LLP	*	33⅓%	NHT scheme with Scottish Futures Trust and City of Edinburgh Council

Sandpiper Road NHT 2014 LLP and Western Harbour NHT LLP are consolidated as subsidiaries as the Group is considered to have economic control.

Associates		Interest Held %	Description of Undertaking
Tilbury on the Thames Trust	**	100%	Promotion of heritable buildings for community benefit.

The above entity is deemed to be an associate as control is split between all members which include non-Group appointments.

Joint Ventures		Interest Held %	Description of Undertaking
London Distribution Park LLP	**	50%	JV POTLL with Roxhill (Tilbury) Ltd
London Distribution Park No. 2 LLP	**	50%	JV POTLL with SEGRO (Tilbury 2) Limited

Registered Address

*	1 Prince of Wales Dock, Edinburgh EH6 7DX
**	Leslie Ford House, Tilbury, Essex RM18 7EH
***	10 Bressenden Place, 8th Floor, London, SW1E 5DH
****	All shares held are ordinary equity shares

OTTER PORTS HOLDINGS LTD

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2022

Registered Number: 0252937

OTTER PORTS HOLDINGS LTD

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

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OTTER PORTS HOLDINGS LTD

COMPANY INFORMATION

DIRECTORS	Lord Smith of Kelvin (Chairman) Richard Chang Patrick Charbonneau (Alternate) Stephen Kynaston Simon Davy Stewart Oades Azhar Abidi Martine Légaré Simon Beer
COMPANY SECRETARY	Pamela Smyth
REGISTERED OFFICE	Otter Ports Holdings Ltd Ugland House South Church Street George Town Cayman Islands
INDEPENDENT AUDITOR	Deloitte LLP Statutory Auditor 110 Queen Street Glasgow G1 3BX United Kingdom
SOLICITORS	Freshfields Bruckhaus Deringer LLP 65 Fleet Street London EC4Y 1HS United Kingdom
BANKERS	Lloyds Banking Group PLC New Uberior House Third Floor 11 Earl Grey Street Edinburgh EH3 9BN United Kingdom

OTTER PORTS HOLDINGS LTD

DIRECTORS' REPORT

The Directors present their report and the audited non-statutory consolidated financial statements of Otter Ports Holdings Ltd (the Company) for the year ended 31 December 2022. The Company, its subsidiaries and joint ventures together form the Group.

Performance Review

Group revenue for the year was £288.3m which represents an 11.9% increase on 2021. This increase reflects a variety of factors including strong towage activity, continued high storage volumes as customers held contingencies against supply chain uncertainties and the sale of a plot of land. The increased activity resulted in an increase in gross profit which was £137.2m, up £14.7m or 12.0% on 2021.

Administrative expenses, pre-exceptional items and revaluations, were £37.6m, £4.4m higher than last year, which reflects inflationary and other increases in a number of core costs including staff costs, insurance and depreciation.

Group operating profit, pre-exceptional items and revaluations, was £99.6m, up £10.3m or 11.5% on 2021. The operating profit margin remained comparable year on year (34.7% in 2021 and 34.5% in 2022). Total group operating profit was £129.8m, up £18.6m reflecting the £10.3m increase above and a number of year on year movements in exceptional items and revaluations.

The reported profit for the year was £83.4m, up from £12.9m in 2021 due to the higher operating profit noted above, lower net finance costs and a lower tax charge.

Shareholders' equity was £180.1m (2021 - £83.0m).

Principal Risks and Uncertainties

The Group has extensive risk identification and mitigation processes in place. The most significant opportunities and risks are discussed and debated by the Board in November each year, as part of the 5 year plan review, which also includes a deep dive into each of our key markets. This is the basis for the Executive Directors preparing the Group Risk Register which is reviewed bi-annually by the Audit & Risk Committee and annually presented for approval by the Board.

As with all commercial businesses there are a number of macro and industry trends that are considered through a risk, and indeed opportunity lens, which by their nature do vary from time to time. The most significant such macro trends currently are: higher levels of consumer price inflation than seen for many decades with a resultant increase in the cost of living and likely reduction in economic activity with the UK forecast to experience minimal economic growth in 2023; the short and long term impact of issues related to supply chain resilience following the Covid-19 pandemic and the UK's exit from Europe; the short and long term impact of decarbonisation; the longer term impact of the conflict in Ukraine including issues related to the security of energy supply; and the threat of a cyber-attack from increased digitalisation. As well as these macro trends there a number of risks that are inherent in our business model, such as the risk of serious injury, particularly given the heavy plant and equipment that we operate.

It's important to remember the Group's ports are well located, with Tilbury's proximity to London, Grangemouth as Scotland's largest port in the centre of the country and more recently Dundee and Leith as prime locations in support of offshore wind farm deployment. These locations mean they are well positioned for changes in trade flows and have the infrastructure in place to respond to such changes, especially given the level of investment in facilities that has been made over a number of years. More broadly all of our ports are accustomed to handling a diverse and changing range of commodities and have the resources in place to respond to changes.
The key risks to the business are explained in more detail below.

In addition, the Group has a diverse customer base, many of whom have been customers for a number of years and a significant portion of which have long term commitments to the Group in the form of property leases and/or minimum volume guarantees which gives security to the Group's revenues and profits.

Some of the key risks to the business are explained in more detail below.

Principal Risks and Uncertainties (continued)

Macro Trends

High inflation and expected weak UK economy in 2023
The ports industry tends to be very resilient in terms of economic shocks but is not immune to changes in economic activity. During 2020 and 2021, and to a lesser extent in 2022, Covid-19 restrictions led to reductions in demand due to lockdowns which negatively impacted the level of activity through our ports most noticeably in liquid bulks and our cruise businesses. Despite this, the business delivered a solid trading result in 2020 and strong operating profit growth in each of 2021 and 2022, with revenue and profits now well in excess of 2019. This is in part driven by investment but also reflects our strategic locations, the nature of what we handle, with a considerable volume of unitised cargo being household staples that are less affected by economic activity and also the diversity of what we can handle enabled by the infrastructure/location of our ports.

Supply chain changes following Covid-19 and the UK's exit from Europe
When considering the longer term impacts of these events whether on supply chains or demand for different commodities and so the resultant impact on our business, there remains uncertainty on how this will fully pan out. We have seen some changes to date in response have developed strategies to adapt, including investments in infrastructure to provide port centric storage solutions to our customers and as well as making investments in growing sectors such as logistics for FMCG customers and offshore renewables.

As a Group we have serviced customers exporting and importing from outside Europe for many years and so have the systems and processes in place which have allowed us to support our European customers in making the transition as the UK has left Europe. The final element of this transition is additional physical inspections on certain goods which are expected to come into force during 2023, although there have been a number of government delays in introducing this regime. However we are well prepared for this with the ability to handle significant unaccompanied volume at Tilbury2 and completed Border Control Posts, to handle these inspections.

Short and long term impact of decarbonisation
Decarbonisation is firmly on the business agenda as well as being at the top of the agenda for politicians and policymakers. Combined with this the economics of certain alternative energy sources are now viable or rapidly moving that way. For Forth Ports this means we need to manage this transition in our liquid bulks business and be proactive in being part of the move to these new energy sources, although with the increased emphasis on security of energy supply following the Ukraine conflict it may be that liquid bulks feature as part of the energy mix for longer than was anticipated previously. In terms of the transition this means: working closely with our key customers to understand how we can best support their plans with the concept of a Firth of Forth Net Zero Hub going to the heart of this; investment in renewables hubs at Dundee and Leith to support offshore wind deployment; and a medium/longer term understanding of the port infrastructure that will be required to support in areas such as green and blue hydrogen and carbon capture and storage, and we have commenced work in scoping these changes. The Thames Freeport designation and the successful Green Freeport bid in Scotland are both key enablers on this journey to attract green investment and jobs.

Cyber threat
Like any business today we recognise we face the risk of a cyber-attack and that this has increased significantly in recent years with attacks becoming more widespread and more sophisticated. This risk is managed with continued investment in appropriate resilience and recovery measures (including network segregation, integrated end point detection and response, implementing appropriate policies including in relation to disaster recovery and business continuity) as well as a comprehensive employee training programme to raise awareness and defend against malicious attacks.

Business specific

Loss of key customer
The majority of the Group's customers have long-term contractual agreements and relationships however there is always a risk that, when these contracts expire, they may not be renewed. This risk is at its greatest in those sectors facing structural decline. More generally to mitigate against the risk of customers moving to competitor ports, the Group manages this by negotiating any renewals early and providing high operational service levels and generally maintaining good relations with key customers.

Principal Risks and Uncertainties (continued)

Environment and Operations
Forth Ports Limited and Port of Dundee Limited are Statutory Harbour Authorities and have responsibilities in the event of a marine incident in the Firth of Forth or Firth of Tay which includes maintaining an emergency response centre should such an incident occur. Our capability in this area is tested each year as well as an external audit of our procedures each year, which is reviewed and approved by the Board of Directors.

Given the nature of the Group's operations there is the risk of a major accident or fatality. The Group's safety record, which is measured by the industry recognised 'Accident Incident Rate (AIR)', continues to be better than industry averages. This risk is taken extremely seriously by the Board and is managed by regular and ongoing engagement with employees using different forms of communication including face to face briefings, online and classroom training and bulletins, with the support and guidance of our in house Health & Safety Team. The 'Visible Felt Leadership' engagement programme was launched in 2021, a highly participative programme focused on further reducing our injury rate through cultural change. As part of the programme, leaders at all levels within the business undertake a number of activities during the year including delivering health and safety tours and workshops and contributing to the Group health and safety improvement plan.

The nature of ports is such that operations are reliant on key pieces of infrastructure including quaysides, lock gates, major equipment (cranes, sennebogens, straddle carriers, etc.) and warehousing. There is always a risk of a failure of a major piece of infrastructure and the impact that might have on the business. To mitigate this risk the Group invests in comprehensive maintenance and upgrade programmes, managed by experienced engineering teams located at each of our major ports.

Liquidity and Going Concern

The Group's external borrowing facilities at 31 December 2022 totalled £995m, with approximately £160m (£60m and US$160m) of US Private Placement Loan Notes due for repayment in December 2023. This has contributed to the Group's net current liabilities position of £92.7m however in February 2023 the Group secured new 10 year funding from the Private Placement market of £275m (to be drawn in August 2023 and February 2024) to repay these loans as well as providing additional funding for investment in the Group. Combined with cash of £116.3m, these undrawn facilities ensure the Group has sufficient liquidity to comply with its financial covenants throughout the going concern period. The £995m of existing facilities are a combination of £675m of US Private Placement Loan Notes which mature from 2023 to 2038 and £320m of bank facilities consisting of a £220m term loan, a £95m revolving credit facility (currently undrawn) and a £5m of ancillary facilities, all of which mature in July 2024. In addition there are £29m of facilities relating to the National Housing Trust property developments at Harbour Gateway and Harbour Point, repayment or refinancing of which is required from September 2026 to November 2029.

The Group has Shareholder loans of £530.7m, which, when added to the external borrowings, take the total Group borrowing facilities to £1,485.9m.

The Group's current five year plan was approved by the Board of Directors in November 2022 with this year's approval continuing to recognise the risks and opportunities that could impact the delivery of the plan in relation to external matters including the potential effect of the currently uncertain economic climate on both supply chains and levels of demand across a number of markets we operate. This has been caused by a variety of external factors including recovery from the Covid-19 pandemic, the UK's exit from the EU, the conflict in Ukraine and the impact on wholesale commodity markets, higher inflation than seen for a number of decades and higher interest rates than since the financial crisis in 2008/09.

The Group handles a broad range of basic commodities, across a number of sectors, for a large number of customers. This breadth is important in meeting unexpected and serious levels of business disruption. From the platform of a resilient level of trading over the last two years, having emerged from Covid-19, and continued tight control over capital expenditure and discretionary spend, various sensitivities have been applied to the 2023 budget and 2024 forecast, with a central case seeing growth in 2023 as the Group benefits from significant investments made over recent years but tempered through the impact of the uncertain economic environment.

