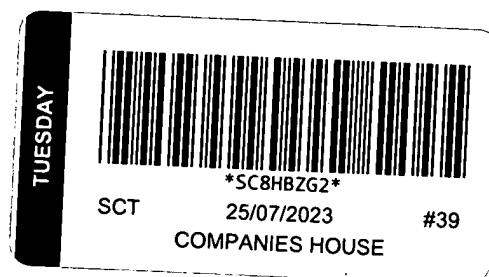


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**FORTH PORTS LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**31 DECEMBER 2022**  
**Registered number: SC134741**



**FORTH PORTS LIMITED**

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

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# **FORTH PORTS LIMITED**

## **COMPANY INFORMATION**

### **DIRECTORS**

Lord Smith of Kelvin (Chairman)  
Charles Hammond  
Carole Cran  
Stuart Wallace  
Richard Chang  
Patrick Charbonneau (Alternate)  
Stephen Kynaston  
Simon Davy  
Stewart Oades  
Azhar Abidi  
Martine Légaré  
Simon Beer  
James Cooper

### **GROUP COMPANY SECRETARY**

Pamela Smyth

### **REGISTERED OFFICE**

Forth Ports Limited  
1 Prince of Wales Dock  
Edinburgh  
Midlothian  
EH6 7DX

### **REGISTERED NUMBER**

SC 134741

### **INDEPENDENT AUDITOR**

Deloitte LLP  
Statutory Auditor  
110 Queen Street  
Glasgow  
G1 3BX

### **SOLICITORS**

Pinsent Masons LLP  
Princes Exchange  
1 Earl Grey Street  
Edinburgh  
EH3 9AQ

### **BANKERS**

Lloyds Banking Group PLC  
New Uberior House  
Third Floor  
11 Earl Grey Street  
Edinburgh  
EH3 9BN

## **FORTH PORTS LIMITED**

### **STRATEGIC REPORT**

#### **CEO Foreword**

I am pleased to say that 2022 was another year of notable achievement for Forth Ports, whilst navigating the macro and business specific issues alongside. As a diverse business, trading was impacted both positively and negatively by various external factors including continued disruption to supply chains following the Covid-19 pandemic, the conflict in Ukraine, with the resultant impact on the supply and price of various global commodities and the highest levels of UK inflation that have been experienced for a number of decades. I am pleased to say that as a group we have risen to these challenges having delivered double digit year on year pre-exceptional operating profit growth as well as continuing to make capital investments in support of future profit growth. This has been achieved through the commitment, resourcefulness and flexibility of our workforce as well as excellent collaboration with many customers and suppliers, reflecting the strength of our longstanding relationships.

From a trading perspective the requirement from our customers for supply chain resilience led to high storage demand in the first half of the year, which we satisfied through releasing more land in each of Grangemouth and Tilbury. This demand did abate somewhat in the second half as freight rates reduced from historic highs. As a consequence of higher freight rates we also handled higher than expected break bulk volumes of forest products, increasing our operating efficiencies to achieve this. We also benefitted from the welcome return of the Cruise business and a higher level of activity in our towage business as Targe Towing, which we acquired in 2021, leveraged its strong reputation, servicing the Scottish market more broadly.

Our capital investment programme, which ensures the resilience of our business whilst supporting the Group's future growth prospects across a number of our key markets, continued during the year. Notable investments included:

- an additional warehouse in Grangemouth extending our portcentric offering, with solar panels installed to aid a reduction in carbon emissions at the port;
- straddle carrier replacements in our container operations at each of London Container Terminal and Grangemouth to ensure continued high service provision levels at both;
- the commencement of the redevelopment of the Port of Leith which comprises extensive infrastructure work to develop an outer berth for larger vessels, and quayside and storage areas all of which can support large components for the offshore wind industry;
- the ongoing rebuild of the grain silo complex in Tilbury which saw the completion of ten 30 metre tall, steel silos, a flat store with a combined storage capacity of 36,000 tonnes and the installation of a new conveyor system; and
- initial expenditure to satisfy a new handling and storage contract with Coca Cola, an important diversification for the Group into servicing a large fast moving consumer goods customer.

We also completed the acquisition of OM Heavy Lift in the early part of the year (note 34), a well-established heavy lift cranes and engineering company. This acquisition enhances our ability to offer an attractive, full-service package for offshore renewables projects covering marine services, quayside infrastructure and land and now heavy lift plant and logistics solutions. In relation to offshore wind the year saw a number of important milestones for the Group in this growth market, which is so important for the Scottish and UK Governments in meeting their respective net zero targets. These included the completion of the redevelopment of the Port of Dundee in 2021, where we were delighted to take delivery of the first components for the major wind farm Neart na Gaoithe off the Fife coast (NnG); an agreement for Dundee to be the pre-assembly and marshalling site for the Inch Cape development in 2025 and 2026; and ahead of the completion of the outer berth at Leith we signed a reservation and collaboration agreement with bp and EnBW which will see the port as the marshalling site for the planned 2.9GW Morven offshore wind project.

Since the year end I am pleased to confirm that in January 2023 our Forth Green Freeport application was successfully shortlisted by the Scottish and UK Governments. This private-public bid consortium will seek to generate new green jobs and act as a catalyst for new green technologies and renewable energy manufacturing which will make a significant contribution to the re-industrialisation of Scotland. We look forward to working with partners to make this initiative a considerable success over the coming months and years.

## **FORTH PORTS LIMITED**

### **STRATEGIC REPORT**

#### **CEO Foreword (continued)**

I am also pleased to say that in February 2023 we were successful in securing new debt funds for the Group from the Private Placement loan market. This is a market we first raised funds from in 2013 and £160m of the loans we secured back then are maturing at the end of 2023. We saw considerable interest in the Group from investors in this market and so in addition to raising the £160m we have secured a further £115m of new funds to invest in the business, which reflects the resilience of the Group, the success of our investment programme undertaken to date and the investment opportunities available to the Group.

#### **Our Purpose**

Forth Ports' eight strategically located ports play a vital role in the UK's local and national economies. Our professional, highly trained teams keep cargo moving so ensuring that people can access the products they depend on and exporters can reach their markets around the world.

From essential materials for the construction sector to the commodities that power our economy; from the food that we eat to the medicines we need – we are dedicated to keeping goods moving efficiently.

We take pride in our work and are great collaborators – always striving to create solutions and offer value added services for our customers and stakeholders, investing in the right infrastructure and technologies to help solve their problems.

We care about each other and about the communities we operate in and work hard to earn the trust of our customers, neighbours and staff. At the heart of everything we do is our safety-first culture – embedded across all our activities as well as our commitment to playing our part in the global mission to build a greener, more sustainable economy.

#### **Strategy**

Our strategy is to invest in our ports and supply chain solutions for our customers through our people, infrastructure, skills and commercial networks in order to generate value for the business.

#### **Values**

<b>Our Core Values are at the heart of everything we do</b>	
<b>Safe</b>	Our safety-first culture informs everything we do – it shows that we value and care about others.
<b>Collaborative</b>	Teamwork helps us to work faster and more effectively to identify and apply business solutions for our customers.
<b>Progressive</b>	We're agile and challenging - always driving for the right results within the business and with all our partners.
<b>Genuine</b>	Our professionalism is underpinned by a commitment to being open, honest and ethical in everything that we do. We do the right thing.
<b>Dependable</b>	We keep our promises by taking ownership individually and collectively and are trusted to deliver the right solutions.

#### **Principal Activities**

The principal activities of Forth Ports Limited (the Company) together with its subsidiaries (the Group) are the provision of port facilities and ancillary services across eight sea ports in the United Kingdom, as well as being the Statutory Harbour Authority for the Forth and Tay estuaries in Scotland.

The Group has extensive property interests, the vast majority of which are used for customers and port operations. Any land that is not required for port-related activity is kept under review to determine uses which can deliver sustainable returns to the Group.

This Strategic Report has been prepared for the Group as a whole and therefore gives greater emphasis to those matters which are significant to Forth Ports Limited and its subsidiary undertakings when viewed as a whole.

## **FORTH PORTS LIMITED**

### **STRATEGIC REPORT (continued)**

#### **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 for £3.9m (2021 - £nil). The increased activity resulted in an increase in gross profit which was £137.2m, up £14.5m or 11.8% on 2021.

Administrative expenses, pre-exceptional items and revaluations, were £37.6m, £4.6m 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 £9.9m or 11.0% on 2021. The operating profit margin remained comparable year on year (34.8% in 2021 and 34.5% in 2022). Total group operating profit was £129.8m, up £3.8m reflecting the £9.9m increase above offset by a number of year on year movements in exceptional items and revaluations (the key items explained further below).

Finance income was £14.8m in 2022, down from £21.1m in the previous year. The finance income is mainly due to Group interest receivable on inter-company loans with the immediate parent, Otter Ports Limited. Finance costs before revaluations were £37.1m, down £0.8m on 2021. The net of finance income and costs was net income of £13.1m (2021: £5.3m). The year on year movement is largely explained by net gains on interest rate and cross currency swaps in the year due to rising interest rates and higher deposit interest earned on cash balances (explained further below).

Profit before tax, exceptional items and revaluations for the year, was £77.3m, £4.4m or 6.0% higher than last year.

The 2022 Group tax charge, excluding the impact of exceptional items and revaluations, was £14.8m, an effective tax rate of 19.1% (2021 - 41.0%), down from £29.9m last year due to the change in tax rate affecting deferred tax. The total tax charge for the year was £28.5m representing an effective tax rate of 19.9% (2021 - 30.1%) (Note 12).

Revaluation items (Note 8) recognised in the Group Income Statement totalled a net gain of £56.9m (2021: net gain of £40.7m) and relate to:

- An increase in the fair value of investment properties of £22.1m (2021 - £20.2m);
- Gains recognised on interest rate swaps of £38.5m (2021 - £22.0m) and on cross currency hedges of £11.9m (2021 - £0.2m);
- A gain on diesel hedges of £0.6m and Euro forward contracts of £0.1m (2021: £1.7m and £nil);
- Long Term Incentive Plan (LTIP) expense of £0.6m (2021 - £1.6m);
- Discount unwind on the deferred consideration for the Targe acquisition of £1.1m (2021 - £nil);
- A retranslation loss on the Series A and Series G US \$ loan notes of £16.1m (2021 - £1.8m); and
- Gain on re-measurement of the discount rate on the PNPf pension provision of £1.5m (2021 - £nil).

Exceptional items (Note 8) recognised in the Group Income Statement totalled a net gain of £8.7m (2021 - £17.7m) and relate to:

- Demolition and site clearance costs at the grain silo site in Tilbury of £0.6m (2021 - £6.5m);
- Business interruption costs in relation to the grain silo rebuild at Tilbury were £7.7m (2021 - £6.0m); and
- Insurance proceeds received in relation to the Tilbury grain silos of £17.0m (2021 - £11.0m).

The tax effect of these exceptional items and revaluations was an expense of £13.7m (2021 - £9.6m).

Profit after tax and exceptional items for the year for the Group was £114.4m (2021 - £91.8m), up 24.6%, and for the Company was £67.2m (2021 - £103.0m), down 34.8%.