Liquidity and Going Concern (continued)

In addition, the budget has been stress tested assuming a more dramatic and prolonged reduction in volumes and earnings. The modelling shows that under this scenario the Group remains profitable and generates operating cash flows over the next 12 months and that there is considerable headroom in lending facilities and covenants which underpins the going concern assumption on which these financial statements have been prepared. We will closely monitor cash conversion and covenants over this period with a number of mitigating actions including delay in capex spend and deferral of discretionary dividend payments, which are within the control of the Company.

After making appropriate enquiries, the Directors have concluded that the Group will be able to meet its financial obligations for the foreseeable future and therefore have a reasonable expectation that the Group overall have adequate resources to continue in operational existence for the foreseeable future (being at least one year following the date of approval of these financial statements). Accordingly, the Directors consider it appropriate to adopt the going concern basis in preparing the financial statements.

Directors

The Directors of the Company who were in office during the year, and up to the date of signing the financial statements, unless otherwise stated were:

Lord Smith of Kelvin (Chairman)
Richard Chang
Patrick Charbonneau (Alternate)
Stephen Kynaston
Simon Davy
Stewart Oades
Azhar Abidi
Martine Légaré
Simon Beer (appointed 25 January 2022)

OTTER PORTS HOLDINGS LTD

DIRECTORS' REPORT (CONTINUED)

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 year. Under that law the Directors are required to prepare the Group and the Company financial statements in accordance with international accounting policies in conformity with the requirements of the Companies Act 2006. 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 Group and Company and of the profit or loss of the Group for that period. International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- 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 IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Group and Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditor

Each Director, as at the date of this report, has confirmed that, insofar as they are aware, there is no relevant audit information (that is, information needed by the Group's auditor in connection with preparing their report) of which the Group'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 Group's auditor is aware of that 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 appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

Approved by the Board and signed on its behalf by:

R. Chang
Director

26 April 2023

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OTTER PORTS HOLDINGS LTD

Report on the audit of the financial statements

1. Opinion

In our opinion the financial statements of Otter Ports Holdings Limited (the 'parent company') and its subsidiaries (the 'group'):

- give a true and fair view of the state of the group's affairs as at 31 December 2022 and of its profit for the year then ended;

- have been properly prepared in accordance with United Kingdom adopted international accounting standards

We have audited the financial statements which comprise:

- the group income statement;
- the group statement of comprehensive income;
- the group balance sheet;
- the group statement of changes in equity;
- the group statement of cash flows; and
- the related notes 1 to 34.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom adopted international accounting standards

2. 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 Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed entities, 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.

3. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • Valuation of investment property; and • Assumptions used in the valuation of the retirement benefit obligation. These are consistent prior year key audit matters.

3. Summary of our audit approach (continued)

Materiality	The materiality that we used in the current year was £6.1m which was determined on the basis of 5% of Earnings Before Interest, Taxes, Depreciation, and Amortisation (EBITDA).
Scoping	Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team. A full scope audit was performed on all components of the Group.
Significant changes in our approach	There have been no significant changes to our approach.

4. Conclusions relating to going concern

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

Our evaluation of the directors' assessment of the group's ability to continue to adopt the going concern basis of accounting included:

- Challenging the underlying data and key assumptions including the impact of macro-economic factors;
- Evaluating the sophistication of the model used to prepare the forecasts, testing the clerical accuracy of those forecasts and considering the historical accuracy of the forecasts prepared by the directors;
- Assessing the financing facilities that are in place in the year including the repayment terms and covenants, and assessing whether these have been appropriately reflected in the model;
- Assessing the likelihood of the downside scenarios and sensitivities performed by the directors; and
- Assessing the appropriateness of the going concern disclosures.

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 group'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.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

5. Key audit matters (continued)

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1 Valuation of investment property

Key audit matter description	The group has investment property of £523.0m at 31 December 2022 (2021: £510.7m) and the investment property valuation will vary depending on the inputs used in the valuation model. The directors engaged an external valuer to assist in preparing the 31 December 2022 property valuation. There is a risk that the valuation assumptions as made by the director's valuer are not reasonable, leading to a material misstatement in the carrying value of the investment property. The most critical assumption relates to the investment property yield rates as this is the input which requires the greatest amount of judgement. The directors are responsible for collating the information on location specific adjustments, vacant properties and change of use properties. Further details are included within "Key Sources of Estimation Uncertainty" as disclosed in the accounting policies within the financial statements and in note 12 to the financial statements.
How the scope of our audit responded to the key audit matter	We have obtained the valuation models used by the directors in their assessment of carrying value. We have tested the underlying data by selecting a sample of property lease contracts, and agreeing the data back to the underlying contract. To assess completeness, we have evaluated management's reconciliation of the rental income per the rental system to the income noted in the valuations reports. We have compared property values to the values in the prior valuations and have focused our testing on properties for which there were significant changes in fair value. We have assessed and challenged the valuations and considered the appropriateness of the inputs and assumptions employed. This includes assessing the location specific adjustments, comparing to market data, testing large variances in yield year over year as well as properties related to new leases in the year. We have also identified vacant properties, and properties with a change of use in the year as areas of specific focus for our testing We have involved our own real estate specialists to assess the yield assumptions for these key properties, considering the approach adopted by the management's valuer. We have also evaluated the competence, capabilities and objectivity of that expert. We have also assessed the appropriateness of the disclosure in the financial statements.
Key observations	Overall, the valuations of the investment property and the yield assumptions used in the valuation models are reasonable.

5. Key audit matters (continued)

5.2 Assumptions used in the valuation of the retirement benefit obligation

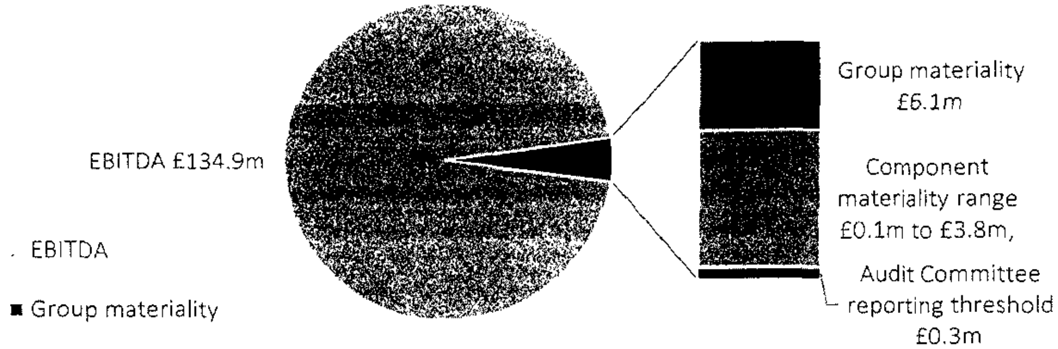
Key audit matter description	The group has a pension liability of £41.6m at 31 December 2022 (2021: £76.9m). The pension liability is dependent on the inputs used in the actuarial calculation. There is a risk that the retirement benefit assumptions (including the selection of a discount rate, inflation and mortality assumptions) are not appropriate and changes ir such assumptions could lead to a material movement. The most critical assumption relates to the discount rate, as this is the input that requires the greatest amount of judgement. The discount rate is set with reference to market yields at the end of the reporting period on high quality corporate bonds. The mortality assumptions are a key judgement area as they are derived by adjusting the base mortality tables specifically for the demographics of Forth Ports staff. Whilst the key audit matter is pinpointed to the pension lability, the pension asset balance is an integral part of the net retirement benefit obligation. A number of investment managers are responsible for the custodian of the assets and confirming the year end balance held. Further details are included within "Key Sources of Estimation Uncertainty" as disclosed in the accounting policies within the financial statements and in note 25 to the financial statements.
How the scope of our audit responded to the key audit matter	We assessed the key assumptions that form part of the pension liability and benchmarked them to our industry averages. We involved our specialists to assess the assumptions in relation to discount rates, inflation and mortality rates including the methodology used to derive these. We have carried out an independent roll-forward calculation of the opening defined benefit obligation (DBO) to 31 December 2022 and compared each of the key calculated items in the movement in the balance sheet over the accounting period anc the DBO to our roll-forward. Lastly we performed an analytical review of the membership data to understand movements since the last triennial valuation. For the pension assets, we have reviewed the internal control reports for each investment manager and followed up on exceptions. For each investment managers, we have obtained the pension asset confirmations and agreed to the IAS19 report. We then performed transaction testing on all assets to review settled sale transactions close to year end to challenge the asset valuation. We have also assessed the appropriateness of the disclosure in the financial statements.
Key observations	Overall, the assumptions used in the valuation of the retirement benefit obligation are reasonable.

6. Our application of materiality

6.1 Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work. Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Group Materiality	£6.1m (2021: £5.7m)
Basis for determining materiality	4.5% of EBITDA (2021: 4.5% of EBITDA)
Rationale for the benchmark applied	EBITDA has been used as the benchmark as this is the principal indicator of most interest to the key shareholders.



6.2 Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Performance materiality was set at 70% of materiality for the 2022 audit (2021: 70%). In determining performance materiality, we considered the following factors:

- Our past experience of the audit which has indicated a low number of corrected and uncorrected misstatements identified in prior periods; and

a. Our risk assessment, including our assessment of the group's overall control environment and that we consider it appropriate to rely on controls over a number of business processes.

6.3 Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £305,000 (2021: £285,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1 Scoping

Our audit was scoped by obtaining an understanding of the entity and its environment, including internal control, and assessing the risks of material misstatement. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team. A full scope audit was performed on all components of the Group.

7.2 Our consideration of the control environment

We obtained an understanding of the control environment over the key systems IPOS (revenue and expenses), Integra (General Ledger) and iTrent (payroll) and placed reliance on the controls. With the involvement of our IT specialist we tested the relevant general IT controls, automated and manual controls for our audit of revenue, expenses and payroll and relied on those controls.

8. 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 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.

9. 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 group'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 group or to cease operations, or have no realistic alternative but to do so.

10. 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,

10. Auditor's responsibilities for the audit of the financial statements (continued)

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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

11. 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.

11.1 Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management and the audit committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and relevant internal specialists, including valuations, real estate, pensions and IT specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the valuation of investment property. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the pensions legislation and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty.

11. Extent to which the audit was considered capable of detecting irregularities, including fraud (continued)

11.2 Audit response to risks identified

As a result of performing the above, we identified the valuation of investment property as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

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

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the audit committee and external legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

12. Use of our report

This report is made solely to the company's directors, as a body, in accordance with our engagement letter dated 10 January 2023 and solely for the purpose of the Group's Shareholder Agreement. Our audit work has been undertaken so that we might state to the company's directors 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 for our audit work, for this report, or for the opinions we have formed.

David Sweeney CA *(Senior statutory auditor)*
For and on behalf of Deloitte LLP
Statutory Auditor
Glasgow, United Kingdom

26 April 2023

GROUP INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	Before Exceptional Items and Revaluations £m	Exceptional Items and Revaluations £m	Total 2022 £m	Before Exceptional Items and Revaluations £m	Exceptional Items and Revaluations £m	Total 2021 £m
Group revenue	4	288.3	-	288.3	257.7	-	257.7
Cost of sales	5	(151.1)	-	(151.1)	(135.2)	-	(135.2)
Gross profit		137.2	-	137.2	122.5	-	122.5
Administrative expenses	5,6	(37.6)	(8.9)	(46.5)	(33.2)	(9.3)	(42.5)
Other income	6		39.1	39.1	-	31.2	31.2
Group operating profit	5,6	99.6	30.2	129.8	89.3	21.9	111.2
Finance income		2.1	-	2.1	0.4	-	0.4
Finance costs	6,9	(58.1)	35.4	(22.7)	(74.7)	22.1	(52.6)
Profit before tax		43.6	65.6	109.2	15.0	44.0	59.0
Taxation	6,10	(12.1)	(13.7)	(25.8)	(36.5)	(9.6)	(46.1)
Profit/(loss) for the year		31.5	51.9	83.4	(21.5)	34.4	12.9
Loss attributable to non-controlling interest		(0.1)	-	(0.1)	(0.1)	-	(0.1)
Profit/(loss) attributable to equity shareholders		31.6	51.9	83.5	(21.4)	34.4	13.0
		31.5	51.9	83.4	(21.5)	34.4	12.9

All activities relate to continuing activities.