## **FORTH PORTS LIMITED**

### **STRATEGIC REPORT (continued)**

#### **Performance Review (continued)**

##### **Financial Position**

In terms of the Group's financial position, as reflected in the Balance Sheet at 31 December 2022, the significant year on year changes are as follows:

- Increase in property, plant and equipment (PPE) of £63.6m due to additions of £83.5m which included replacement straddle carriers for both Grangemouth and LCT, further warehousing in Grangemouth, the commencement of spend on the Outer Berth at Leith and significant progress on the rebuild of the silo complex in Tilbury, net transfers from investment property and to intangible assets of £11.2m offset by net depreciation of £31.0m and net disposals of £0.1m;
- Investment properties increased in value by £12.3m in the year, due to a revaluation uplift of £24.1m (£22.1m recognised in the Income Statement and £2.0m through Other Comprehensive Income) offset by net transfers out to PPE of £11.4m, and disposals of £0.4m;
- Cash and cash equivalents held at the end of the year were £114.6m, a decrease of £65.8m in the year largely reflecting loan advances to the parent company of £60m;
- The total value of derivative financial instruments, both current and non-current, increased by £51.1m as a result of favourable movements in underlying interest and currency rates with the net position increasing from £3.2m to £54.3m;
- Borrowings increased by £20.5m year on year largely as a result of the retranslation loss on the USD denominated loans which was partially offset by an increase in the cross currency derivatives noted above;
- Retirement benefit obligations decreased by £35.3m to £41.6m. This reflects a significant decrease in the value of the liabilities of £221.0m, mainly due to an increase in the discount rate as a result of increases in UK interest rates during the year, largely offset by a significant reduction in asset values of £203.5m. The largest further reason for the overall decrease reflects employer deficit recovery contributions of £20m;
- Total comprehensive income for the year of £128.1m took the value of shareholder's equity at 31 December 2022 to £695.3m.

##### **Liquidity and Going Concern**

The Group's 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 £15.1m however, as described in the CEO forward, 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 £114.6m, 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. Full details of the Group's borrowings can be found in note 22.

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.

## **FORTH PORTS LIMITED**

### **STRATEGIC REPORT (continued)**

#### **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.

#### **Key Performance Indicators**

The Board uses the annual budget as the base for measuring the Group's performance. Financial and non-financial targets are set for individual senior managers and for the businesses within the Group. At the Annual Strategy Review in quarter four, the Board considers the financial projections over a five year time horizon. The overarching aim is to sustainably increase the value of the Group.

The KPIs which are used to measure this increase in value are:

- Health and safety record, measured by Accident Incidence Rate<sup>1</sup> compared to industry average;
- Group pre-exceptional EBITDA (defined as: Earnings Before Interest, Tax, Depreciation and Amortisation) (page 4);
- Growth in the value of port assets (page 5); and
- Growth in value of investment properties (Note 14).

During 2023 we will also be advancing our thinking on the appropriate suite of ESG KPIs and targets for the business.

#### **Principal Business 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 are 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.

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<sup>1</sup> Accident Incidence Rate (AIR) is number of RIDDOR injuries divided by average employees multiplied by 100



## **FORTH PORTS LIMITED**

### **STRATEGIC REPORT (continued)**

#### **Principal Business Risks and Uncertainties (continued)**

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.

#### 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.

## **FORTH PORTS LIMITED**

### **STRATEGIC REPORT (continued)**

#### **Principal Business Risks and Uncertainties (continued)**

##### 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.

###### *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.

#### **Stakeholder Engagement and Section 172 Statement**

The Board is aware of its responsibilities to promote the success of the Company in accordance with section 172 of the Companies Act 2006 and, in describing the relationships between Forth Ports and its key stakeholder groups, the Board has taken into consideration the Financial Reporting Council guidance on this matter. By focussing on our purpose and values along with our strategic priorities, we consider our employees, customers, suppliers, local communities and other stakeholders whilst delivering long-term sustainable growth for our investors. The Group's main stakeholders, their expectations and how the Board responds to them are explained as follows:

# FORTH PORTS LIMITED

## STRATEGIC REPORT (continued)

### Stakeholder Engagement and Section 172 Statement (continued)

Stakeholder expectations	How the Board responds
<b>Employees</b> Forth Ports employs over 1,000 people directly. The majority of the workforce are on the quayside loading and unloading vessels or directly supporting these teams, handling a diverse range of cargoes for our many customers. Our employees are key to the success of the business.	
<ul style="list-style-type: none"> <li>• Safe working conditions</li> <li>• Fair terms and conditions</li> <li>• Job security</li> <li>• Regular and transparent communication</li> </ul>	<ul style="list-style-type: none"> <li>• Adaptation of working practices where necessary and regular communication with all employees with specific support for vulnerable employees to protect them;</li> <li>• Signatory to the Maritime Mental Health Pledge;</li> <li>• Continuous improvement of health and safety practices including the 'Visible Felt Leadership' initiative, with greater use of technology to keep reviews and initiatives progressing despite the changes to working practices;</li> <li>• 'Stand Down for Safety' – a dedicated safety event for the entire workforce hosted by the Chief Operating Officer demonstrating the commitment to the highest standards of safety;</li> <li>• Consideration of the impact of decisions on employees with views of employees and wider workforce considered – these are obtained via company-wide communications, CEO briefings and local port/asset employee meetings;</li> <li>• In 2022 the Group recognised the pressure placed on its workforce as a result of the cost of living crisis and awarded employees a one-off payment;</li> <li>• Publication of our Gender Pay Gap Report for 2022;</li> <li>• Range of development opportunities available including Apprenticeship and Graduate programmes, as well as dedicated training centres at Tilbury (including simulators) and Grangemouth, with a shift to more online training;</li> <li>• A number of charitable and community projects.</li> </ul>
<b>Customers</b> Forth Ports supports over 500 domestic and international customers that are linked existentially to the growth and the success of each of its ports.	
<ul style="list-style-type: none"> <li>• Trusted long-term partnerships</li> <li>• High and consistent levels of operational efficiency</li> <li>• Flexibility</li> </ul>	<ul style="list-style-type: none"> <li>• In 2022, developing a new customs processing service to help customers keep goods moving;</li> <li>• Regular contact with customers following the grain silo incident to ensure continuity of service;</li> <li>• Alignment of our business with customer needs, such as investment at Tilbury2, warehousing at Grangemouth and renewable energy investment at Dundee and Leith;</li> <li>• Customer meetings, events and attendance at key industry conferences;</li> <li>• Service level agreements are monitored and customer feedback taken into consideration when developing new facilities (such as the new CMAT at Tilbury2) and service offerings (e.g. Track Your Container online);</li> <li>• Deepened and broadened our knowledge/expertise of our key markets through targeted analysis;</li> <li>• Strategic acquisitions of Targe Towing in 2021 and OM HeavyLift in 2022 to enhance the breadth of our service offering to better serve our customers' needs.</li> </ul>
<b>Suppliers and Contractors</b> A wide range of suppliers, contractors and advisors supporting our operational and investment plans.	
<ul style="list-style-type: none"> <li>• Trusted long-term partnerships</li> <li>• Fair terms and conditions</li> <li>• Prompt payment</li> </ul>	<ul style="list-style-type: none"> <li>• Timely payment to suppliers;</li> <li>• Supplier performance management involving dedicated procurement teams focused on developing and managing supplier relationships, including regular account review meetings and maintained controls, systems and processes in place to ensure suppliers are supported;</li> <li>• Chartered Institute of Procurement and Supply certification;</li> <li>• Modern Slavery – details of our policies to combat modern slavery are detailed in our 2022 Modern Slavery Statement which can be found on our website <a href="http://www.forthports.co.uk">www.forthports.co.uk</a>.</li> </ul>
<b>Communities and other stakeholders</b> Encompassing our neighbours in the communities where our ports are to local, national and UK wide private and public bodies.	
<ul style="list-style-type: none"> <li>• Jobs and investment</li> <li>• Compliance with regulation and legislation</li> <li>• Good neighbours, operating safely</li> <li>• Actively help and support local communities</li> <li>• Protection of the environment and heritage</li> </ul>	<ul style="list-style-type: none"> <li>• Thames Freeport Development – job creation; green investment and levelling up;</li> <li>• Early and transparent consultation with local communities as part of significant developments such as Tilbury2, Dundee and Leith Outer Berth for offshore renewables;</li> <li>• Charitable and community projects including Leith Community Trust, Tilbury on the Thames Trust, Port open days, career events and annual celebrations such as Windrush Day. In 2022 we were also delighted that Tilbury Cruise Terminal was selected to take part in the Queen's baton relay;</li> <li>• Successful Forth Green Freeport bid for Firth of Forth;</li> <li>• GRESB submission (Global ESG Benchmark), delivering improved score.</li> </ul>

# FORTH PORTS LIMITED

## STRATEGIC REPORT (continued)

### Stakeholder Engagement and Section 172 Statement (continued)

	How the Board responds
<b>Shareholders</b> The owners of the business who are a number of UK and international pension funds.	
<ul style="list-style-type: none"> <li>• Clear strategy and strong execution</li> <li>• Financial discipline</li> <li>• Sustainable growth and regular returns to match pension liabilities our shareholders are managing</li> <li>• Protection of Group's reputation</li> </ul>	<ul style="list-style-type: none"> <li>• Board decisions are made with the long-term success of the Group in mind;</li> <li>• Active and ongoing dialogue with shareholder representatives who sit on the Board;</li> <li>• Regular board meetings including review of key operational, commercial and financial matters as well as specific meetings to review Five Year Strategic Plan and Budget;</li> <li>• Consideration of ESG matters including focus on green credentials.</li> </ul>

During the year the Board was involved in making various key strategic decisions impacting a number of stakeholders. The table below sets out certain key decisions taken in 2022, and how their impact on stakeholders was considered.

<b>Key decision</b>	Strategic planning in relation to ensuring the most effective use of land within the port estate; including land acquisition / development and maximising the financial return on the existing port estate. The Board progressed a number of initiatives in this regard including the option to acquire additional land adjacent to Tilbury2, progressing the land purchase at Tilbury3, master planning of land across the port estate particularly those areas with Freeport designation and detailed planning and capital investment to ensure new customers can be accommodated alongside servicing existing customer requirements.
<b>Objective</b>	Secure long term growth through maximising the earning potential of the Port's land, maintaining existing customer relationships, accommodating new customers and moving into new markets.
<b>Stakeholder considerations</b>	<p><b>Employees</b> Taking on new customers and additional port facilities provides certainty of employment for existing employees, a requirement to develop new skills and requires the recruitment of additional staff to fulfil additional business.</p> <p><b>Customers</b> Finding solutions for new and existing customers is key to fostering long term relationships, maintaining our reputation and securing the long term success of the business.</p> <p><b>Shareholders</b> These decisions which resulted in the need to meet customer requirements and expand the footprint and breadth of service offering at the port, including investing capital and making modifications to the port facilities to enter a new market, aligns with the goal of providing a stable platform for growth and delivering long term operational and financial success.</p>

# FORTH PORTS LIMITED

## STRATEGIC REPORT (continued)

### Stakeholder Engagement and Section 172 Statement (continued)

<b>Key decision</b>	Acquisition of O M Holdings Group.
<b>Objective</b>	Increase our breadth of service offering for our customers and provide a full-service package for offshore renewables projects covering marine services, quayside infrastructure and land and now heavy lift plant and logistics solutions.
<b>Stakeholder considerations</b>	<p><b>Employees</b> The aim is to grow the service offering through capital investment in additional equipment and develop a team focused on promoting and delivering this service to customers. This will require the skills and knowledge of existing employees alongside some external staff hires.</p> <p><b>Customers</b> Ensuring we can meet the business needs of our customers is key to fostering long term relationships, maintaining our reputation and securing the long term success of the business.</p> <p><b>Shareholders</b> The decision to expand the service offering and invest in new capital equipment aligns with the goal of providing a stable platform for growth and delivering long term operational and financial success.</p>

<b>Key decision</b>	To redevelop a significant area of land within the port of Leith to expand our reach in the offshore wind market by investing in a renewables hub comprising a new outer berth and extensive marshalling area.
<b>Objective</b>	Secure long term growth through investment in a growth market which is in close proximity to our ports on the Scottish east coast.
<b>Stakeholder considerations</b>	<p><b>Employees</b> Major investment in the port of Leith will provide security of employment for existing staff with the aim of recruiting additional staff as the service offering grows.</p> <p><b>Customers</b> An agreement has been signed with bp and EnBW which will see the port as the marshalling site for the 2.9GW Morven offshore wind project.</p> <p><b>Community</b> The aim is to create a renewables hub in Leith that has the potential to attract manufacturing businesses to the area which have been absent for decades. This will create highly skilled jobs which aligns closely with the objectives of the Forth Green Freeport.</p> <p><b>Shareholders</b> This decision is aimed at future proofing the business and aligns with the goal of providing a stable platform for growth and delivering long term operational and financial success.</p>

## FORTH PORTS LIMITED

### STRATEGIC REPORT (continued)

#### Streamlined Energy and Carbon Reporting

##### *Scope, Reporting Period and Organisational Boundary*

The Group is required to report its energy use and associated greenhouse gas emissions (GHGs) and the information below covers all entities in the Group using the financial control approach.

##### *Quantification and Reporting Methodology*

We have followed the 2019 HM Government Environmental Reporting Guidelines. We have also used the GHG Reporting Protocol – Corporate Standard and have used the 2022 UK Government's Conversion Factors for Company Reporting.

##### *Intensity measurement*

The chosen intensity measurement ratio is total gross emissions in metric tonnes CO<sub>2</sub>e per thousand tonne of dry volume handled, the recommended ratio for the sector. Following the acquisition of Targe Towing Limited in 2021 we have included an alternative intensity ratio which is linked to activity related revenue as the Targe Towing business is not directly involved in handling dry volumes.

##### *Year on year comparison*

The intensity ratios below are reported under the location based methodology. As shown below Scope 2 emissions under the market based methodology are zero, reflecting the fact that we have procured all of our electricity from renewable sources, illustrating our commitment to improved energy efficiency. We have used the location based methodology in order to show a full picture of our overall consumption and illustrate the impact of key events impacting on our electricity consumption.

The group intensity ratio decreased by 2.4% from last year whilst the second ratio, using traffic based revenues, decreased by over 14%.

##### *Energy consumption*

	2022	2021
Energy consumption breakdown (MWh):		
• Gas	893	1,180
• Electricity (purchased from grid)	14,528	16,489
• Electricity (purchased from onsite wind generation)	18,175	17,601
• Transport fuel	86,559	83,595
• Heating oil	1,035	1,517
Energy consumption used to calculate emissions (MWh)	121,190	120,382

# FORTH PORTS LIMITED

## STRATEGIC REPORT (continued)

### Streamlined Energy and Carbon Reporting (continued)

#### Energy emissions

	2022	2021
Scope 1 emissions in metric tonnes CO2e:		
• Gas consumption	163	216
• Heating	269	390
• Owned transport	21,727	21,592
<b>Total Scope 1</b>	<b>22,159</b>	<b>22,198</b>
Scope 2 emissions in metric tonnes CO2e:		
• Purchased electricity (location based)	6,324	7,238
<b>Total Scope 2</b>	<b>6,324</b>	<b>7,238</b>
• Purchased electricity (market based)	-	-
Scope 3 emissions in metric tonnes CO2e:		
• Electricity transmission and distribution	257	310
• Business travel in employee owned vehicles	63	66
<b>Total Scope 3</b>	<b>320</b>	<b>376</b>
<b>Total gross emissions in metric tonnes CO2e (location based)</b>	<b>28,803</b>	<b>29,812</b>
<b>Total gross emissions in metric tonnes CO2e (market based)</b>	<b>22,479</b>	<b>22,574</b>
<b>Out of Scope emissions from HVO fuels</b>	<b>451</b>	<b>-</b>
<i>Intensity ratios</i>		
Intensity ratio (location based) – metric tonnes CO2e per thousand tonne of dry volume handled	1.63	1.66
Intensity ratio (location based) – metric tonnes CO2e per £1,000's Traffic revenue	0.166	0.192

#### Measures taken to improve energy efficiency

Over recent years, we have carried out a number of measures to improve energy efficiency across the Group, including:

- Procuring our electricity from renewable sources;
- Installation of energy efficient lighting across the port estates;
- Trial of HVO fuel in 2022 across a range of landside and marine plant and equipment;
- Investment in more energy efficient assets including the purchase of new Marine vessels and straddle carriers;
- Upgrading building heating systems from fossil fuels to more efficient electric systems;
- Installation of solar panels and smart controls on new warehouses;
- Working alongside our equipment leasing providers on a programme of continual improvement to upgrade port equipment to the newest emission standards;
- Changes to the way in which certain commodities are handled to minimise the number of intervention points and the consequential increase in energy usage;
- Increased video conferencing technology for internal meetings, to reduce the need for travel between sites; and
- Training focused on behavioural aspects for employees and agency staff so that they consider their actions in the context of energy usage including not idling vehicles, switching off unused lights and appliances and driving more conscientiously.

## **FORTH PORTS LIMITED**

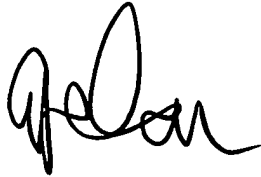
### **STRATEGIC REPORT (continued)**

#### **Future Developments**

There has been and is significant investment being made across the Group with the key priorities for 2023 and our future growth as follows:

- Advance development of the land in the Thames Freeport designation at Tilbury and the Green Freeport in Scotland;
- Completing work to ensure that there is a considerable increase in the volumes handled via the conveyor system for the Tarmac construction materials hub at Tilbury2;
- Substantially complete the build for the Leith offshore renewables hub;
- Invest in further warehousing at Grangemouth for export logistics;
- Ramp up volumes for Coca Cola through the automated warehouse at 26 berth in Tilbury;
- Further advance our knowledge of our key markets, through development of our commercial networks, underpinned by data analysis.

BY ORDER OF THE BOARD



Carole Cran  
Director

26 April 2023



## **FORTH PORTS LIMITED**

### **DIRECTORS' REPORT**

The Directors present their report and the audited consolidated financial statements of Forth Ports Limited for the year ended 31 December 2022. With the exception of the Private Placement fundraising and successful Forth Green Freeport bid which are discussed in the Strategic Report, there have been no significant events since the balance sheet date.

#### **Company Registration**

The Company is registered in Scotland as number SC 134741. The Company is incorporated and domiciled in Scotland and is 100% owned by Otter Ports Limited, which is ultimately controlled by Public Sector Pension Investment Board.

#### **Dividend**

No dividends were paid in the current or prior year.

#### **Streamlined Energy and Carbon Reporting**

Disclosures in relation to the Group's carbon emissions can be found in the Strategic Report on pages 12 and 13.

#### **Future Developments**

An indication of likely future developments in the business of the Group is included in the Strategic Report on page 14.

#### **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)  
Charles Hammond  
Carole Cran  
Stuart Wallace  
Richard Chang  
Patrick Charbonneau (Alternate)  
Stephen Kynaston  
Simon Davy  
Stewart Oades  
Azhar Abidi  
Martine Légaré  
Simon Beer (appointed 22 January 2022)  
James Cooper (appointed 1 August 2022)

#### **Indemnification of Directors**

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

#### **Employee Engagement**

The general policy of the Group is to welcome employee involvement as far as it is reasonably practicable. Employees are kept informed by meetings, newsletters and notices. Consultation and communication takes place through structured meeting groups and employee representatives as appropriate. Further commentary on consideration of employee engagement is covered in the Strategic Report on page 9.

#### **Business Relationships**

The Group's consideration of business relationships is covered in the Strategic Report on page 9.

## **FORTH PORTS LIMITED**

### **DIRECTORS' REPORT (continued)**

#### **Disabled Persons**

The Group provides Occupational Health Services in-house which play a significant part in monitoring the health of employees and ensuring that those members of staff who experience long-term illness or disability receive the appropriate support to secure their return to work. Where their return to work is possible the Group has well-developed procedures to ensure the employee continues to play a productive role within the Group. These procedures are evidenced by the number of employees who remain in employment with disabilities or a restricted capacity to carry out their normal duties. The Group continues to fully endorse the aims of the Disability Discrimination Act and our internal procedures ensure compliance at all locations.

#### **Modern Slavery**

The Group takes its social responsibility seriously and is committed to conduct business in compliance with the highest ethical standards. The Group supports and is committed to upholding the UN Guiding Principles on Business and Human Rights and is committed to developing its approach and practices so that it can detect and eradicate any non-compliant activities that it identifies, and has consequently taken steps to ensure that modern slavery and human trafficking is not present within its own business and its supply chain. Forth Ports has produced a Modern Slavery Statement (available on [www.forthports.co.uk](http://www.forthports.co.uk)) which sets out its approach and the activities that will be implemented to ensure compliance with the Act. The Group has also set standards that it expects its suppliers to adhere to in its responsible procurement policy and introduced clauses in its standard contract forms for new contracts to ensure suppliers are able to demonstrate compliance with the Act.

In 2018, the Group received a certificate of achievement in Corporate Ethical Procurement & Supply from the Chartered Institute of Procurement & Supply ('CIPS'). This is renewed annually, with all procurement staff required to be recertified on this basis. As a result of this, we are also listed on the CIPS Ethical Register.

The Modern Slavery statement details the steps Forth Ports takes to comply with the Act, which focus on ongoing training. We are committed to ensuring our staff understand and are compliant with our approach to preventing modern slavery and human trafficking. The Group has provided the following training and communication on our Modern Slavery Statement:

- The CEO has written to every employee stressing our commitment to preventing modern slavery and human trafficking – a copy of this letter is issued to every new start;
- All new employees, agency workers and contractors are briefed on our Modern Slavery Statement, which is available on our website; and
- All leadership roles and those that are involved in procurement activities on behalf of the Company have completed an e-learning module to ensure a high level of understanding of the risks of Modern Slavery and Human Trafficking in our supply chain and business, alongside the relevant policies.

#### **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 22 (Borrowings) gives details of the Group's sensitivities to financial risks.