GROUP STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 £m	2021 £m
Profit for the year		83.4	12.9
Other comprehensive expense			
Items that will never be reclassified to profit or loss			
Revaluation of investment property transferred from operational land and buildings	12	2.0	14.4
Deferred tax on revaluation of investment property	23	(0.4)	(2.6)
Effect of tax rate change on deferred tax opening revaluation balance	23	-	(4.6)
Actuarial gain/(loss) on defined benefit pension schemes	24	17.5	(24.9)
Deferred tax on actuarial loss	17	(3.3)	4.7
Corporation tax on excess pension contribution		3.4	3.1
Deferred tax on excess pension contributions	17	(3.4)	(3.1)
Effect of tax rate change for deferred tax on defined benefit pension schemes	17	(2.1)	5.8
Other comprehensive income/(expense) recognised directly in equity, net of tax		13.7	(7.2)
Total comprehensive income for the year		97.1	5.7
Attributable to:			
Non-controlling interest		(0.1)	(0.1)
Equity shareholders		97.2	5.8
		97.1	5.7

GROUP BALANCE SHEET
AS AT 31 DECEMBER 2022

		2022	2021
ASSETS	Notes	£m	£m
Non-current assets			
Property, plant and equipment	11	944.8	881.2
Investment property	12	523.0	510.7
Intangible assets	13	302.5	300.1
Investment in joint ventures	14	0.1	0.1
Derivative financial assets	20	15.8	20.6
Deferred tax assets	17	10.4	19.2
Trade and other receivables	16	3.5	2.4
		1,800.1	1,734.3
Current assets			
Inventories	15	6.1	6.5
Trade and other receivables	16	63.0	54.0
Current tax assets		2.2	-
Derivative financial assets	20	38.5	1.7
Cash and cash equivalents		116.3	182.1
		226.1	244.3
LIABILITIES			
Current liabilities			
Borrowings	19	(193.0)	-
Trade and other payables	18	(123.0)	(151.4)
Current tax liabilities		-	(1.9)
Derivative financial instruments	20	-	(3.9)
Provisions	21	(2.8)	(3.1)
		(318.8)	(160.3)
Net current (liabilities)/assets		(92.7)	84.0
Total assets less current liabilities		1,707.4	1,818.3
Non-current liabilities			
Borrowings	19	(1,292.9)	(1,465.4)
Derivative financial instruments	20	-	(15.2)
Provisions	21	(13.8)	(16.9)
Trade and other payables	22	(14.7)	(17.3)
Deferred tax liabilities	23	(164.3)	(143.6)
Retirement benefit obligations	24	(41.6)	(76.9)
Preference shares	25	(0.0)	(0.0)
		(1,527.3)	(1,735.3)
Net assets		180.1	83.0
SHAREHOLDERS' EQUITY			
Share capital	26	0.0	0.0
Share premium		1.4	1.4
Retained earnings		179.9	82.7
Total shareholders' equity		181.3	84.1
Non-controlling interest in equity		(1.2)	(1.1)
Total equity		180.1	83.0

The financial statements of Otter Ports Holdings Ltd, with registered number 0252937, on pages 15 to 53 were approved and authorised for issue by the Board of Directors on 26 April 2023 and signed on its behalf by:

R Chang
Director

GROUP STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

	Attributable to equity holders of the Group				
	Share capital £m	Share premium £m	Retained earnings £m	Non controlling interest £m	Total equity £m
Group					
Balance at 1 January 2021	0.0	1.4	76.9	(1.0)	77.3
Other comprehensive expense recognised directly in equity	-	-	(7.2)	-	(7.2)
Profit for the year	-	-	13.0	(0.1)	12.9
Total comprehensive income for the year	-	-	5.8	(0.1)	5.7
Balance at 31 December 2021	0.0	1.4	82.7	(1.1)	83.0
Other comprehensive expense recognised directly in equity	-	-	13.7	-	13.7
Profit for the year	-	-	83.5	(0.1)	83.4
Total comprehensive income for the year	-	-	97.2	(0.1)	97.1
Balance at 31 December 2022	0.0	1.4	179.9	(1.2)	180.1

GROUP STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 £m	2021 £m
Cash flows from operating activities			
Cash generated from operations	27	118.4	101.5
Interest paid		(94.5)	(35.1)
Interest received		1.9	0.4
Tax paid		(6.8)	(6.5)
Net cash generated from operating activities		19.0	60.3
Cash flows used in investing activities			
Purchase of subsidiary		(11.2)	(14.6)
Purchase of property, plant and equipment, intangibles and investment property		(70.2)	(67.8)
Disposal of property, plant and equipment		0.3	-
Net cash used in investing activities		(81.1)	(82.4)
Net cash outflow before financing activities		(62.1)	(22.1)
Cash flows generated from financing activities			
Repayment of lease liabilities		(3.7)	(3.6)
Repayment of Shareholder loans		-	(495.7)
New Shareholder loans drawn down		-	530.7
Net cash (used in)/generated from financing activities		(3.7)	31.4
(Decrease)/increase in cash and cash equivalents		(65.8)	9.3
Cash and cash equivalents at start of year		182.1	172.8
Cash and cash equivalents at end of year		116.3	182.1

NOTES TO THE FINANCIAL STATEMENTS

1. General Information

Otter Ports Holdings Ltd (the Company) is a private company limited by shares incorporated in Grand Cayman. The address of its registered office is given on page 1. The Company operates as an intermediate holding company and acted as such throughout the year. The nature of the Group's operations and its principal activities are the provision of port, cargo handling, towage and related services and facilities. The Group also has non-operational property interests. These non-statutory consolidated financial statements have been approved for issue by the Board of Directors on 26 April 2023.

The financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates. All values are rounded to the nearest million pounds (£m) unless otherwise indicated.

2. Basis of Preparation

The financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. The consolidated financial statements have been prepared on a going concern basis, under the historical cost convention as modified by the revaluation of investment properties at fair value and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The Directors believe that the Group is well placed to manage its financing and other business risks satisfactorily. The Directors have adopted the going concern basis in preparing these financial statements after assessing the principal risks as set out in the Director's Report on pages 2 to 6. After making appropriate enquiries, the Directors have concluded that the Group will be able to meet its financial obligations for the foreseeable future and therefore have a reasonable expectation that the Group overall have adequate resources to continue in operational existence for the foreseeable future (being at least one year following the date of approval of these financial statements). Accordingly, the Directors consider it appropriate to adopt the going concern basis in preparing the financial statements.

The Group continues to have significant liquidity headroom on existing facilities and against the financial covenants.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies adopted in the preparation of these financial statements are set out in Note 32. These policies have been consistently applied to all the years presented, unless otherwise stated.

3. Critical Accounting Judgements, Key Assumptions and Estimation Uncertainty

In the application of the Group's accounting policies the Directors are required to make judgements, estimates and assumptions concerning the carrying amounts of assets and liabilities that are not readily apparent from other sources.

Other estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The Directors have concluded that there are no critical accounting judgements for the Group or the Company except for:

Critical Accounting Judgements

Capitalisation of borrowing costs

As shown in Note 9, the Group capitalises borrowing costs directly attributable to the acquisition, construction or production of qualifying assets. Funds are assumed to come directly from the Group's drawn facilities and therefore the interest rate applied is the weighted average interest rate paid by the Group on its external borrowings of 3.7% (2021 - 3.7%). During the year this included capitalisation of borrowing costs relating to the acquisition and construction of certain elements of Tilbury2.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period, that may result in a material adjustment to the carrying amounts of assets or liabilities within the next financial year, are discussed below.

Discount rate and other assumptions used to determine the carrying amount of the Group's defined benefit obligation

The Group's defined benefit obligation is discounted at a rate set by reference to market yields at the end of the reporting period on high quality corporate bonds. Significant judgement is required when setting the criteria for bonds to be included in the population from which the yield curve is derived.

The pension benefit assumptions include gilt yields at the year end, investment returns (including a risk margin over gilt yields), which both impact the discount rate used, price and salary inflation and mortality assumptions. Full details of the assumptions used to calculate the pension assets and liabilities including the Directors' assessment of the impact of a reasonably possible change in key assumptions on the liability may be found in Note 24.

Rental yields used to determine the fair value of the Group's investment property assets

The fair value of the Group's investment properties are assessed at each balance sheet date and significant judgement is required to determine the yields used to derive the fair value for each property. In estimating the fair value of a property, the Group uses market-observable data to the extent that it is available. Where Level 2 inputs are not available, the Group uses appropriately qualified internal or external valuers to perform the valuation.

For information on valuation techniques and inputs used in the investment property valuation, as well as sensitivities to key assumptions, please refer to Note 12. The impact on the carrying value of a reasonably possible change in the underlying key assumptions is quantified therein.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Revenue

Revenue represents income earned from Port activities and Property transactions. An analysis of the Group's revenue, all of which is generated in the UK, is as follows:

	2022 £m	2021 £m
Port operations	242.3	215.8
Property rental	42.1	41.9
Land sales	3.9	-
Total revenue	288.3	257.7

Included within total revenue is revenue from contracts with customers. The aggregate revenue by region and major service provision is as follows:

	2022 £m	2021 £m
Region		
Tilbury	124.4	120.5
Scotland	117.6	95.3
Total contract revenue	242.0	215.8

	2022 £m	2021 £m
Major service provision areas		
Cargo handling	129.6	121.1
Vessel charges	16.1	15.2
Storage	40.2	38.7
Marine charges	27.0	16.6
Ancillary services	29.1	24.2
Total contract revenue	242.0	215.8

	2022 £m	2021 £m
Timing of revenue recognition		
At a point in time	201.8	177.2
Over time	40.2	38.6
Total contract revenue	242.0	215.8

The transaction price allocated to (partially) unsatisfied performance obligations as of 31 December is as follows:

	2022 £m	2021 £m
Major service provision areas		
Cargo handling	0.6	0.6
Total contract revenue	0.6	0.6

All of the partially unsatisfied performance obligations are expected to be recognised as revenue within the next 12 months.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. Group Operating Profit (before Exceptional Items and Revaluations)

Group operating profit has been arrived at after (crediting)/charging:	2022 £m	2021 £m
Property rentals (revenue)	(42.1)	(41.9)
Depreciation		
- owned assets	28.1	25.2
- depreciation on leased assets	3.4	2.7
- capital grants	(0.5)	(0.3)
Amortisation		
- intangible assets	2.2	3.3
Repairs and maintenance expenditure on property, plant and equipment	10.8	10.5
Expenses relating to short term leases	2.7	4.0
Cost of inventories recognised as an expense	1.0	0.8
Employee costs		
- cost of sales (Note 8)	57.6	52.1
- administrative expenses (Note 8)	16.8	17.3

Auditor's Remuneration

The fees payable for the audit of the parent Company's annual financial statements were £25k (2021 - £22k) and were incurred and paid by a subsidiary company, Forth Ports Limited. The fees payable for the audit of the underlying subsidiaries' annual financial statements were £310k (2021 - £294k). There were no fees payable for non-audit services. (2021 - £nil).