## FORTH PORTS LIMITED

### DIRECTORS' REPORT (continued)

#### 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 currency in which the underlying contract is denominated. Where appropriate, the Group hedges the foreign currency exposure of its contractual commitments.

#### 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 check that Port customers have an appropriate credit history prior to setting approved limits. The Group also ensures that property sales are covered by either controlled release of land plots in exchange for cash, fixed charge securities or bank bonds. Derivative counter-parties and cash transactions are limited to quality financial institutions. Refer to Note 19 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 to maintain flexibility in funding by keeping committed credit lines available. Refer to the following table for an analysis of the expected undiscounted cash repayment profile of the Group's financial liabilities and derivative instruments:

	< 1 year £m	1-2 years £m	2-5 years £m	>5 years £m	Total £m
<b>As at 31 December 2022</b>					
Trade and other payables	51.4	-	-	-	51.4
Derivative financial instruments:					
- 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	2.5	7.6	2.7	15.7
Borrowings	207.9	243.9	215.3	434.8	1,101.9
	221.6	240.5	213.7	434.8	1,110.6
	< 1 year £m	1-2 years £m	2-5 years £m	>5 years £m	Total £m
<b>As at 31 December 2021</b>					
Trade and other payables	40.5	-	-	-	40.5
Derivative financial instruments:					
- 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	7.4	5.4	18.3
Borrowings	32.9	198.6	372.6	513.2	1,117.3
	76.5	206.6	407.6	523.9	1,214.6

## **FORTH PORTS LIMITED**

### **DIRECTORS' REPORT (continued)**

#### Liquidity Risk (continued)

The expected maturity of 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 22 and 23. 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.

#### **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.

#### **Going Concern**

The Group's business activities, financial performance, cashflows, borrowings and liquidity position together with factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 2 to 14. 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 Company and 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) and, accordingly, consider it appropriate to adopt the going concern basis in preparing the financial statements.

## **FORTH PORTS LIMITED**


### **DIRECTORS' REPORT (continued)**

#### **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:

A handwritten signature in black ink, appearing to read 'P. Smyth', written in a cursive style.

Pamela Smyth  
GROUP COMPANY SECRETARY

26 April 2023

# **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FORTH PORTS LIMITED**

## **REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

### **Opinion**

In our opinion the financial statements of Forth Ports Limited (the Company) and its subsidiaries (the Group):

- give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2022 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the Group Income Statement;
- the Group Statement of Comprehensive Income;
- the Group and Company Balance Sheets;
- the Group and Company Statements of Changes in Equity;
- the Group Statement of Cash Flows; and
- the related notes 1 to 36.

The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006.

### **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 and the parent 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 (FRC)'s Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

### **Other information**

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

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FORTH PORTS LIMITED

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (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 Group's and 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 Group or 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 FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the Company's industry and its control environment, and reviewed the Company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and internal audit about their own identification and assessment of the risks of irregularities, including those that are specific to the Group's business sector.

We obtained an understanding of the legal and regulatory frameworks that the group 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, pensions legislation and tax legislation; and
- 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.

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

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

- There is significant judgement involved with the valuation of investment properties, particularly around the yield applied. To address this risk we worked with our internal real estate specialists to assess the significant yield assumptions used in the valuations and challenged management over the appropriateness of these assumptions.

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 FORTH PORTS LIMITED**

## **REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (continued)**

### **Extent to which the audit was considered capable of detecting irregularities, including fraud (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 Group and of the Company and their 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**

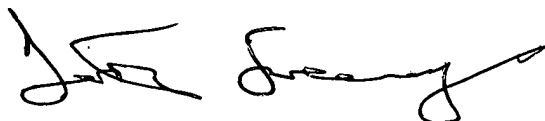
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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



# 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
<b>Group revenue</b>	4,5	288.3	-	288.3	257.7	-	257.7
Cost of sales	6	(151.1)	-	(151.1)	(135.0)	-	(135.0)
<b>Gross profit</b>		137.2	-	137.2	122.7	-	122.7
Administrative expenses	6,8	(37.6)	(8.9)	(46.5)	(33.0)	5.1	(27.9)
Other income	8	-	39.1	39.1	-	31.2	31.2
<b>Group operating profit</b>	6,8	99.6	30.2	129.8	89.7	36.3	126.0
Finance income	10	14.8	-	14.8	21.1	-	21.1
Finance costs	8,11	(37.1)	35.4	(1.7)	(37.9)	22.1	(15.8)
<b>Profit before tax</b>		77.3	65.6	142.9	72.9	58.4	131.3
Tax on profit	8,12	(14.8)	(13.7)	(28.5)	(29.9)	(9.6)	(39.5)
<b>Profit for the year</b>		62.5	51.9	114.4	43.0	48.8	91.8
Loss attributable to non-controlling interest		(0.1)	-	(0.1)	(0.1)	-	(0.1)
Profit attributable to equity shareholder		62.6	51.9	114.5	43.1	48.8	91.9
		62.5	51.9	114.4	43.0	48.8	91.8

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		114.4	91.8
<b>Other comprehensive expense</b>			
<b>Items that will never be reclassified to profit or loss</b>			
Revaluation of investment property transferred from operational land and buildings	14	2.0	14.4
Deferred tax on revaluation of investment property	26	(0.4)	(2.6)
Effect of tax rate change on deferred tax opening revaluation balance	26	-	(4.6)
Actuarial gain/(loss) on defined benefit pension schemes	27	17.5	(24.9)
Deferred tax on actuarial (gain)/loss	20	(3.3)	4.7
Corporation tax on excess pension contribution		3.4	3.1
Deferred tax on excess pension contributions	20	(3.4)	(3.1)
Effect of tax rate change for deferred tax on defined benefit pension schemes	20	(2.1)	5.8
<b>Other comprehensive income/(expense) recognised directly in equity, net of tax</b>		13.7	(7.2)
<b>Total comprehensive income for the year</b>		128.1	84.6
<b>Attributable to:</b>			
Non-controlling interest		(0.1)	(0.1)
Equity shareholder		128.2	84.7
		128.1	84.6

## BALANCE SHEETS

AS AT 31 DECEMBER 2022

	Notes	Group 2022 £m	Group 2021 £m	Company 2022 £m	Company 2021 £m
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	13	670.7	607.1	131.1	100.0
Investment property	14	523.0	510.7	106.2	116.7
Intangible assets	15	66.0	63.6	3.1	3.4
Investment in joint ventures	16	0.1	0.1	-	-
Investment in subsidiaries	17	-	-	429.8	425.2
Derivative financial assets	23	15.8	20.6	15.8	20.6
Deferred tax assets	20	10.4	19.2	10.4	19.2
Trade and other receivables	19	398.8	331.4	902.2	835.9
		1,684.8	1,552.7	1,598.6	1,521.0
<b>Current assets</b>					
Inventories	18	6.1	6.5	0.8	0.8
Trade and other receivables	19	71.3	58.3	197.2	444.4
Current tax assets		2.2	-	2.2	1.6
Derivative financial assets	23	38.5	1.7	38.5	1.7
Cash and cash equivalents		114.6	180.4	71.5	128.6
		232.7	246.9	310.2	577.1
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Trade and other payables	21	(52.0)	(41.1)	(122.3)	(358.0)
Borrowings	22	(193.0)	-	-	-
Current tax liabilities		-	(1.0)	-	-
Derivative financial instruments	23	-	(3.9)	-	(3.9)
Provisions	24	(2.8)	(3.1)	(2.0)	(1.9)
		(247.8)	(49.1)	(124.3)	(363.8)
<b>Net current (liabilities)/assets</b>		(15.1)	197.8	185.9	213.3
<b>Total assets less current liabilities</b>		1,669.7	1,750.5	1,784.5	1,734.3
<b>Non-current liabilities</b>					
Borrowings	22	(762.3)	(934.8)	(215.9)	(213.6)
Derivative financial instruments	23	-	(15.2)	-	(15.2)
Provisions	24	(10.2)	(13.9)	(9.6)	(13.0)
Trade and other payables	25	(48.9)	(52.7)	(748.7)	(737.3)
Deferred tax liabilities	26	(111.4)	(90.4)	(21.4)	(11.1)
Retirement benefit obligations	27	(41.6)	(76.9)	(41.6)	(76.9)
		(974.4)	(1,183.9)	(1,037.2)	(1,067.1)
<b>Net assets</b>		695.3	566.6	747.3	667.2
<b>SHAREHOLDER'S EQUITY</b>					
Share capital	28	23.1	23.1	23.1	23.1
Fair value and other reserves		5.6	5.6	52.0	52.0
Retained earnings		667.5	538.7	672.2	592.1
<b>Total shareholder's equity</b>		696.2	567.4	747.3	667.2
Non-controlling interest in equity		(0.9)	(0.8)	-	-
<b>Total equity</b>		695.3	566.6	747.3	667.2

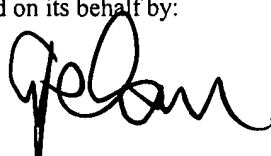
As permitted by Section 408 of the Companies Act 2006, the Company's Income Statement is not shown separately in these financial statements. The profit for the financial year was £67.2m (2021 - £103.0m).

The financial statements Forth Ports Limited, registered number SC134741, on pages 23 to 64 were approved and authorised for issue by the Board of Directors on 26 April 2023 and signed on its behalf by:

Charles Hammond  
Director



Carole Cran  
Director



## STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company			Non- controlling interest	Total Equity
	Share capital £m	Fair value and other reserves £m	Retained earnings £m	£m	£m
<b>Group Balance at 1 January 2021</b>	23.1	5.6	452.4	(0.7)	480.4
Other comprehensive expense recognised directly in equity	-	-	(7.2)	-	(7.2)
Profit for the year	-	-	91.9	(0.1)	91.8
Total comprehensive income for the year	-	-	84.7	(0.1)	84.6
LTIP shares – capital contribution	-	-	1.6	-	1.6
<b>Balance at 31 December 2021</b>	23.1	5.6	538.7	(0.8)	566.6
Other comprehensive income recognised directly in equity	-	-	13.7	-	13.7
Profit for the year	-	-	114.5	(0.1)	114.4
Total comprehensive income for the year	-	-	128.2	(0.1)	128.1
LTIP shares – value adjustment	-	-	0.6	-	0.6
<b>Balance at 31 December 2022</b>	23.1	5.6	667.5	(0.9)	695.3

Fair value and other reserves relates to a special reserve of £5.6m. The special reserve arose from the reduction in share capital in 1995. The purpose of this reserve is to maintain the Company's capital.