6. Exceptional Items and Revaluations

Exceptional items ("*") and revaluations ("**") have been disclosed separately because in the view of the Directors their quantum or lack of frequency means their separate disclosure gives a clearer understanding of the Group's financial performance. They are charged/(credited) to the Income Statement as follows:

	2022 £m	2021 £m
Administrative expenses		
Long Term Incentive Plan (LTIP) – value of services provided ** (Note 8)	0.6	1.6
Demolition and site clearance costs relating to the Tilbury grain silo rebuild*	0.6	6.5
Business interruption costs in relation to the Tilbury grain silo rebuild*	7.7	6.0
Shareholder loan adjustment *	-	(4.8)
	8.9	9.3
Other income		
Increase in fair value of investment properties** (Note 12)	(22.1)	(20.2)
Insurance proceeds in relation to the Tilbury grain silo rebuild*	(17.0)	(11.0)
	(39.1)	(31.2)
Finance costs		
Interest rate hedge – mark to market** (Note 9)	(39.1)	(22.0)
Cross currency interest rate hedge – mark to market** (Note 9)	(12.3)	(0.2)
Derivatives credit risk adjustment** (Note 9)	1.0	-
Retranslation of Series A and Series G US $ loan notes** (Note 9)	16.1	1.8
Diesel hedge – mark to market** (Note 9)	(0.6)	(1.7)
Euro forward contract – mark to market (Note 9)	(0.1)	-
Unwinding of discount on deferred consideration	1.1	-
Remeasurement of discount rate on PNPF pension provision** (Note 9)	(1.5)	-
	(35.4)	(22.1)

The tax effect of the items noted above results in a charge to the Income Statement of £13.7m (2021 – £9.6m).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. Directors' Emoluments

No Director received remuneration directly through the Company during the year in relation to their services as Directors of the Company (2021 – none). Key management compensation is disclosed in Note 30.

8. Employee Costs

The aggregate remuneration of all employees was:

	2022 £m	2021 £m
Wages and salaries	58.4	53.2
Social security costs	7.2	6.4
LTIP – value of services provided (Note 6)	0.6	1.6
Pension costs - defined benefit plans	6.6	6.4
- defined contribution plans	2.2	1.8
	75.0	69.4

Average monthly number of Employees:

	2022 No	2021 No
Operational	774	746
Maintenance	148	142
Administrative	168	164
	1,090	1,052

9. Finance Costs

	2022 £m	2021 £m
Interest on pension liability (Note 24)	11.0	8.4
Interest income on scheme assets (Note 24)	(9.7)	(7.4)
Interest on bonds	20.9	36.9
Interest on borrowings and overdrafts	34.3	35.2
Less: Interest capitalised in the year	(1.6)	(1.5)
Lease interest	0.9	0.8
Interest rate hedge – mark to market (Note 6)	(39.1)	(22.0)
Cross currency interest rate hedges – mark to market (Note 6)	(12.3)	(0.2)
Derivatives credit risk adjustment (Note 6)	1.0	-
Retranslation of Series A US $ loan notes (Note 6)	16.1	1.8
Remeasurement of the discount rate on PNPF provision (Note 6)	(1.5)	-
Amortisation of loan arrangement fees	1.3	1.3
Unwinding of discount on deferred consideration	1.1	-
Diesel hedge – mark to market (Note 6)	(0.6)	(1.7)
Euro forward contract – mark to market (Note 6)	(0.1)	-
Amortisation of IFRS 9 gains on amendments to bank facilities	1.0	1.0
	22.7	52.6

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. Taxation

	2022 £m	2021 £m
Current tax		
Charge for the year	7.7	12.0
Group relief	0.1	0.0
Adjustments in respect of prior years	(1.6)	(4.3)
Total current tax	6.2	7.7
Deferred tax		
Deferred tax asset (Note 17)	-	1.2
Deferred tax liability (Note 23)	19.6	37.2
Total deferred tax	19.6	38.4
Tax charge	25.8	46.1

The tax charge for the year of 23.6% is higher than the standard rate of corporation tax in the UK of 19% (2021 - 78.1%). The differences are explained below:

	2022 £m	2021 £m
Profit before tax	109.2	59.0
Profit multiplied by rate of corporation tax in the UK of 19% (2021 – 19%)	20.8	11.2
Effects of:		
Adjustments in respect of prior years – current tax	(1.6)	(4.3)
Adjustments in respect of prior years – deferred tax	0.9	0.9
Tax rate change on current year deferred tax	4.5	2.3
Effect of rate change on deferred tax opening balances	0.1	28.2
Capital allowance super deduction	(0.9)	-
Expenses not deductible for tax purposes	0.7	0.5
Movement in deferred tax due to loss of Initial Recognition Exemption	(0.3)	(0.2)
Inter-company debt write off	-	(0.9)
Unwinding discount on deferred consideration	0.2	-
Non- deductible Long Term Incentive Plan share expense	0.1	0.3
Non-taxable element of grain silo collapse	(2.4)	-
Non-taxable element of revaluation gains	(0.3)	(0.2)
Deferred tax on uplift in revalued properties	(0.1)	-
Corporate Interest Restriction disallowance	4.1	8.3
Tax charge	25.8	46.1

As announced in the 2021 Budget on 3rd March 2021, the UK corporate income tax rate shall increase from 19% to 25% from 1st April 2023. This rate change was substantively enacted on 24th May 2021 by Finance Bill 2021, and this rate is used for calculating the deferred tax provision.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. Property, Plant and Equipment

	Operational Land and Buildings £m	Plant and Equipment £m	Right-of-Use Assets £m	Capital Works in Progress £m	Total £m
Cost or fair value (net of capital grants)					
At 1 January 2022	771.3	155.1	22.9	92.5	1,041.8
Additions	-	5.1	4.1	74.3	83.5
Disposals	(0.1)	(6.2)	(0.5)	-	(6.8)
Transfers between asset categories	27.6	13.5	-	(29.9)	11.2
At 31 December 2022	798.8	167.5	26.5	136.9	1,129.7
Accumulated depreciation (net of grant amortisation)					
At 1 January 2022	84.1	68.7	7.8	-	160.6
Depreciation charge (net of grant amortisation)	16.2	11.4	3.4	-	31.0
Disposals	(0.1)	(6.1)	(0.5)	-	(6.7)
At 31 December 2022	100.2	74.0	10.7	-	184.9
Net book value at 31 December 2022	698.6	93.5	15.8	136.9	944.8

Capital grants included in PPE have the following net book amount:

	Operational Land and Buildings £m	Plant and Equipment £m	Total £m
Cost	19.1	23.5	42.6
Accumulated amortisation	(17.7)	(8.7)	(26.4)
Net book amount at 31 December 2022	1.4	14.8	16.2

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. Property, Plant and Equipment (continued)

	Operational Land and Buildings £m	Plant and Equipment £m	Right-of-Use Assets £m	Capital Works in Progress £m	Total £m
Cost or fair value (net of capital grants)					
At 1 January 2021	739.3	157.0	20.2	70.9	987.4
Additions	-	12.8	3.1	62.7	78.6
Disposals	(0.6)	(7.1)	(0.4)	-	(8.1)
Transfers between asset categories	32.6	(7.6)	-	(41.1)	(16.1)
At 31 December 2021	771.3	155.1	22.9	92.5	1,041.8
Accumulated depreciation (net of grant amortisation)					
At 1 January 2021	70.3	65.5	5.5	-	141.3
Depreciation charge (net of grant amortisation)	14.6	10.3	2.7	-	27.6
Disposals	(0.5)	(6.5)	(0.4)	-	(7.4)
Transfers between asset categories	(0.3)	(0.6)	-	-	(0.9)
At 31 December 2021	84.1	68.7	7.8	-	160.6
Net book value at 31 December 2021	687.2	86.4	15.1	92.5	881.2

Capital grants included in PPE have the following net book amount:

	Operational Land and Buildings £m	Plant and Equipment £m	Total £m
Cost	19.1	20.1	39.2
Accumulated amortisation	(17.6)	(8.5)	(26.1)
Net book amount at 31 December 2021	1.5	11.6	13.1

12. Investment Property

		2022 £m	2021 £m
Valuation			
At 1 January		510.7	463.9
Fair value movement	- to Income Statement (Note 6)	22.1	20.1
	- to Statement of Comprehensive Income	2.0	14.4
Net transfers to PPE		(11.4)	12.9
Disposals		(0.4)	(0.6)
At 31 December		523.0	510.7

The fair value of the Group's investment property at 31 December 2022 has been arrived at on the basis of valuations carried out by Graham and Sibbald (G&S) and Lambert Smith Hampton (LSH), Property Consultants. In accordance with the Appraisal and Valuation Standards of the Royal Institution of Chartered Surveyors (RICS), IFRS 13 and the International Valuation Standards (IVSI) the valuation of each investment property was calculated on the basis of Market Value, subject to the assumption that the investment properties would be sold with any existing leases. The Market Value was primarily derived using comparable recent market transactions on arm's length terms. In accordance with the Valuation Standards, both G&S and LSH confirm that although they have carried out the valuation of the assets in 2022, they have not provided other property advice. In relation to the firms' preceding year the total fees paid by the Group as a percentage of the firms' total fee income was less than 5%. Both G&S and LSH maintain a policy of rotating valuers in accordance with Practice Statement 5.2.2. of the RICS Appraisal and Valuations Standards (The Red Book).

The resulting increase in fair value of £22.1m is taken to the Income Statement in the year and £2.0m shown through the Statement of Comprehensive Income in accordance with IAS 40 in relation to assets transferred from PPE during the year. Deferred tax is provided on timing differences arising from the revaluation of investment property.

Key assumptions include equivalent yield, which is set dependent on the nature and location of each specific property. At the year end, the range of yields was 4.06% to 21.53% (2021 – 0.01% to 18.52%). A 0.5% reduction in the yield assumed would increase the valuation by £38.6m (2021 - £39.6m).

The property rental income earned by the Group from its investment property, all of which is leased out under operating leases, amounted to £42.1m (2021 - £41.9m).

The historical cost of the Group's investment property portfolio is £134.4m (2021 - £134.9m).

13. Intangible Assets

	Goodwill £m	Customer Relationships £m	Software £m	Total £m
Cost				
At 1 January 2022	287.8	72.2	10.1	370.1
Additions (Note 34)	4.3	-	-	4.3
Transfers between asset categories	-	-	0.2	0.2
At 31 December 2022	292.1	72.2	10.3	374.6
Accumulated amortisation and impairment				
At 1 January 2022	-	64.7	5.3	70.0
Charge for the year	-	1.3	0.8	2.1
At 31 December 2022	-	66.0	6.1	72.1
Net book value at 31 December 2022	292.1	6.2	4.2	302.5

13. Intangible Assets (continued)

	Goodwill £m	Customer Relationships £m	Software £m	Total £m
Cost				
At 1 January 2021	286.5	63.4	7.9	357.8
Additions	1.3	8.8	-	10.1
Disposals	-	-	(0.1)	(0.1)
Transfers between asset categories	-	-	2.3	2.3
At 31 December 2021	287.8	72.2	10.1	370.1
Accumulated amortisation and impairment				
At 1 January 2021	-	62.1	4.7	66.8
Charge for the year	-	2.6	0.6	3.2
At 31 December 2021	-	64.7	5.3	70.0
Net book value at 31 December 2021	287.8	7.5	4.8	300.1

Goodwill arising on the acquisition of the Forth Ports Group, London Container Terminal (LCT), Targe Towing Limited and, in the current year, O M Holdings Limited, is considered to have an indefinite life in accordance with IFRS 3 (revised). Customer relationships recognised on the acquisition of the Forth Ports Group (£51.4m allocated to Scottish Ports), LCT (£12m allocation to Port of Tilbury) and Targe Towing Limited (£8.8m) are written off on a straight-line basis over a period of up to ten years. Amortisation of customer relationships of £1.3m (2021 - £2.6m) is included in the cost of sales line in the Income Statement.

Goodwill of £292.1m is monitored for impairment purposes at the operating segments level, being the two trading divisions of the Forth Ports Group – Scottish Ports (£186.2m) and Port of Tilbury (£105.9m). The recoverable amount has been determined on a value in use basis, based on management's expectation of future economic benefits. Goodwill in this instance represents a variety of new business opportunities as well as the acquired workforce.

The calculations are based on five year pre-tax cash flow projections approved by the Directors. Cash flows beyond the initial five year period are extrapolated using the growth rate below.