# STATEMENT OF CHANGES IN EQUITY (CONTINUED)

Company	Share capital £m	Fair value and other reserves £m	Retained earnings £m	Total equity £m
<b>Balance at 1 January 2021</b>	<b>23.1</b>	<b>52.0</b>	<b>501.8</b>	<b>576.9</b>
Revaluation on transfer of investment property (Note 14)	-	-	0.8	0.8
Deferred tax on revaluation of investment property (Note 26)	-	-	(0.1)	(0.1)
Effect of rate change on deferred tax opening revaluation balance (Note 26)	-	-	(0.4)	(0.4)
Actuarial loss on defined benefit pension scheme (Note 27)	-	-	(24.9)	(24.9)
Deferred tax on actuarial loss (Note 20)	-	-	4.7	4.7
Corporation tax on excess pension contributions	-	-	3.1	3.1
Deferred tax on excess pension contributions (Note 20)	-	-	(3.1)	(3.1)
Effect of tax rate change for deferred tax on defined benefit pension scheme (Note 20)	-	-	5.8	5.8
Other comprehensive expense recognised directly in equity	-	-	(14.1)	(14.1)
Profit for the year	-	-	103.0	103.0
Total comprehensive income for the year	-	-	88.9	88.9
LTIP shares – capital contribution	-	-	1.4	1.4
<b>Balance at 31 December 2021</b>	<b>23.1</b>	<b>52.0</b>	<b>592.1</b>	<b>667.2</b>
Revaluation on transfer of investment property (Note 14)	-	-	0.3	0.3
Deferred tax on revaluation of investment property (Note 26)	-	-	(0.1)	(0.1)
Actuarial gain on defined benefit pension scheme (Note 27)	-	-	17.5	17.5
Deferred tax on actuarial loss (Note 20)	-	-	(3.3)	(3.3)
Corporation tax on excess pension contributions	-	-	3.4	3.4
Deferred tax on excess pension contributions (Note 20)	-	-	(3.4)	(3.4)
Effect of tax rate change for deferred tax on defined benefit pension scheme (Note 20)	-	-	(2.1)	(2.1)
Other comprehensive expense recognised directly in equity	-	-	12.3	12.3
Profit for the year	-	-	67.2	67.2
Total comprehensive income for the year	-	-	79.5	79.5
LTIP shares – value adjustment	-	-	0.6	0.6
<b>Balance at 31 December 2022</b>	<b>23.1</b>	<b>52.0</b>	<b>672.2</b>	<b>747.3</b>

The fair value and other reserves are non-distributable. Fair value and other reserves relates to a special reserve of £52.0m. The special reserve arose from the reduction in share capital in 1995. The purpose of this reserve is to maintain the Company's capital.

Retained earnings include the following non-distributable amounts:

	2022 £m	2021 £m
Opening cumulative unrealised increases in fair value of investment properties	25.7	20.2
Revaluation in the year (Note 14)	2.4	5.5
Closing cumulative unrealised increases in fair value of investment properties	28.1	25.7
Deferred tax provided thereon	(10.4)	(6.4)
	17.7	19.3

# STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	Group 2022 £m	Group 2021 £m
<b>Cash flows generated from operating activities</b>			
Cash generated from operations	30	118.4	101.7
Interest paid		(34.5)	(35.2)
Interest received		1.9	0.4
Tax paid		(6.8)	(6.5)
<b>Net cash generated from operating activities</b>		<b>79.0</b>	<b>60.4</b>
<b>Cash flows used in investing activities</b>			
Purchase of subsidiary company		(11.2)	(14.6)
Purchase of property, plant and equipment, intangibles and investment property		(70.2)	(67.8)
Disposal of property, plant and equipment, intangibles and investment property		0.3	(0.1)
<b>Net cash used in investing activities</b>		<b>(81.1)</b>	<b>(82.5)</b>
<b>Net cash outflow before financing activities</b>		<b>(2.1)</b>	<b>(22.1)</b>
<b>Cash flows (used in)/generated from financing activities</b>			
Loan (to)/from parent company		(60.0)	35.0
Repayment of lease liabilities		(3.7)	(3.6)
<b>Net cash (used in)/generated from financing activities</b>		<b>(63.7)</b>	<b>31.4</b>
<b>(Decrease)/increase in cash and cash equivalents</b>		<b>(65.8)</b>	<b>9.3</b>
<b>Cash and cash equivalents at start of year</b>		<b>180.4</b>	<b>171.1</b>
<b>Cash and cash equivalents at end of year</b>		<b>114.6</b>	<b>180.4</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 1. General Information

Forth Ports Limited is a private company limited by shares and incorporated in the United Kingdom under the Companies Act 2006. The Company is registered in Scotland and the address of its registered office is given on page 1. The Company and its subsidiaries and joint ventures together form the Group. 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 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 Strategic Report on pages 6 to 8. 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 has 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) and, accordingly, 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 37. These policies have been consistently applied to all the years presented, unless otherwise stated.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 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 11, 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. In 2021, the mortality assumptions were re-assessed taking into account scheme specific experience on life expectancy. 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 27.

##### 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 14. 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	-
<b>Total revenue</b>	<b>288.3</b>	<b>257.7</b>

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

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

Major service provision areas	2022 £m	2021 £m
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
<b>Total contract revenue</b>	<b>242.0</b>	<b>215.8</b>

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

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

Major service provision areas	2022 £m	2021 £m
Cargo handling	0.6	0.6
<b>Total contract revenue</b>	<b>0.6</b>	<b>0.6</b>

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. Pilotage

The undernoted information is given in accordance with Article 4 of the Statutory Harbour Undertakings (Pilotage Accounts) Regulations 1988; this income is included within Group revenue.

	2022 £m	2021 £m
Pilotage revenue	7.8	5.9
Revenue from pilotage exemption certificates	0.0	0.0
Aggregate expenditure*	5.2	4.1

\*excludes contributions to the PNPf (Note 27).

### 6. 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	2.1	3.2
Repairs and maintenance expenditure on property, plant and equipment	10.8	10.5
Expenses relating to short term leases	2.7	4.0
Inventories		
- cost of inventories recognised as an expense	1.0	0.8
Employee costs		
- cost of sales (Note 9)	57.6	52.1
- administrative expenses (Note 9)	16.8	15.7

#### Auditor's Remuneration

The fees payable for the audit of the parent Company's annual financial statements were £140k (2021 - £130k). The fees payable for the audit of the underlying subsidiaries' annual financial statements were £180k (2021 - £164k) and the fees payable for non-audit services were £nil (2021 - nil).

### 7. Directors' Emoluments

	2022 £m	2021 £m
Aggregate emoluments	2.9	3.1
<u>Highest paid Director</u>		
Total emoluments and amounts receivable under long-term incentive schemes	1.2	1.3

Retirement benefits due to one Director (2021 - one Director) increased by the inflationary amount applicable under The Forth Ports Group Pension Scheme, a defined benefit scheme. No Directors made contributions to the scheme during the year (2021 - no Director) nor accrued any additional service. The highest paid Director is a member of The Forth Ports Group Pension Scheme and had accrued entitlements of £0.2m (2021 - £0.2m) under the scheme at the end of the year.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 8. 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
<u>Administrative expenses</u>		
LTIP shares – value of services provided ** (Note 9)	0.6	1.6
Impairment of parent company loan *	-	(19.2)
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
	8.9	(5.1)
<u>Other income</u>		
Increase in fair value of investment properties** (Note 14)	(22.1)	(20.2)
Insurance proceeds in relation to the Tilbury grain silo rebuild*	(17.0)	(11.0)
	(39.1)	(31.2)
<u>Finance costs</u>		
Interest rate hedge – mark to market** (Note 11)	(38.5)	(22.0)
Cross currency interest rate hedge – mark to market** (Note 11)	(11.9)	(0.2)
Retranslation of Series A and Series G US \$ loan notes** (Note 11)	16.1	1.8
Diesel hedge – mark to market** (Note 11)	(0.6)	(1.7)
Euro forward contract – mark to market** (Note 11)	(0.1)	-
Unwinding of discount on deferred consideration** (Note 11)	1.1	-
Remeasurement of discount rate on PNPF pension provision** (Note 11)	(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)

### 9. Employee Costs

The aggregate remuneration of all Employees and Directors 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 8)	0.6	1.6
Pension costs - defined benefit plans	6.6	6.4
- defined contribution plans	2.2	1.8
	<hr/> 75.0	<hr/> 69.4
Average monthly number of Employees and Directors:	2022 No	2021 No
Operational	774	746
Maintenance	148	142
Administrative	168	164
	<hr/> 1,090	<hr/> 1,052

### 10. Finance Income

	2022 £m	2021 £m
Interest receivable from parent company (Note 32)	12.7	20.7
Interest receivable on bank and other deposits	2.1	0.4
	<hr/> 14.8	<hr/> 21.1

### 11. Finance Costs

	2022 £m	2021 £m
Interest on pension liability (Note 27)	11.0	8.4
Interest income on scheme assets (Note 27)	(9.7)	(7.4)
Interest payable to parent company (Note 32)	0.0	0.1
Interest on borrowings and overdrafts	34.2	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 8)	(38.5)	(22.0)
Cross currency interest rate hedges – mark to market (Note 8)	(11.9)	(0.2)
Retranslation of Series A and Series G US \$ loan notes (Note 8)	16.1	1.8
Remeasurement of the discount rate on PNPf provision (Note 8)	(1.5)	-
Amortisation of loan arrangement fees	1.3	1.3
Unwinding of discount on deferred consideration (Note 8)	1.1	-
Diesel hedge – mark to market (Note 8)	(0.6)	(1.7)
Euro forward contract – mark to market (Note 8)	(0.1)	-
Amortisation of IFRS 9 gains on amendments to bank facilities	1.0	1.0
	<hr/> 1.7	<hr/> 15.8

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 12. Taxation

	2022 £m	2021 £m
<b>Current tax</b>		
Charge for the year	7.7	12.4
Group relief	2.4	2.3
Adjustments in respect of prior years	(1.6)	(0.9)
<b>Total current tax</b>	<b>8.5</b>	<b>13.8</b>
<b>Deferred Tax</b>		
Deferred tax charge in respect of deferred tax assets (Note 20)	-	1.2
Deferred tax charge in respect of deferred tax liabilities (Note 26)	20.0	24.5
<b>Total deferred tax</b>	<b>20.0</b>	<b>25.7</b>
<b>Tax charge</b>	<b>28.5</b>	<b>39.5</b>

The tax charge for the year of 19.9% (2021 – 30.1%) is higher than the standard rate of corporation tax in the UK of 19% (2021 – 19%). The differences are explained below:

	2022 £m	2021 £m
Profit before tax	142.9	131.3
Profit multiplied by rate of corporation tax in the UK of 19% (2021 – 19%)	27.2	25.0
Effects of:		
Adjustments in respect of prior years – current tax	(1.6)	(1.0)
Adjustments in respect of prior years – deferred tax	0.9	0.9
Effect of tax rate change on current year deferred tax	4.6	2.3
Effect of rate change on deferred tax opening balances	0.1	15.3
Non-taxable element of grain silo collapse	(2.4)	-
Expenses not deductible for tax purposes	0.7	0.5
Non-taxable element of revaluation gain	(0.3)	(0.2)
Deferred tax on uplift in revalued properties	(0.1)	-
Non-deductible LTIP	0.1	0.3
Capital allowance super deduction	(0.9)	-
Unwinding discount on deferred consideration	0.2	-
Non-taxable impairment of parent company loan	-	(3.6)
<b>Tax charge</b>	<b>28.5</b>	<b>39.5</b>

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)