The key assumptions used in determining the value in use are as follows:

Assumption	**How Determined**
Revenue	Estimated revenue has been based on management projections taking into account experience and minimum contracted revenue.
Operating margin	Estimated operating margin has been based on management projections taking into account experience and changes in cost base following acquisition by the Group. This includes operating costs and maintenance capital expenditure.
Growth rate	The growth rates in the first five years for all the CGUs range from 3.6% to 28.0%. The average growth rate used after the fifth year is 2.5% which is consistent with the UK's long-term average growth in GDP.
Discount rate	A pre-tax discount rate of 8.0% has been used and reflects the risks relating to the acquired group. Management consider that there is no material difference between the risk profile of the Group and that of the CGUs.

The value in use is sensitive to changes in the growth rate and discount rate. The Directors performed an impairment test in the year, and the current year tests confirmed that there were no reasonably possible changes identified in any of the assumptions that would lead to an impairment.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. Investment in Joint Ventures

The Group's significant interests are as follows:

Name of undertaking	Interest held %	Country of incorporation
London Distribution Park LLP	50	United Kingdom
London Distribution Park No. 2 LLP	50	United Kingdom

London Distribution Park LLP is dormant and in the process of being wound up. London Distribution Park No. 2 LLP was set up to develop further land opportunities adjacent to the Port of Tilbury. The interests in both joint ventures are held by a subsidiary company.

	2022 £m	2021 £m
At 1 January and 31 December	0.1	0.1

15. Inventories

	2022 £m	2021 £m
Materials and spare parts	2.7	2.5
Property developments and land held for sale	3.4	4.0
	6.1	6.5

16. Trade and Other Receivables

	2022 £m	2021 £m
Current		
Trade receivables	48.2	42.5
Less: provision for allowance for credit losses	(0.5)	(1.5)
Trade receivables – (net)	47.7	41.0
Amounts owed by parent company	0.5	0.3
Prepayments and accrued income	11.0	11.1
Other receivables	3.8	1.6
	63.0	54.0
Non-current		
Other receivables	3.5	2.4

	2022 £m	2021 £m
The ageing of past due but not impaired trade receivables is as follows:		
Less than 30 days past due date	10.8	9.4
31-60 days past due date	4.2	3.7
61-90 days past due date	1.0	0.9
Over 90 days past due date	4.9	4.5
	20.9	18.5

16. Trade and Other Receivables (continued)

At 31 December 2022, *Group and Company trade receivables of £27.3m and £10.9m (2021 - £22.5m and £8.2m)* respectively were not past due or impaired. With respect to trade receivables that are neither past their due date nor impaired, there are no indications as at the reporting date that the payment obligations will not be met. Group trade receivables and accrued income and Company trade receivables of £0.5m and £0.1m (2021 - £1.5m and £0.1m) respectively were identified as being impaired, all of which are provided for.

The Group always measures the loss allowance for trade receivables at an amount equal to the lifetime expected credit loss (ECL). The expected credit losses on trade receivables are estimated using a provision matrix with reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The Group has calculated that a loss allowance would be nil, therefore the specific receivables already provided for are in excess of this amount. This was also the case for 31 December 2021 whereby there was no adjustment to be made to the provision for bad debts recognised and the provision for loss allowances calculated under IFRS 9 at the same date.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period. The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery.

The following table details the risk profile of trade receivables based on the Group's provision matrix. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Group's different customer bases.

		Trade receivables – days past due				
	Not past due £m	< 30 days £m	31-60 days £m	61-90 days £m	> 90 days £m	Total £m
Expected credit loss rate	0%	0%	0%	0%	0%	
Estimated total gross carrying amount at default	0.0	0.0	0.0	0.0	0.0	0.0
Lifetime expected credit losses at 31 December 2022 and 31 December 2021						0.0

No lifetime expected credit losses have been recognised in the current or previous year as the impact of applying the matrix would not require an adjustment to the net trade receivable position presented above, once the current provision is taken into account.

Trade receivables are non-interest bearing and are generally on 30 days' terms. There are no indications, as of the reporting date, that the net trade receivables will not meet their payment obligations. There is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers sufficiently dispersed. The maximum exposure to credit risk at the year end is the value of each class of receivable mentioned above. The Group does not hold any collateral as security over port receivables. There is no material difference between the fair value of trade and other receivables and their carrying amount stated above. The other classes within trade and other receivables do not contain impaired assets.

Within trade receivables, the following amounts represent revenue from contracts with customers under IFRS 15:

	2022 £m	2021 £m
Contract receivables	46.9	40.1

17. Deferred Tax Assets

	2022 £m	2021 £m
Deferred tax asset – Retirement benefit obligations		
Asset at 1 January	19.2	13.0
Deferred tax on actuarial (gain)/loss charged to Statement of Comprehensive Income	(3.3)	4.7
Effect of tax rate change		
- charged to Income statement (note 10)	-	(1.2)
- (charged)/credited to Statement of Comprehensive Income	(2.1)	5.8
Deferred tax on pension contributions		
- charged to Statement of Comprehensive Income	(3.4)	(3.1)
Asset at 31 December	10.4	19.2

18. Trade and Other Payables – Current Liabilities

	2022 £m	2021 £m
Trade payables	9.4	9.2
Amounts owed to bondholders	70.8	109.9
Lease liabilities	3.3	2.9
Other taxation and social security	2.2	1.8
Accruals and deferred income	37.3	27.6
	123.0	151.4

Trade payables are mainly contractually due to be paid within one month. The average credit period taken for trade purchases for the Group was 31 days (2021 – 31 days). No interest has been charged by suppliers for any balances settled after the stated credit terms. The Group has financial risk management policies in place to ensure that all payables are settled within the pre-agreed credit terms.

The Directors consider the carrying amount of trade and other payables approximates their fair value.

19. Borrowings

	2022 £m	2021 £m
Current		
Loan notes	192.7	-
Other loans	0.3	-
	193.0	-
Non-current		
Shareholder loans		
- Interest free	210.9	210.9
- Interest bearing 6.4%	319.7	319.7
Bank borrowings	217.3	215.4
Loan notes	513.6	689.7
Other loans	31.4	29.7
	1,292.9	1,465.4
Total borrowings	1,485.9	1,465.4

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19. Borrowings (continued)

	2022 £m	2021 £m
The borrowings are repayable as follows:		
On demand or within one year	193.0	-
In the second year	219.0	178.4
In the third to fifth years inclusive	111.9	277.3
After five years	962.0	1,009.7
Total borrowings	1,485.9	1,465.4

All borrowings are denominated in UK sterling with the exception of the $160m Series A loan note and the $21m Series G loan note.

The Group's principal bank and private placement loans are as follows:

The bank term loans and facilities totalling £217.3m have a repayment date of July 2024. The bank term loans are secured by way of a floating charge over the Company's shares and carry interest at a margin plus SONIA and mandatory costs. The Group has a revolving credit facility (RCF) of £100.0m which, other than the £5.0m overdraft and corporate credit card facility with Bank of Scotland, carry the same interest rates as the term loans. At the year end the undrawn amount was £95.0m on the RCF and £5.0m on the overdraft. The overdraft carries interest at a margin over Bank of Scotland base rate.

The other loans represent £0.5m (2021 - £0.5m) of funded debt, £2.0m (2021 - £nil) of hire purchase agreements and £29.2m (2021 – £29.2m) from the City of Edinburgh Council for the developments held within Sandpiper Road NHT 2014 LLP and Western Harbour NHT LLP. The funded debt was taken out prior to 1950 and there is no fixed repayment date. The debt is unsecured and carries interest at 3.75%. The loans from City of Edinburgh Council carry interest at 4% and are repayable from 6.5 years of drawdown with the availability to extend for a further 3.5 years.

The Group has undertaken three rounds of private placement loan issuance in 2013, 2016/17 and 2019/20 denominated in a combination of GBP sterling and US dollars.

The 2013 issuance comprised fixed rate loans at interest rates and with repayment years of: $160.0m Series A at 4.89% repayable in 2023, £60.0m Series B at 4.80% repayable in 2023 and £80.0m Series C at 4.89% repayable from 2025 to 2013 and a floating rate loan of £35.0m Series D at SONIA+1.87% repayable from 2025 to 2031.

The 2016/17 issuance comprised fixed rate loans of £50m Series A and £50m Series B both at 2.62% repayable in 2026 and 2027 respectively.

The 2019/20 issuance comprised fixed rate loans at interest rates and with repayment years of: £45m Series A at 2.97% repayable in 2029, £5m Series B at 3.07% repayable in 2030, £58m Series C at 3.03% repayable in 2031, £55m Series D at 3.13% repayable in 2032, £90m Series E at 3.19% repayable in 2037, £30m Series F at 3.29% repayable in 2038 and $21m Series G at 3.78% repayable in 2029.

Once drawn the US dollar private placement loans were immediately swapped into sterling to eliminate exposure to future exchange rate movements at a Group level.

The Group has fixed the interest rate on £300m which has fixed periods of 5, 7 and 10 years. To ensure the Group was not over-hedged, the Group entered into a contract to swap £46m of fixed rate back to the floating rate (Note 20).

19. Borrowings (continued)

In accordance with IFRS 9: Financial Instruments, the Group reassessed the carrying value of its bank borrowings following the "Amend and Extend" exercise in 2019. The resulting change in terms is classified as a non-substantial modification under IFRS 9, therefore the gain of £2.5m arising was reflected through borrowings and the Income Statement in 2019. This, added to the gain on transition to IFRS 9 recognised in 2018, takes the total gain recognised through borrowings to £6.9m. The remaining unamortised gain at 31 December 2022 was £1.5m (2021 - £2.5m).

The interest bearing shareholder loans are listed on the Guernsey Stock Exchange. During the year the loans were refinanced. The Directors consider that the fair value of these bonds approximates to book value. The interest bearing shareholder loans have an interest rate of 6.4%, and both the interest bearing and interest free shareholder loans have a maturity date of 31 December 2031.

The exposure of the Group borrowings to interest rate changes and the contractual repricing dates at the year end are as follows:

	2022 £m	2021 £m
In the second year	217.3	-
In the third to fifth years inclusive	-	215.4
After five years	35.0	35.0
	252.3	250.4

The exposure of the Group and Company borrowings to interest rate changes is managed by using interest rate swaps as explained above.

Covenants

The Group has lenders' covenants which require minimum leverage ratios and interest cover ratios to be met. If these covenants were to be breached, the Group's bankers could demand the immediate repayment of all advances and interest outstanding. There was no breach of these covenants during the year.

Sensitivity Analysis

The Group has effectively fixed 100% of interest rates payable on borrowings, therefore there is no exposure to interest rate movements in the next three years.

Risk Management

An analysis of the expected undiscounted cash repayment profile of the Group's financial liabilities is given in Note 33, with other financial risk management disclosures.

The weighted average interest rates paid on interest- bearing Group borrowings were as follows:	2022	2021
	%	%
Bank borrowings	3.47	3.47
Loan notes	3.72	3.71
Bank overdraft	1.95	1.95
Other loan	4.00	4.00
Bonds	6.40	6.40

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19. Borrowings (continued)

The Group has the following undrawn committed borrowing facilities available at 31 December:

	2021 £m	2020 £m
Floating rate		
Expiring within one year	5.0	5.0
Expiring in more than one year	95.0	95.0
	100.0	100.0

The facilities expiring in more than one year are the £95m undrawn element of the revolving credit facility. The overdraft expires within one year. The fair value of bank borrowings approximates to book value because the interest rate is reset after periods not greater than six months. The fair value of loan notes and shareholder loans is not materially different to book value.

20. Derivative Financial Instruments

The Group has interest rate and cross currency swaps in place. These Level 2 derivatives relating to the Group's current finance facilities have not been designated as fair value or cash flow hedges and are valued at mark to market with any fair value movement recognised in the Income Statement.

Cross Currency Derivative Assets	Principal	Payable	Receivable	Maturity
US$ swap – split as:	\$86m	Fixed – 4.95% - 4.97%	Fixed - 4.89%	December 2023
	\$74m	Floating	Fixed - 4.89%	December 2023
US$ swap	\$21m	Fixed - 3.06%	Fixed – 3.78%	September 2029

	2022 £m	2021 £m
Net present value of cash flows		
Due within 1 year	31.1	1.7
Due in more than 1 year	1.3	20.6
	32.4	22.3

Interest Rate Derivative Assets/(Liabilities)	Principal	Payable	Receivable	Maturity
5 year fixed rate	£85m	Fixed - 1.44%	Floating	June 2024
7 year fixed rate	£65m	Fixed - 3.27%	Floating	December 2026
10 year fixed rate	£150m	Fixed - 2.35%	Floating	December 2028

	2022 £m	2021 £m
Net present value of cash flows		
Due within 1 year	7.4	(3.9)
Due in more than 1 year	14.5	(15.2)
	21.9	(19.1)

Details of the Group's financial risk management policies can be found in Note 33.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21. Provisions

	Insurance Claims £m	PNPF £m	LTIP £m	Total £m
At 1 January 2022	1.1	15.9	3.0	20.0
Utilisation of provision	(0.6)	(2.0)	-	(2.6)
Increase in provision	0.1	-	0.6	0.7
Unwinding of discount on PNPF	-	(1.5)	-	(1.5)
At 31 December 2022	0.6	12.4	3.6	16.6
Included in current liabilities	0.6	2.2	-	2.8
Included in non-current liabilities	-	10.2	3.6	13.8
Total provisions	0.6	12.4	3.6	16.6

	Insurance Claims £m	PNPF £m	LTIP £m	Total £m
At 1 January 2021	0.6	17.8	1.4	19.8
Utilisation of provision	(0.1)	(1.9)	-	(2.0)
Increase in provision	0.6	-	1.6	2.2
Unwinding of discount on PNPF	-	0.0	-	0.0
At 31 December 2021	1.1	15.9	3.0	20.0
Included in current liabilities	1.1	2.0	-	3.1
Included in non-current liabilities	-	13.9	3.0	16.9
Total provisions	1.1	15.9	3.0	20.0

The Insurance Claims provision represents management's best estimate of claims under the General, Marine and Employer's Liability policies. Settlement of such claims is dependent on negotiation and, potentially, litigation with third parties, the timing of which cannot be predicted with complete accuracy.

Forth Ports Limited (FPL) and Port of Dundee Limited (PoDL) are the Competent Harbour Authority (CHA) in the Firth of Forth and Firth of Tay respectively where they are responsible for the provision of pilotage services. These services are provided by self-employed pilots who are members of a defined benefit pension scheme, the Pilots' Nation Pension Fund. The scheme has an accumulated deficit of its assets compared to its estimated future liabilities. Following a High Court ruling in 2012 it was determined that whilst the pilots are self-employed the Company and PoDL, as the respective CHAs, should be required to contribute to the Scheme deficit, based on triennial valuations of the scheme. The latest triennial valuation was at 31 December 2019 and led to additional contributions being required to be settled by 2028.

The Company's LTIP shares provision of £3.6m is all included in non-current liabilities as this provision is not expected to be settled until 2024 or on a change of control.

22. Trade and Other Payables – Non-Current Liabilities

	2022 £m	2021 £m
Lease liabilities	13.2	12.4
Other payables	1.5	4.9
	14.7	17.3

23. Deferred Tax Liabilities

	2022 £m	2021 £m
Deferred tax liability		
Intangible assets – customer relationships	1.5	1.9
Capital allowances	35.4	28.7
Short-term differences	5.0	(3.4)
Investment property revaluation surplus	68.6	62.4
Fair value of operational land	43.3	43.2
Loss of Initial Recognition Exemption on business combination	10.5	10.8
	164.3	143.6
Deferred tax liability – movement		
Liability at 1 January	143.6	96.6
Deferred tax on business combinations (Note 34)	0.6	2.6
Effect of tax rate change charged to Income Statement (Note 10)	4.5	30.4
Amount charged to Income Statement (Note 10)	15.2	6.8
Amount charged to Statement of Comprehensive Income	0.4	7.2
Liability at 31 December	164.3	143.6

Deferred tax assets and liabilities are only offset where there is a legally enforceable right to offset and where the deferred tax relates to the same authority. Deferred tax assets which require to be disclosed separately are detailed in Note 17.

Within the investment property revaluation surplus of the Group, deferred tax assets of £2.4m (2021 – £2.9m) are recognised for capital tax losses carried forward only to the extent that they offset the deferred tax liability within the Group. We do not expect any of the deferred tax asset to be released within 12 months from the Balance Sheet date.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24. Retirement Benefit Schemes

Defined Benefit Pension Schemes

The Group sponsors one defined benefit pension scheme called The Forth Ports Group Pension Scheme (the 'FP Scheme') that covers a combination of active and former employees.

The FP scheme typically exposes the Group to actuarial risks such as:

Investment risk	The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on plan asset is below this rate, it will create a plan deficit. Currently the plan has a relatively balanced investment in equity securities, debt instruments and alternative investments. Due to the long-term nature of the plan liabilities, the Trustees of the FP scheme consider it appropriate that a reasonable portion of the plan assets should be invested in equity securities to leverage the return generated by the fund.
Interest risk	A decrease in the bond interest rate will increase the plan liability but this will be partially offset by an increase in the return on the plan's debt investments including assets held specifically to mitigate the impact of future increases.
Longevity risk	The present value of the defined plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.
Salary risk	The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

The FP scheme is administered by a separate Board of Trustees composed of employer nominated representatives and member nominated Trustees and continues to be legally separate from the Group. The assets of the FP scheme are held separately from those of the Group in managed funds under the supervision of the Trustees. The Trustees are required by law to act in the interest of all classes of beneficiary in the scheme and are responsible for investment policy and the day-to-day administration of benefits.

The FP scheme provides qualifying employees with an annual pension based on pensionable salary for each completed year's service on attainment of normal retirement ages. The proportion of salary and normal retirement ages vary across the scheme. Active members' benefits also include life assurance cover, albeit the payment of these benefits is at the discretion of the Trustees of the FP scheme.

On withdrawing from active service, a deferred member's pension is revalued from the time of withdrawal until the pension is drawn. Revaluation in deferment is statutory and is revalued on the Consumer Price Index (CPI) measure of inflation. Revaluation of pensions in payment is a blend of fixed increases and inflationary increases depending on the relevant periods of accrual of benefit. For pensions in payment, the inflationary increase is based on the Retail Price Index (RPI) measure of inflation.

The Group continues to consider ways in which to manage the FP scheme's liabilities.

The pension cost relating to the FP scheme was assessed in accordance with the advice of qualified actuaries. The latest formal actuarial assessment of the FP scheme was as at 5 April 2020.

The actuaries have provided updated figures for the FP scheme as at 31 December 2022. Assets are taken at their market value. Liabilities are valued using various assumptions which are listed overleaf. The total pension cost included in operating profit was £6.6m (2021 - £6.4m).

24. Retirement Benefit Schemes (continued)

Defined Benefit Pension Schemes

The key assumptions used in the valuation of the Group and Company defined benefit pension scheme were as follows:

	2022 %	2021 %
Discount rate	4.95	1.90
Rate of pension increases	1.90-3.65	1.75-3.70
Inflation rate (RPI) – (pre/post 2030)	3.10/3.10	3.30/3.10
Inflation rate (CPI) – (pre/post 2030)	2.50/2.50	2.30/3.10

The expected future lifetimes used to determine benefit obligations at 31 December were as follows:

	Male 2022	Male 2021	Female 2022	Female 2021
Member age 60 (current life expectancy)	24.8 years	25.0 years	27.2 years	27.4 years
Member age 40 (life expectancy at age 60)	26.0 years	26.2 years	28.5 years	28.6 years

Sensitivity of Key Assumptions

A 1% increase in the discount rate assumed could affect the shortfall position within the FP scheme positively by approximately £45m, a change in assumed life expectancy at age 60 by one year would increase or decrease liabilities by £8.7m and a 0.25% change in the rate of inflation could increase or decrease the liabilities by approximately £6.5m.

Plan Assets

The weighted average asset allocations at the year-end were as follows:

	Plan Assets at 31 December 2022 %	Plan Assets at 31 December 2021 %
Asset category		
Equity investments	-	25
Debt investments	40	21
Other investments	57	43
Cash	3	10
	100	100

The actual loss on plan assets in the year ended 31 December 2022 was £203.5m (2021 – gain of £3.8m).

The Trustees review the investments of the FP scheme on a regular basis and consult with the Group regarding any proposed changes to the investment profile. During the year, the investment strategy was reviewed and a number of changes were made to provide a more effective hedge against the impact of significant equity market shock on the assets in the scheme as well as providing protection against changes in inflation and interest risk.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24. Retirement Benefit Schemes (continued)

Movements in the present value of defined benefit obligations and the fair value of the FP scheme's assets were as follows:

	Group 2022 £m	Group 2021 £m
Reconciliation of movement in benefit obligation		
Benefit obligation at 1 January	583.2	556.6
Current service cost	5.2	5.8
Interest cost	0.9	8.4
Administrative cost	11.0	0.6
Contributions by scheme participants	0.5	1.9
Net re-measurement due to changes in financial assumptions	1.8	(11.5)
Net re-measurement due to changes in demographic assumptions	(245.9)	32.9
Net re-measurement due to changes in experience	(2.9)	7.3
Benefits paid	27.8	(18.8)
Benefit obligation at 31 December	362.6	583.2
Reconciliation of movement in scheme assets		
Fair value of plan assets at 1 January	506.3	488.2
Interest income on scheme assets	9.7	7.4
(Loss)/return on assets, excluding interest income	(203.5)	3.8
Contributions by employers	25.7	23.8
Contributions by scheme participants	1.8	1.9
Benefits paid	(19.0)	(18.8)
Fair value of plan assets at 31 December	321.0	506.3
Funded status/net amount recognised	(41.6)	(76.9)

The amounts recognised in the Group Income Statement in respect of these defined benefit schemes are as follows:

	Group 2022 £m	Group 2021 £m
Amount recognised in the Income Statement		
Total service cost – cost of sales	6.1	5.8
Administrative cost – administrative expenses	0.5	0.6
Net interest on net defined benefit liability – finance costs	1.3	1.0
Total pension cost recognised in the Income Statement	7.9	7.4
Re-measurements of the net defined benefit liability to be shown in the Statement of Comprehensive Income		
Net re-measurement gains - financial	(245.9)	(11.5)
Net re-measurement (gains)/losses - demographic	(2.9)	32.9
Net re-measurement losses - experience	27.8	7.3
Loss/(return) on assets, excluding interest income	203.5	(3.8)
Total re-measurement (gains)/losses recognised in the Statement of Comprehensive Income	(17.5)	24.9

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24. Retirement Benefit Schemes (continued)

Funding and Contributions

UK pension legislation requires that pension schemes are funded prudently. The Group is currently paying deficit reduction contributions in accordance with agreements with the Trustees to reduce the deficit over six years. The Schedule of Contributions to the Pension Scheme, which was signed in June 2022, requires the Company to contribute 27.6% of pensionable salaries plus annual shortfall contributions of £20m to September 2025.

Other Pension Schemes

The Group has a contractual relationship with self-employed pilots who operate within the Firth of Forth and the Firth of Tay to provide pilotage services. The self-employed pilots make payments into the PNPF (Note 21).

Defined Contribution Pension Schemes

The Group also operates defined contribution pension schemes. The employer contributions to these schemes during the year was £2.2m (2021 – £1.8m).

25. Preference shares

	2022 £m	2021 £m
Infra-PSP Canada Inc	0.0	0.0

The Company has 1 preference share with a nominal value of £1 held by Infra-PSP Canada Inc.

26. Share Capital

	2022 £m	2021 £m
Allotted and fully paid:		
11,000 (2018 – 11,000) Ordinary Shares of £1	0.0	0.0
100 Ordinary "A" Shares of £1	0.0	0.0
	0.0	0.0

The Company has 10,000 Ordinary Shares with a nominal value of £10,000 in issue. The shares were issued for a premium of £990,000. The Company's Ordinary Shares and Ordinary "A" Shares carry no right to fixed income. The ordinary shares carry equal voting rights and the right to receive dividends when declared. The Ordinary "A" Shares carry no voting rights or any right to receive dividends.