## 13. 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
<b>Group</b>					
<b>Cost (net of capital grants)</b>					
At 1 January 2022	616.5	235.4	22.9	92.5	967.3
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
<b>At 31 December 2022</b>	<b>644.0</b>	<b>247.8</b>	<b>26.5</b>	<b>136.9</b>	<b>1,055.2</b>
<b>Accumulated depreciation (net of grant amortisation)</b>					
At 1 January 2022	203.2	149.2	7.8	-	360.2
Depreciation charge (net of grant amortisation)	16.2	11.4	3.4	-	31.0
Disposals	(0.1)	(6.1)	(0.5)	-	(6.7)
<b>At 31 December 2022</b>	<b>219.3</b>	<b>154.5</b>	<b>10.7</b>	<b>-</b>	<b>384.5</b>
<b>Net book value at 31 December 2022</b>	<b>424.7</b>	<b>93.3</b>	<b>15.8</b>	<b>136.9</b>	<b>670.7</b>
<b>Group</b>					
<b>Cost (net of capital grants)</b>					
At 1 January 2021	584.5	237.3	20.2	70.9	912.9
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)
<b>At 31 December 2021</b>	<b>616.5</b>	<b>235.4</b>	<b>22.9</b>	<b>92.5</b>	<b>967.3</b>
<b>Accumulated depreciation (net of grant amortisation)</b>					
At 1 January 2021	189.4	146.0	5.5	-	340.9
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)
<b>At 31 December 2021</b>	<b>203.2</b>	<b>149.2</b>	<b>7.8</b>	<b>-</b>	<b>360.2</b>
<b>Net book value at 31 December 2021</b>	<b>413.3</b>	<b>86.2</b>	<b>15.1</b>	<b>92.5</b>	<b>607.1</b>

Capital grants included in property, plant and equipment have the following net book amount:

	Operational Land and Buildings £m	Plant and Equipment £m	Total £m
<b>Group</b>			
<b>Cost</b>	<b>19.1</b>	<b>23.5</b>	<b>42.6</b>
<b>Accumulated amortisation</b>	<b>(17.7)</b>	<b>(8.7)</b>	<b>(26.4)</b>
<b>Net book amount at 31 December 2022</b>	<b>1.4</b>	<b>14.8</b>	<b>16.2</b>
<b>Group</b>			
<b>Cost</b>	<b>19.1</b>	<b>20.1</b>	<b>39.2</b>
<b>Accumulated amortisation</b>	<b>(17.6)</b>	<b>(8.5)</b>	<b>(26.1)</b>
<b>Net book amount at 31 December 2021</b>	<b>1.5</b>	<b>11.6</b>	<b>13.1</b>

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 13. Property, Plant and Equipment (continued)

	Operational Land and Buildings £m	Plant and Equipment £m	Right-of- Use Assets £m	Capital Work in Progress £m	Total £m
<b>Company</b>					
<b>Cost (net of capital grants)</b>					
At 1 January 2022	130.0	66.4	0.8	10.6	207.8
Additions	-	-	0.2	25.7	25.9
Disposals	-	(1.1)	(0.1)	-	(1.2)
Transfers between Group companies	-	-	-	(0.7)	(0.7)
Transfers between asset categories	17.6	5.1	-	(10.3)	12.4
<b>At 31 December 2022</b>	<b>147.6</b>	<b>70.4</b>	<b>0.9</b>	<b>25.3</b>	<b>244.2</b>
<b>Accumulated depreciation (net of grant amortisation)</b>					
At 1 January 2022	61.5	45.8	0.5	-	107.8
Depreciation charge (net of grant amortisation)	3.4	3.0	0.1	-	6.5
Disposals	-	(1.1)	(0.1)	-	(1.2)
<b>At 31 December 2022</b>	<b>64.9</b>	<b>47.7</b>	<b>0.5</b>	<b>-</b>	<b>113.1</b>
<b>Net book value at 31 December 2022</b>	<b>82.7</b>	<b>22.7</b>	<b>0.4</b>	<b>25.3</b>	<b>131.1</b>
<b>Company</b>					
<b>Cost (net of capital grants)</b>					
At 1 January 2021	123.9	67.5	0.8	6.2	198.4
Additions	-	-	0.1	13.4	13.5
Disposals	-	(1.6)	(0.1)	-	(1.7)
Transfers between Group companies	-	(0.9)	-	(0.7)	(1.6)
Transfers between asset categories	6.1	1.4	-	(8.3)	(0.8)
<b>At 31 December 2021</b>	<b>130.0</b>	<b>66.4</b>	<b>0.8</b>	<b>10.6</b>	<b>207.8</b>
<b>Accumulated depreciation (net of grant amortisation)</b>					
At 1 January 2021	58.7	45.5	0.4	-	104.6
Depreciation charge (net of grant amortisation)	3.1	2.8	0.2	-	6.1
Disposals	-	(1.6)	(0.1)	-	(1.7)
Transfers between Group companies	-	(0.9)	-	-	(0.9)
Transfers between asset categories	(0.3)	-	-	-	(0.3)
<b>At 31 December 2021</b>	<b>61.5</b>	<b>45.8</b>	<b>0.5</b>	<b>-</b>	<b>107.8</b>
<b>Net book value at 31 December 2021</b>	<b>68.5</b>	<b>20.6</b>	<b>0.3</b>	<b>10.6</b>	<b>100.0</b>

Capital grants included in property, plant and equipment have the following net book amount:

	Operational Land and Buildings £m	Plant and Equipment £m	Total £m
<b>Company</b>			
<b>Cost</b>	11.1	11.8	22.9
<b>Accumulated amortisation</b>	(11.0)	(5.3)	(16.3)
<b>Net book amount at 31 December 2022</b>	<b>0.1</b>	<b>6.5</b>	<b>6.6</b>
<b>Company</b>			
<b>Cost</b>	11.1	10.9	22.0
<b>Accumulated amortisation</b>	(11.0)	(5.5)	(16.5)
<b>Net book amount at 31 December 2021</b>	<b>0.1</b>	<b>5.4</b>	<b>5.5</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 14. Investment Property

	2022 £m	2021 £m
<b>Group</b>		
<b>Valuation</b>		
At 1 January	510.7	463.9
Fair value movement - to Income Statement (Note 8)	22.1	20.2
- to Statement of Comprehensive Income	2.0	14.4
Net transfers (to)/from other asset categories	(11.4)	12.9
Disposals	(0.4)	(0.7)
<b>At 31 December</b>	<b>523.0</b>	<b>510.7</b>
<b>Company</b>		
<b>Valuation</b>		
At 1 January	116.7	112.3
Fair value movement - to Income Statement	2.1	4.7
- to Statement of Comprehensive Income	0.3	0.8
Net transfers to PPE	(12.6)	(1.1)
Disposals	(0.3)	-
<b>At 31 December</b>	<b>106.2</b>	<b>116.7</b>

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 and Company's investment property portfolio is £134.4m (2021 - £134.9m) and £24.8m (2021 - £24.8m) respectively.

#### Operating lease arrangements

The future minimum lease income receivable under non-cancellable operating leases is as follows:

	Group 2022 £m	Group 2021 £m	Company 2022 £m	Company 2021 £m
Within one year	30.6	28.6	6.4	7.6
Between two and five years inclusive	100.0	84.2	20.5	17.7
After five years	306.2	298.9	32.4	35.4
	<b>436.8</b>	<b>411.7</b>	<b>59.3</b>	<b>60.7</b>



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 14. Investment Property (continued)

The Group leases out its investment property with a book value of £513.9m (2021 - £510.7m) under non-cancellable operating lease agreements. The leases are for various lengths of time and have varying terms, escalation clauses and renewal rights.

### 15. Intangible Assets

	Goodwill £m	Customer Relationships £m	Software £m	Total £m
<b>Group</b>				
<b>Cost (net of capital grants)</b>				
At 1 January 2022	51.3	20.8	13.7	85.8
Additions (Note 34)	4.3	-	-	4.3
Transfers between asset categories	-	-	0.2	0.2
<b>At 31 December 2022</b>	<b>55.6</b>	<b>20.8</b>	<b>13.9</b>	<b>90.3</b>
<b>Accumulated amortisation and impairment (net of grant amortisation)</b>				
At 1 January 2022	-	13.3	8.9	22.2
Charge for the year	-	1.3	0.8	2.1
<b>At 31 December 2022</b>	<b>-</b>	<b>14.6</b>	<b>9.7</b>	<b>24.3</b>
<b>Net book value at 31 December 2022</b>	<b>55.6</b>	<b>6.2</b>	<b>4.2</b>	<b>66.0</b>
<b>Group</b>				
<b>Cost (net of capital grants)</b>				
At 1 January 2021	50.0	12.0	11.4	73.4
Additions	1.3	8.8	-	10.1
Transfers between asset categories	-	-	2.3	2.3
<b>At 31 December 2021</b>	<b>51.3</b>	<b>20.8</b>	<b>13.7</b>	<b>85.8</b>
<b>Accumulated amortisation and impairment (net of grant amortisation)</b>				
At 1 January 2021	-	10.8	8.2	19.0
Charge for the year	-	2.5	0.7	3.2
<b>At 31 December 2021</b>	<b>-</b>	<b>13.3</b>	<b>8.9</b>	<b>22.2</b>
<b>Net book value at 31 December 2021</b>	<b>51.3</b>	<b>7.5</b>	<b>4.8</b>	<b>63.6</b>

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

	Software £m
<b>Group</b>	
<b>Cost</b>	<b>0.3</b>
<b>Accumulated amortisation</b>	<b>(0.2)</b>
<b>Net book amount at 31 December 2022</b>	<b>0.1</b>
<b>Group</b>	
<b>Cost</b>	<b>0.3</b>
<b>Accumulated amortisation</b>	<b>(0.2)</b>
<b>Net book amount at 31 December 2021</b>	<b>0.1</b>

The net book value of software includes internally generated assets of £0.4m (2021 - £0.6m).

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 15. Intangible Assets (continued)

During 2012 the Group acquired the remaining shares of London Container Terminal (Tilbury) Limited (LCT) from a fellow Group undertaking and the Group adopted predecessor accounting in relation to the acquisition, resulting in both goodwill and customer relationship assets acquired by Otter Ports Holdings Ltd (OPH) being recognised by the Group.

Goodwill that was passed down from OPH on the acquisition of LCT is considered to have an indefinite life in accordance with IFRS 3 (revised). Customer relationships recognised on the acquisition of LCT are written off on a straight-line basis over ten years and has now been fully written off.

Amortisation of customer relationships of £1.3m (2021 - £2.5m) is included in the cost of sales line in the Income Statement. Amortisation of software of £0.8m (2021 - £0.7m) is charged to administrative expenses.

Goodwill of £55.6m is monitored for impairment purposes at the operating segment level, with the relevant cash generating units (CGU) being the Port of Tilbury and Scottish operations.

The recoverable amount has been determined on a value in use basis. The calculations are based on five year post-tax cash flow projections approved by the Directors. Cash flows beyond the initial five year period are extrapolated using the growth rates set out 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 contracted revenue.
Operating margin	Estimated operating margin has been based on management projections taking into account experience and changes in cost base including operating costs and maintenance capital expenditure.
Growth rate	The growth rates in the first five years for 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 company.

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.