27. Statement of Cash Flows

(a) Reconciliation of Profit before Tax to Cash Generated from Operations

	2022 £m	2021 £m
Profit before tax	109.2	59.0
Adjustments for:		
- increase in fair value of investment properties	(22.1)	(20.1)
- net finance costs	19.3	51.2
- depreciation of property, plant and equipment	31.5	27.8
- amortisation of intangibles and capital grants	1.6	3.0
- interest on pension cost in finance costs	1.3	1.0
- loss on sale of property, plant and equipment	0.2	1.4
- net movement in provisions	(1.9)	(0.8)
- retirement benefit contributions	25.7	23.8
- increase in retirement benefit obligations	(44.8)	(41.2)
- write off Group loan	-	(4.8)
Movement in working capital:		
Decrease/(increase) in inventories	0.4	(0.5)
(Increase)/decrease in receivables	(9.7)	1.1
Increase in payables	7.7	0.6
Cash generated from operations	118.4	101.5

(b) Reconciliation of Movement in Net Debt

	2022 £m	2021 £m
(Decrease)/Increase in cash and cash equivalents	(65.8)	9.3
Cash inflow from movement in borrowings (net)	3.7	(27.5)
Change in net debt resulting from cash flows	(62.1)	(18.2)
Retranslation of US $ loan notes	(16.1)	(1.4)
Capitalisation and amortisation of loan arrangement fees (net)	(1.3)	(0.8)
Retranslation of € denominated loan	-	(0.4)
Amortisation of IFRS 9 gains on loan modifications	(1.0)	(1.0)
Movement in hire purchase and lease liabilities	(7.0)	(3.7)
Loan write off	-	4.9
Movement in net debt	(87.5)	(20.6)
Opening net debt	(1,298.6)	(1,278.0)
Closing net debt	(1,386.1)	(1,298.6)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

28. Analysis of Net Debt

	At 1.1.22 £m	Cash Flows £m	Other Movements £m	At 31.12.22 £m
Cash at bank and on deposit	182.1	(65.8)	-	(65.8)
Debt due in more than one year	(1,477.8)	-	171.7	(1,306.1)
Debt due within one year	(2.9)	3.7	(197.1)	(196.3)
Total net debt	(1,298.6)	(62.1)	(25.4)	(1,386.1)

The other movements consist of the amortisation and capitalisation of arrangement fees for bank and private placement facilities of £1.3m, movement in hire purchase and lease liabilities of £7.0m, amortisation of the IFRS 9 gain on bank facilities of £1.0m and £16.1m retranslation loss on the Series A and Series G US $ loan notes.

29. Capital Commitments

Capital commitments, including the value of work still to be carried out on contracts placed but not provided for, were £136.0m for the Group and £50.1m for the Company (2021 - Group £31.3m and Company £12.5m) all of which relate to property, plant and equipment, the main elements of which relate to Leith Outer Berth and the purchase of Tilbury3 land. The Group's share of commitments in its joint ventures was £nil (2021 - £nil).

30. Related Party Transactions

	2022 £m	2021 £m
Key management compensation:		
Salaries and short-term employee benefits	3.8	3.9
Post employment benefits	0.1	0.1
	3.9	4.0

31. Ultimate Parent Undertaking

The Group is 50.5% owned by Public Sector Pension Investment Board, based in Canada.

As Public Sector Pension Investment Board does not consolidate the results of the Company, these financial statements will be filed with Companies House alongside those of Otter Ports I Limited.

32. Principal Accounting Policies

Impact of New Standards and Interpretations

In the current year, the Group has adopted the following amendments to existing accounting standards issued by the International Accounting Standards Board.

- Amendment to IAS 16 Property, Plant & Equipment. Proceeds before intended use – effective date 1 January 2022
- Amendments to IFRS 3 Business Combinations. Reference to the conceptual framework – effective date 1 January 2022
- Amendments to IAS 37 Provisions, Contingent Liabilities & Contingent Assets. Onerous contracts – cost of fulfilling a contract – effective date 1 January 2022
- Amendment to IFRS 1 First time adoption of International Financial Reporting Standards. Subsidiary as a first- time adopter – effective date 1 January 2022
- Amendment to IFRS 9 Financial Instruments. Fees in the '10 per cent test' for derecognition of financial liabilities – effective date 1 January 2022
- Amendment to IFRS 16. Lease incentives – effective date 1 January 2022

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

32. Principal Accounting Policies (continued)

Impact of New Standards and Interpretations (continued)

Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

There were no new accounting standards adopted by the Group in the year.

The following new standards and amendments to standards and interpretations have also been issued, but are not yet effective and have not been early adopted in the current year.

- Amendment to IFRS 17 addressing implementation challenges – effective date 1 January 2023
- Amendments to IFRS 4. Extension of temporary exemption from applying IFRS 9 – effective date 1 January 2023
- Amendment to IAS 1. Classification of liabilities as current or non-current – effective date 1 January 2023
- Amendment to IAS 1. Disclosure of material accounting policies – effective 1 January 2023
- Amendments to IAS 12. Deferred tax related to assets and liabilities arising from a single transaction – effective date 1 January 2023
- Amendments to IFRS 16. Lease liability in a sale and leaseback – effective 1 January 2024
- Amendments to IAS 1. Non-current liabilities with covenants – effective date 1 January 2024

The adoption of these changes is not expected to have a material impact on the Group financial statements.

Exceptional Items and Revaluations

Exceptional items are those material items of income and expenditure which the Group has disclosed separately because of their quantum or incidence so as to give a clearer understanding of the Group's financial performance. The Group has also separately disclosed the effect of revaluation of investment properties per IAS 40, and the mark to market of interest rate and cross currency swaps per IFRS 9.

Consolidation

Subsidiaries

Subsidiaries are those entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

Subsidiaries are consolidated from the date on which control is transferred and are no longer consolidated from the date that control ceases. The acquisition method of accounting is used to account for the purchase of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition. Acquisition-related costs are recognised in the Income Statement as incurred.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 (revised) are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 "Income taxes" and IAS 19 "Employee benefits" respectively;
- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with IFRS 2 "Share-based payment"; and
- assets (or disposal groups) that are classified as held-for-sale in accordance with IFRS 5 "Non-current assets held-for-sale and discontinued operations" are measured in accordance with that standard.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

32. Principal Accounting Policies (continued)

Consolidation (continued)

The excess of the cost of acquisition over the fair value of the net assets of the subsidiary acquired is recorded as goodwill. Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated fully on consolidation; unrealised losses are also eliminated unless costs cannot be recovered. Where necessary, accounting policies of subsidiaries are changed to ensure consistency with the policies adopted by the Group.

Business combinations under common control are accounted for in the consolidated financial statements prospectively from the date the Group obtains the ownership interest. Assets and liabilities are recognised upon consolidation at their carrying amount in the consolidated financial statements of the ultimate parent entity Otter Ports Group Holdings Limited. Any difference between the fair value of the consideration paid and the amounts at which the assets and liabilities are recorded is recognised directly in equity in the "consolidation reserve" reflecting business combinations under common control.

Joint Ventures

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. The Group's interests in joint ventures are accounted for by the equity method of accounting. The investment in the joint venture is initially recorded at cost and is adjusted thereafter for the post-acquisition change in the Group's share of net assets of the jointly controlled entity.

The Group Income Statement includes the Group's share of the profit or loss of the joint venture. The Group recognises the portion of gains or losses on the sale of assets by the Group to the joint venture that is attributable to the other venturers. The Group does not recognise its share of profits or losses from the joint venture that result from the purchase of assets by the Group from the joint venture until it resells the assets to an independent party. However, if a loss on the transaction provides evidence of a reduction in the net realisable value of current assets or an impairment loss, the loss is recognised immediately. When the Group's share of losses of a joint venture equals or exceeds its interest in the joint venture, the Group does not recognise further losses unless the Group has incurred obligations or made payments on behalf of the joint venture.

Goodwill

Goodwill arising in a business combination is recognised, at cost less accumulated impairment costs, as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. The allocation of goodwill is made to those cash generating units (CGU) or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose.

Goodwill on businesses acquired after 1 January 1999 is shown as an intangible asset with an indefinite useful life and is subject to an annual impairment test at each relevant group of CGUs and is also subject to a test whenever there is an indication of impairment. Any such goodwill impairment is not reversed.

Where there is an excess of the Group's interest in the net fair value of the acquiree's identifiable assets over the purchase price (negative goodwill), this amount is taken to the Income Statement in the year of acquisition.

Revenue Recognition

Revenue from Port operations represents the income earned from the provision of port facilities, which comprise cargo handling, vessel charges, storage, marine charges and ancillary services. Such revenue is recognised at the point in time that the relevant performance obligations have been met. Revenue from contracts to provide storage is recognised over the period of the contract. Where a contract contains guaranteed minimum volumes (GMV) and the contract period straddles the balance sheet date, an estimate is made of the likelihood of any revenue to be accrued in relation to these GMVs.

32. Principal Accounting Policies (continued)

Revenue Recognition (continued)

Revenue from Property includes rental income and sales of property developments. Both Property and Port related rental income (net of any incentives given to lessees) is recognised on a straight line basis over the lease term. Revenue excludes value added tax and is shown on a gross basis in relation to recoverable charges such as utilities, recoverable overtime and recoverable plant hire costs. Consideration is given to the collectability of any debt outstanding arising from the sale of sites or property developments and provisions are made where necessary. The need for such provisions is reviewed on a regular basis. Profits and losses arising on the sale of sites or completed developments are recognised when contracts for sale have been exchanged and all material conditions have been satisfied and control has been transferred. The Board will have due regard to all the circumstances of any individual transaction in determining whether or not any conditions are material or have been satisfied.

Where sites or completed developments are sold to joint ventures, profits are only recognised in proportion to third parties' interests in those entities. The remaining profits are recognised when the sites or completed developments are sold by the joint ventures or associates to unrelated parties.

Dividend income is recognised when the right to receive payment is established.

Property, Plant and Equipment

Operational land and buildings and plant and equipment are stated at historical cost less depreciation. Land and capital works in progress are not depreciated. Cost is the original purchase price of the asset and the cost of bringing the asset to its current condition and includes transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchase costs where appropriate.

All operational buildings and plant and equipment in the course of construction are recorded as capital work in progress until such time as they are brought into use by the Group. Capital work in progress includes all direct expenditure. On completion, such assets are transferred to the appropriate asset category and start being depreciated.

In circumstances where there is a change in use of operational land and buildings to investment property, the fair value of the asset is established at a date when it has been decided to transfer the asset from operational land and buildings to investment property. Any changes at transfer date are recorded in reserves in Other Comprehensive Income.

Depreciation is charged to write off the cost less any residual value of the asset on a straight line basis over the estimated useful lives (which are reassessed at each balance sheet date) as follows:

Buildings and dock structures	15-50 years straight line
Plant and equipment	3-35 years straight line

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposals of assets are included in operating profit.

Repairs and maintenance are charged to the Income Statement during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the assets when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group. Major renovations are depreciated over the remaining life of the related asset.

Investment Property

Investment property, principally comprising tenanted land and buildings within the port estates, is held for long-term rental yields and is not occupied by the Group. Investment property is treated as a long-term investment and is carried at fair value determined annually. Changes in fair values are recorded in the Income Statement in accordance with IAS 40 and are included in other income. If an investment property is transferred into operating property, it is transferred at the fair value at the date of transfer.

32. Principal Accounting Policies (continued)

Impairment of Assets

Property, plant and equipment and other non-current assets, excluding goodwill, are reviewed whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of an asset exceeds its recoverable amount which is the higher of an asset's net selling price and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows.

The Group recognises a loss allowance for expected credit losses (ECL) on investments in debt instruments that are measured at amortised cost or fair value, lease receivables, trade receivables and contract assets. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Impairment of Assets (continued)

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12 month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12 month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Intangible Assets

Excluding goodwill, intangible assets refer principally to computer software and customer relationships and are carried at cost less accumulated amortisation. Except as noted below, costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with identifiable and unique software products controlled by the Group and which will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include staff costs of those involved in the software development. Expenditure which enhances or extends the performance of identifiable computer software products beyond their original specifications is recognised as a capital improvement and added to the original cost of the software. Computer software development costs recognised as assets are amortised using the straight-line method over their useful lives, not exceeding a period of ten years. If a business is acquired which has long-term customer relationships, those relationships are valued and an intangible asset set up to reflect that value. They are written off on a straight-line basis over periods of up to ten years.

Investment in Subsidiaries

Investments in subsidiaries are stated at cost less any provision for impairment.

Grants relating to the Purchase of Property, Plant and Equipment

Capital grants are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all conditions pertaining to the grant. Grants relating to the purchase of PPE are recorded against the cost of the relevant item and are amortised over the life of the asset. The amount amortised in each period is set against the depreciation charge of the asset to which it relates

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

32. Principal Accounting Policies (continued)

Dividends

Dividends are recorded in the Group's financial statements in the period in which they are approved by the shareholders. Group dividends are recorded in the period in which they are approved and paid by the subsidiary company's Board.

Long Term Incentive Plan

Certain employees are eligible for compensation benefits in the form of a long term incentive scheme linked to the performance of the Group. The benefit is recorded at the present value of the expected future cash benefits, charged on a straight line basis over the performance period of the scheme, discounted to take into account the time value of money and specific risks identified in relation to the key assumptions used to determine the value of the benefit. The debit is reflected as an increase in the investment in subsidiary within the Company.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events where it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation. The Group recognises a provision for onerous contracts when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under the contract. Restructuring provisions are recognised in the period in which the Group has a present legal or constructive obligation for payment. Costs relating to the ongoing activities of the Group are not provided in advance.

Inventories

Property work in progress relates to expenditure on property development projects, land held for development and project work in progress and is included at cost less amounts written off which are deemed to be irrecoverable. Cost includes all direct expenditure and associated indirect costs and related costs of finance where appropriate. On completion, such assets are transferred to investment properties or sold to third parties.

Trade Receivables and Accrued Property Income

Trade receivables and accrued property income are carried at original invoice amount less an allowance made for impairment of these receivables. An allowance for impairment of trade receivables and accrued property income is calculated based on the expected credit losses model as set out in IFRS 9. The Group has adopted the simplified approach to impairment when considering trade receivables, contract assets and lease receivables and recognises the lifetime expected loss allowance on these assets. The amount of the allowance is determined by applying expected loss rates to each group of receivables. In determining the loss rates to apply, the Directors give due consideration to historical losses as well as current market conditions to assess the probability of future defaults. Where the expected credit loss is deemed to be immaterial at the balance sheet date, no adjustment has been made to the recoverable amount. The carrying amount of the asset is reduced through the use of this impairment allowance and the amount of the loss is recognised in the Income Statement.

Borrowings

Borrowings are recognised initially at the fair value of the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective yield method; any difference between proceeds (net of transaction costs) and the redemption value is recognised in the Income Statement over the period of the borrowings. Foreign currency borrowings are retranslated at the balance sheet date.

32. Principal Accounting Policies (continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such a time as the assets are substantially ready for their intended use or sale. To the extent that variable rate borrowings are used to finance a qualifying asset and are hedged in an effective cash flow hedge of interest rate risk, the effective portion of the derivative is recognised in other comprehensive income and reclassified to profit and loss when the qualifying asset impacts profit or loss. To the extent that fixed rate borrowings are used to finance a qualifying asset and are hedged in an effective fair value hedge of interest rate risk, the capitalised borrowing costs reflect the hedged interest rate.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Cash and Cash Equivalents

Cash and cash equivalents are carried in the Balance Sheet at cost. For the purposes of the Statement of Cash Flows, cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

Share Capital

Ordinary shares are classified as equity. Incremental external costs directly attributable to the issue of new shares, other than in connection with business combinations, are shown in equity as a deduction, net of tax, from the proceeds. Where the Company or its subsidiaries purchases the Company's equity share capital, the consideration paid including any attributable incremental external costs net of income taxes is deducted from total shareholders' equity as own shares held. Where such shares are subsequently sold, any consideration received is included in shareholders' equity.

Accounting for Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the Income Statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the Balance Sheet date in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

The Group includes a number of companies, including the Company, which are part of a tax group for certain aspects of the tax legislation. One of these aspects relates to group relief whereby current tax liabilities can be offset by current tax assets driven by current tax losses arising in other companies within the same tax group. Payment for group relief is made equal to the tax benefit and amounts are included within the current tax disclosures.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Current tax rates in the relevant jurisdiction are used in the determination of deferred income tax. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset and when the deferred tax assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

32. Principal Accounting Policies (continued)

Employee Benefits

Defined Benefit Plans

Pension contributions are charged principally at a rate calculated by the Actuary to provide, over the expected remaining service lives of current employees, for all retirement benefits related to projected final salaries and wages. The liability in respect of defined benefit pension plans is the present value of the defined benefit obligation at the Balance Sheet date minus the fair value of plan assets, together with adjustments for past service cost. The defined benefit obligation is calculated by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by the estimated future cash outflows using market yields on high quality corporate bonds. Actuarial gains and losses are recognised in full as they arise in the Statement of Comprehensive Income.

Defined Contribution Plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in the Income Statement as incurred.

Accounting for Derivative Financial Instruments and Hedging Activities

At 31 December 2022 the Group had no derivative financial instruments that were designated as hedges.

The derivative financial instruments associated with the Group's current finance facilities have not been designated as fair value or cash flow hedges and are valued at mark to market and any fair value movement thereon is recognised through the Income Statement.

Fair Value Estimation of Financial Instruments

The fair value of interest rate swaps and cross currency swaps is calculated as the present value of the estimated future cash flows.

33. Financial Risk Management

Financial Risk Factors

The Group's activities expose it to a variety of financial risks, including the effects of changes in foreign currency exchange rates and interest rates. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

The Group may use derivative financial instruments such as foreign exchange contracts and interest rate swaps to hedge certain exposures.

Risk management is carried out by the central finance function (Group Finance), operating under policies approved by the Board of Directors. Group Finance identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. Note 19 (Borrowings) gives details of the Group's sensitivities to financial risks.

Foreign Exchange Risk

The Group has relatively little exposure to foreign exchange risk other than in respect of US$ denominated loan notes, where cross currency swaps are in place to fix the interest and principal repayments. Where appropriate, entities in the Group use forward contracts, transacted by Group Finance, to hedge their exposure to foreign currency risk in connection with the measurement currency. Where appropriate, the Group hedges the foreign currency exposure of its contract commitments.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

33. Financial Risk Management (continued)

Interest Rate Risk

The Group borrows at variable rates and may use interest rate swaps as cash flow hedges of future interest payments, which have the economic effect of converting borrowings from floating rates to fixed rates. Under such interest rate swaps, the Group agrees with other parties to exchange, at specified intervals (mainly half yearly), the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts. Following the cessation of LIBOR, the Group has successfully amended its LIBOR linked borrowings and derivatives to use SONIA as the equivalent reference rate. Given that all variable rate interest loans are hedged, the impact of these changes on the Group is minimal as both borrowings and derivatives were amended in the same manner.

Credit Risk

The Group's policy is to ensure that property sales are covered by either controlled release of land plots in exchange for cash, fixed charge securities or bank bonds. The Group also checks that Port customers have an appropriate credit history when likely future revenue exceeds approved limits. Derivative counter-parties and cash transactions are

Limited to quality financial institutions. Refer to Note 16 where provisions for credit losses are disclosed.

Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Group Finance aims at maintaining flexibility in funding by keeping committed credit lines available. Refer to the following table for an analysis of expected undiscounted cash repayment profile of the Group's financial liabilities and derivative instruments:

	< 1 year	1-2 years	2-5 years	>5 years	Total
	£m	£m	£m	£m	£m
As at 31 December 2022					
Trade and other payables	122.4	-	-	-	122.4
Derivative financial liabilities:					
- Interest rate swaps	(6.8)	(5.8)	(8.8)	(1.9)	(23.3)
- Cross currency swaps	(32.4)	(0.1)	(0.4)	(0.8)	(33.7)
- Euro forward	(0.1)	-	-	-	(0.1)
- Fuel swap	(1.3)	-	-	-	(1.3)
Provisions	2.9	6.1	7.6	2.7	19.3
Borrowings	228.4	264.3	276.7	1,047.6	1,817.0
	313.1	264.5	275.1	1,047.6	1,900.3

	< 1 year	1-2 years	2-5 years	>5 years	Total
	£m	£m	£m	£m	£m
As at 31 December 2021					
Trade and other payables	152.0	-	-	-	152.0
Derivative financial liabilities:					
- Interest rate swaps	-	4.1	7.7	6.9	18.7
- Cross currency swaps	-	1.8	20.2	(1.6)	20.4
- Fuel swap	-	(0.3)	(0.3)	-	(0.6)
Provisions	3.1	2.4	11.4	5.4	22.3
Borrowings	53.3	219.1	434.0	1,146.2	1,852.6
	208.4	227.1	473.0	1,156.9	2,065.4

33. Financial Risk Management (continued)

Liquidity Risk (continued)

The expected maturity of all financial assets, other than derivative assets (cross currency swaps) shown above, is the same as the contractual maturity per the Balance Sheet.

Capital Risk Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. The Group has the authority to return capital to shareholders. It may issue new shares or sell assets to reduce debt.

In assessing the fair value of non-traded derivatives and other financial instruments, the Group uses a variety of methods and makes assumptions that are based on market conditions existing at each Balance Sheet date. Quoted market prices or dealer quotes for the specific or similar instruments are used for long-term debt. Other techniques, such as option pricing models and estimated discounted value of future cash flows, are used to determine fair value for the remaining financial instruments.

The face value less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate to their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments. Refer to Notes 19, 20 and 21. Other than in respect of borrowings, there is no difference between the fair value and the book value of these liabilities. The fair value of borrowings is not considered to be materially different to book value.

34. Acquisition of O M Holdings Limited Group

On 4 February 2023, Forth Ports Limited acquired the entire share capital of O M Holdings Limited and they, along with its subsidiaries Oilfield Machinery Limited and OM Heavy Lift Limited, became wholly owned subsidiaries on that date.

It has been accounted for by the group prospectively from the date of acquisition. Assets and liabilities have been recognised upon consolidation at their carrying amount with adjustments to fair value being made as set out below.

The information in the following table summarises the consideration paid for the O M Holdings Limited Group and the amounts of the assets acquired and the liabilities assumed that were recognised at the acquisition date.

	Book Value £m	Fair Value Adjustment £m	Fair Value £m
Property, plant and equipment (Note 11)	4.2	1.2	5.4
Receivables	0.3	(0.1)	0.2
Payables	(2.6)	-	(2.6)
Deferred tax liabilities (Note 23)	(0.3)	(0.3)	(0.6)
Net assets	1.6	0.8	2.4
Goodwill (Note 13)	-	4.3	4.3
Total gross consideration	1.6	5.1	6.7
Consideration in cash			6.1
Non cash consideration			0.1
Deferred consideration			0.5
Total consideration			6.7

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

34. Acquisition of O M Holdings Limited Group (continued)

Consideration for the share capital OM Holdings Limited was met by cash. Deferred consideration of £0.5m is included within the Group's no-current liabilities.

Net cash outflow arising on acquisition	£m
Consideration in cash	6.1

Goodwill recognised is primarily attributable to workforce expertise and synergies achievable with other Group companies.

The O M Holdings Limited Group contributed revenue of £1.4m and a loss of £0.2m to the Group's pre-tax profit for the year from the date of acquisition to the Balance Sheet date. The full year impact would have been additional revenue of £0.1m and profit of £0.1m if it was part of the Group for the entire year.