Software	2022 £m	2021 £m
<b>Company</b>		
<b>Cost</b>		
At 1 January	9.6	8.0
Transfers between asset categories	0.2	1.6
<b>At 31 December</b>	<b>9.8</b>	<b>9.6</b>
<b>Accumulated amortisation</b>		
At 1 January	6.2	5.9
Charge for the year	0.5	0.3
<b>At 31 December</b>	<b>6.7</b>	<b>6.2</b>
<b>Net book value at 31 December</b>	<b>3.1</b>	<b>3.4</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 16. Investments in Joint Ventures

The Group's significant interests are as follows:

<u>Name of undertaking</u>	<u>Interest held %</u>	<u>Country of incorporation</u>
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.

	Group 2022 £m	Group 2021 £m	Company 2022 £m	Company 2021 £m
At 1 January and 31 December	0.1	0.1	-	-

### 17. Investments in Subsidiaries

	Company 2022 £m	Company 2021 £m
Cost and net book value at 31 December	429.8	425.2

The information relating to those subsidiaries whose results or financial position, in the opinion of the Directors, principally affected the figures of the Group, together with details of all other subsidiaries, are set in in Note 36. The Directors consider the value of the investments to be supported by their underlying assets. The increase in the year of £4.6m reflects the acquisition of the OM Holdings Limited Group.

### 18. Inventories

	Group 2022 £m	Group 2021 £m	Company 2022 £m	Company 2021 £m
Materials and spare parts	2.7	2.5	0.8	0.8
Property developments and land held for sale	3.4	4.0	-	-
	6.1	6.5	0.8	0.8

### 19. Trade and Other Receivables

	Group 2022 £m	Group 2021 £m	Company 2022 £m	Company 2021 £m
<b>Current</b>				
Trade receivables	48.2	42.5	18.0	15.9
Less: provision for allowance for credit losses	(0.5)	(1.5)	(0.1)	(0.1)
Trade receivables – (net)	47.7	41.0	17.9	15.8
Prepayments and accrued income	11.0	11.1	3.2	2.6
Amounts owed by parent company	8.8	4.7	9.2	5.1
Amounts owed by subsidiaries	-	-	163.8	419.6
Other receivables	3.8	1.5	3.1	1.3
	71.3	58.3	197.2	444.4

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 19. Trade and Other Receivables (continued)

	Group 2022 £m	Group 2021 £m	Company 2022 £m	Company 2021 £m
<b>Non-current</b>				
Amounts owed by subsidiaries	-	-	506.9	506.9
Amounts owed by parent company	395.3	329.0	395.3	329.0
Other receivables	3.5	2.4	-	-
	<b>398.8</b>	<b>331.4</b>	<b>902.2</b>	<b>835.9</b>
The ageing of past due but not impaired trade receivables is as follows:				
Less than 30 days past due date	10.8	9.4	4.7	3.5
31-60 days past due date	4.2	3.7	1.1	1.1
61-90 days past due date	1.0	0.9	0.3	0.4
Over 90 days past due date	4.9	4.5	1.0	2.6
	<b>20.9</b>	<b>18.5</b>	<b>7.1</b>	<b>7.6</b>

At 31 December 2022, Group and Company trade receivables of £26.8m and £10.8m (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 lifetime 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					Total £m
	Not past due £m	< 30 days £m	31-60 days £m	61-90 days £m	> 90 days £m	
31 December 2022 and 31 December 2021						
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						0.0

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 19. Trade and Other Receivables (continued)

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 amounts owed by the parent company and subsidiary undertakings within current receivables are unsecured and receivable on demand but are not expected to be fully received within the next twelve months. The amounts receivable from subsidiaries have been considered for impairment under IFRS 9 based on the probability of default and expected recovery. The provision against inter-Group receivables in the Company is £31.8m (2021 - £31.8m). Interest on amounts owed by subsidiary undertakings was applied at rates based on the Group borrowing rate.

Interest on amounts owed by the parent company is charged at 6.4%.

Interest is charged on subsidiary loans with non-current receivables at the Group borrowing rate plus a fixed margin.

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:

	Group 2022 £m	Group 2021 £m
Contract receivables	46.9	40.1

### 20. Deferred Tax Assets

	Group 2022 £m	Group 2021 £m	Company 2022 £m	Company 2021 £m
<b>Deferred tax asset – Retirement benefit obligations</b>				
Asset at 1 January	19.2	13.0	19.2	13.0
Deferred tax on actuarial (gain)/loss charged to Statement of Comprehensive Income	(3.3)	4.7	(3.3)	4.7
Effect of tax rate change				
- charged to Income Statement (Note 12)	-	(1.2)	-	(1.2)
- (charged)/credited to Statement of Comprehensive Income	(2.1)	5.8	(2.1)	5.8
Deferred tax on pension contributions charged to Statement of Comprehensive Income	(3.4)	(3.1)	(3.4)	(3.1)
Asset at 31 December	10.4	19.2	10.4	19.2

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 21. Trade and Other Payables - Current Liabilities

	Group 2022 £m	Group 2021 £m	Company 2022 £m	Company 2021 £m
Trade payables	9.4	9.2	2.8	4.0
Amounts owed to parent company	-	-	0.0	-
Amounts owed to subsidiaries	-	-	97.9	338.8
Lease liabilities	3.3	2.9	0.2	0.1
Other taxation and social security	2.2	1.8	0.9	0.7
Accruals and deferred income	37.1	27.2	20.5	14.4
	52.0	41.1	122.3	358.0

Trade payables are mainly contractually due to be paid within one month. The average credit period taken for trade purchases for the Group and Company is 31 days (2021 – 31 days) and 31 days (2021 – 31 days) respectively. 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 amounts owed to subsidiaries are unsecured and payable on demand but are not expected to be fully paid within the next twelve months. Interest on amounts owed to subsidiaries was applied at rates based on SONIA and Bank of England base rate.

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

### 22. Borrowings

	Group 2022 £m	Group 2021 £m	Company 2022 £m	Company 2021 £m
<b>Current</b>				
Loan notes	192.7	-	-	-
Other loans	0.3	-	-	-
	193.0	-	-	-
<b>Non-current</b>				
Bank borrowings	217.3	215.4	215.4	213.1
Loan notes	513.6	689.7	-	-
Other loans	31.4	29.7	0.5	0.5
	762.3	934.8	215.9	213.6
<b>Total borrowings</b>	955.3	934.8	215.9	213.6

The borrowings are repayable as follows:

On demand or within one year	193.0	-	-	-
In the second year	219.0	178.4	215.4	-
In the third to fifth years inclusive	111.9	277.3	-	213.1
After more than five years	431.4	479.1	0.5	0.5
Amount due for settlement	955.3	934.8	215.9	213.6

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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 22. Borrowings (continued)

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 2031 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 23).

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

	Group 2022 £m	Group 2021 £m	Company 2022 £m	Company 2021 £m
In the second year	217.3	-	215.4	-
In the third to fifth years inclusive	-	215.4	-	213.1
Over five years	35.0	35.0	-	-
	252.3	250.4	215.4	213.1

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 lenders 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 the Directors' Report on page 15, with other Financial Risk Management disclosures.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 22. Borrowings (continued)

The weighted average interest rates paid on 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 loans	4.00	4.00

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

	2022	2021
	£m	£m
<b>Floating rate</b>		
Expiring within one year	5.0	5.0
Expiring in more than one year	95.0	95.0
	100.0	100.0

The undrawn facilities expiring in more than one year are the 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 is not materially different to book value.

### 23. 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
<b>Net present value of cash flows</b>				
Due within 1 year				31.1
Due in more than 1 year				1.3
				32.4
				2021
				£m
<b>Net present value of cash flows</b>				
Due within 1 year				7.4
Due in more than 1 year				14.5
				21.9

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

Details of the Group's financial risk management policies can be found in the Directors' Report on pages 16 to 18.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 24. Provisions

	Insurance Claims £m	Pilots' National Pension Fund £m	2022 Total £m	2021 Total £m
<b>Group</b>				
At 1 January	1.1	15.9	17.0	18.4
Utilisation of provision	(0.6)	(2.0)	(2.6)	(2.0)
Increase in provision	0.1	-	0.1	0.6
Unwinding of discount on PNPf	-	(1.5)	(1.5)	0.0
<b>At 31 December</b>	<b>0.6</b>	<b>12.4</b>	<b>13.0</b>	<b>17.0</b>
Included in current liabilities	0.6	2.2	2.8	3.1
Included in non-current liabilities	-	10.2	10.2	13.9
<b>Total provisions</b>	<b>0.6</b>	<b>12.4</b>	<b>13.0</b>	<b>17.0</b>
<b>Company</b>				
At 1 January	-	14.9	14.9	16.7
Utilisation of provision	-	(1.9)	(1.9)	(1.8)
Unwinding of discount on PNPf	-	(1.4)	(1.4)	0.0
<b>At 31 December</b>	<b>-</b>	<b>11.6</b>	<b>11.6</b>	<b>14.9</b>
Included in current liabilities	-	2.0	2.0	1.9
Included in non-current liabilities	-	9.6	9.6	13.0
<b>Total provisions</b>	<b>-</b>	<b>11.6</b>	<b>11.6</b>	<b>14.9</b>

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.

The Company 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' National 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.

### 25. Trade and Other Payables – Non-Current Liabilities

	Group 2022 £m	Group 2021 £m	Company 2022 £m	Company 2021 £m
Lease liabilities	13.3	12.4	0.2	0.3
Amounts owed to Group companies	-	-	712.9	696.7
Amounts owed to parent company	35.1	36.4	35.1	36.4
Other payables	0.5	3.9	0.5	3.9
	<b>48.9</b>	<b>52.7</b>	<b>748.7</b>	<b>737.3</b>

Other payables relate to the deferred consideration resulting from the acquisition of the O M Holdings Limited Group (Note 34). This is payable when the business achieves certain financial targets as set out in the purchase agreement.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 26. Deferred Tax Liabilities

	Group 2022 £m	Group 2021 £m	Company 2022 £m	Company 2021 £m
<b>Deferred tax liability</b>				
Intangible assets – customer relationships	1.5	1.9	-	-
Capital allowances	35.4	28.7	5.6	4.2
Short-term differences	5.0	(3.4)	5.4	(3.1)
Investment property revaluation surplus	69.5	63.2	10.4	10.0
	111.4	90.4	21.4	11.1
<b>Deferred tax liability – movement</b>				
Liability at 1 January	90.4	56.0	11.1	3.5
Deferred tax on business combination (Note 34)	0.6	2.6	-	-
Effect of tax rate change debited to Income Statement (Note 12)	4.6	17.7	2.4	3.4
Amount charged to Income Statement (Note 12)	15.4	6.8	7.8	3.7
Amount charged to Statement of Comprehensive Income	0.4	7.3	0.1	0.5
Liability at 31 December	111.4	90.4	21.4	11.1

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 20.

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.

### 27. 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 assets 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 corporate bond rates 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 27. Retirement Benefit Schemes (continued)

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).

#### 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 27. Retirement Benefit Schemes (continued)

#### Plan Assets

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

Asset category	Plan Assets at 31 December 2022 %	Plan Assets at 31 December 2021 %
Equity investments	-	25
Debt investments	40	22
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.

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 27. Retirement Benefit Schemes (continued)

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

	Group 2022 £m	Group 2021 £m	Company 2022 £m	Company 2021 £m
<b>Amount recognised in the Income Statement</b>				
Total service cost – cost of sales	6.1	5.8	6.1	5.8
Administrative cost – administrative expenses	0.5	0.6	0.5	0.6
Net interest on net defined benefit liability – finance costs	1.3	1.0	1.3	1.0
<b>Total pension cost recognised in the Income Statement</b>	<b>7.9</b>	<b>7.4</b>	<b>7.9</b>	<b>7.4</b>
<b>Re-measurements of the net defined benefit liability to be shown in the Statement of Comprehensive Income</b>				
Net re-measurement gains - financial	(245.9)	(11.5)	(245.9)	(11.5)
Net re-measurement (gains)/losses - demographic	(2.9)	32.9	(2.9)	32.9
Net re-measurement losses - experience	27.8	7.3	27.8	7.3
Loss/(return) on assets, excluding interest income	203.5	(3.8)	202.4	(3.8)
<b>Total re-measurement (gains)/losses recognised in the Statement of Comprehensive Income</b>	<b>(17.5)</b>	<b>24.9</b>	<b>(18.6)</b>	<b>24.9</b>

#### 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 24).

#### 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).

### 28. Share Capital

<b>Group and Company</b>	<b>2022 £m</b>	<b>2021 £m</b>
<b>Authorised:</b>		
58,000,000 Ordinary Shares of 50p (2021 – 58,000,000 shares of 50p)	29.0	29.0
<b>Allotted and fully paid:</b>		
46,080,930 Ordinary Shares of 50p (2021 – 46,080,930 shares of 50p)	23.1	23.1

The Company has one class of Ordinary Share which carries no right to fixed income. Ordinary shares carry equal voting rights and the right to receive dividends when declared.

### 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).

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 30. Statements of Cash Flows

#### a) Reconciliation of profit before tax to cash generated from operations

	Group 2022 £m	Group 2021 £m
Profit before tax	142.9	131.3
Adjustments for:		
- increase in fair value of investment properties	(22.1)	(20.1)
- net finance income	(14.4)	(6.3)
- interest on pension cost in finance costs	1.3	1.0
- depreciation of property, plant and equipment and amortisation of intangibles and capital grants	33.1	30.8
- loss on sale of property, plant and equipment and investment property	0.2	1.4
- net movement in provisions	(2.5)	(1.4)
- retirement benefit contributions	25.7	23.8
- increase in retirement benefit obligations	(44.8)	(41.2)
- LTIP	0.6	1.6
- Provision against intercompany loans	-	(19.2)
Movement in working capital:		
Decrease/(increase) in inventories	0.4	(0.5)
Increase in receivables	(8.8)	(27.2)
Increase in payables	6.8	27.7
<b>Cash generated from operations</b>	<b>118.4</b>	<b>101.7</b>

#### b) Reconciliation of movement in net debt

	Group 2022 £m	Group 2021 £m
(Decrease)/increase in cash and cash equivalents	(65.8)	9.3
Cash inflow from movement in borrowings (net)	3.7	7.5
Change in net debt resulting from cash flows	(62.1)	16.8
Retranslation of US \$ loan notes	(16.1)	(1.4)
Retranslation of Euro denominated loan	-	(0.4)
Capitalisation and amortisation of loan arrangement fees	(1.3)	(1.0)
Amortisation of gain on modification of loan (IFRS 9) (Note 22)	(1.0)	(1.0)
Movement in hire purchase and lease liabilities	(7.1)	(3.7)
<b>Movement in net debt</b>	<b>(87.6)</b>	<b>9.3</b>
<b>Opening net debt</b>	<b>(769.7)</b>	<b>(779.0)</b>
<b>Closing net debt</b>	<b>(857.3)</b>	<b>(769.7)</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 31. Analysis of Net Debt

	At 01.01.22 £m	Cash Flows £m	Other Movements £m	At 31.12.22 £m
<b>Group</b>				
Cash at bank and on deposit	180.4	(65.8)	-	114.6
Debt due in more than one year	(947.2)	-	171.6	(775.6)
Debt due within one year	(2.9)	3.7	(197.1)	(196.3)
<b>Total net debt</b>	<b>(769.7)</b>	<b>(62.1)</b>	<b>(25.5)</b>	<b>(857.3)</b>

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 £7.1m, 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.

### 32. Related Party Transactions

	2022 £m	2021 £m
<b>Group</b>		
<b>Key management compensation (excluding Directors):</b>		
Salaries and short-term employee benefits	0.9	0.9
Post-employment benefits	0.1	0.1
	<b>1.0</b>	<b>1.0</b>

The following transactions were carried out between the Company and its subsidiaries (unless stated otherwise):

Nature of Transactions and Related Party	2022 £m	2021 £m
<b>(a) Revenue:</b>		
<b>Sales of goods and services:</b>		
Port of Dundee Limited	0.0	0.0
<b>Purchase of services:</b>		
OM Heavy Lift Limited	0.2	-
<b>Management fees:</b>		
Port of Tilbury London Limited	1.0	1.0
Port of Dundee Limited	0.6	0.6
	<b>1.6</b>	<b>1.6</b>
<b>(b) Finance income - Interest receivable:</b>		
Otter Ports Limited (parent company)	12.7	20.7
International Transport Limited	6.5	29.3
Forth Estuary Towage Limited	-	0.3
Port of Tilbury London Limited	29.2	14.2
Forth Properties Limited	0.2	0.5
FP Newhaven Two Limited	0.6	0.6
Forth Property Developments Limited	1.1	1.0
Forth Property Holdings Limited	0.1	0.1
Port of Dundee Limited	2.6	2.4
OM Heavy Lift Limited	0.2	-
O M Holdings Limited	0.1	-
Edinburgh Forthside Investments Limited	0.3	0.3
Edinburgh Forthside Developments Limited	0.1	0.2
	<b>53.7</b>	<b>69.6</b>

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 32. Related Party Transactions (continued)

	2022 £m	2021 £m
<b>(c) Finance costs - Interest payable:</b>		
Otter Ports Limited (parent company)	0.0	0.1
Port of Tilbury London Limited	4.2	2.2
Forth Ports Finance PLC	24.3	24.2
Targe Towing Limited	0.5	0.2
Oilfield Machinery Limited	0.1	-
	29.1	26.7
<b>(d) Year end balances:</b>		
<b>Trade and other receivables - current:</b>		
International Transport Limited	106.7	358.6
Forth Estuary Towage Limited	-	4.1
Edinburgh Forthside Holdings Limited	1.2	1.3
Edinburgh Forthside Investments Limited	4.0	4.1
Edinburgh Forthside Developments Limited	1.8	4.2
Forth Property Holdings Limited	1.6	1.5
FP Newhaven Two Limited	9.6	9.1
Port of Dundee Limited	32.9	36.7
OM Heavy Lift Limited	3.6	-
O M Holdings Limited	2.4	-
Otter Ports Holdings Ltd (parent company)	8.7	4.8
Otter Ports Group Holdings Limited (parent company)	0.5	0.3
	173.0	424.7
<b>Trade and other receivables – non current:</b>		
Otter Ports Limited (parent company)	335.3	329.0
Otter Ports Holdings Ltd (parent company)	60.0	-
Port of Tilbury London Limited	506.9	506.9
	902.2	835.9
<b>(e) Year end balances:</b>		
<b>Trade and other payables - current:</b>		
Port of Tilbury London Limited	79.0	325.0
Forth Property Investments Limited	1.1	1.0
Non-significant companies	1.0	1.0
Nordic Limited	1.7	1.7
Targe Towing Limited	12.1	9.8
Oilfield Machinery Limited	3.0	-
	97.9	338.5
<b>Trade and other payables – non-current:</b>		
Otter Ports Limited (parent company)	35.1	36.4
Forth Ports Finance PLC	712.9	696.7
	748.0	733.1
<b>(f) Key management compensation:</b>		
<b>Company:</b>		
Salaries and short-term employee benefits	0.4	0.9
Post-employment benefits	0.0	0.1
	0.4	1.0

This excludes Directors' emoluments as disclosed in Note 7.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 33. Ultimate Parent Company

The Company is 100% owned by Otter Ports Limited, a company incorporated in England. Forth Ports Limited is the smallest group of undertakings for which Group financial statements are available.

Otter Ports Limited is ultimately controlled by Public Sector Pension Investment Board, based in Canada. As Public Sector Pension Investment Board does not consolidate the results of Forth Ports Limited, the next most senior parent is Otter Ports Group Holdings Limited with registered office at Ugland House, South Church Street, George Town, Cayman Islands, 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.

### 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 13)	4.2	1.2	5.4
Receivables	0.3	(0.1)	0.2
Payables	(2.6)	-	(2.6)
Deferred tax liabilities (Note 26)	(0.3)	(0.3)	(0.6)
Net assets	1.6	0.8	2.4
Goodwill (Note 15)	-	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

Consideration for the share capital OM Holdings Limited was met by cash. Deferred consideration of £0.5m is included within the Group's non-current liabilities, payable if certain financial targets are achieved in the two years following acquisition.

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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 35. 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

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 under IAS 40, and the mark to market movement of interest rate and cross currency swaps under 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 35. Principal Accounting Policies (continued)

#### Consolidation (continued)

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.

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 Holdings Ltd. 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 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 35. Principal Accounting Policies (continued)

#### 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.

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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 35. Principal Accounting Policies (continued)

#### 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.

#### 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.

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 permanent diminution in value by the Company.

#### 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)

### 35. 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 directors and 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 credit is reflected in equity, as a capital contribution received as settlement of any compensation is undertaken by a parent 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 35. 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 shareholder's equity as own shares held. Where such shares are subsequently sold, any consideration received is included in shareholder's 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 35. 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.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 36. Subsidiary, Joint Venture and Associate Undertakings

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 interests in Forth Ports Finance PLC, International Transport Limited, Port of Dundee Limited, Forth Estuary Towage Limited, Nordic Limited, Edinburgh Forthside Holdings Limited and Forth Property Holdings Limited are held directly by Forth Ports 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.

<u>Subsidiary</u>		<u>Interest Held</u>	<u>Description of Undertaking</u>
		<u>%***</u>	
International Transport Ltd	**	100%	Intermediate holding company
Port of Tilbury London Ltd	**	100%	Port operator
London Container Terminal (Tilbury) Ltd	**	100%	Dormant/Non-trading
Forth Estuary Towage Ltd (1)	*	100%	Towage services
Forth Ports Finance PLC	**	100%	Finance company
Port of Dundee Ltd	*	100%	Port operator
Targe Towing Ltd	*	100%	Towage services
AF Dundee Ltd	*	100%	Dormant/non-trading
Forth Property Holdings Ltd	*	90%	Intermediate holding company
Forth Property Investments Ltd	*	90%	Property investment company
Forth Property Developments Ltd	*	90%	Property development
Edinburgh Forthside Holdings Ltd	*	100%	Non-trading company
FP Newhaven Two Ltd	*	100%	Property investment company
Edinburgh Forthside Developments Ltd	*	100%	Property development
Edinburgh Forthside Investments Ltd	*	100%	Property investment company
Forth Properties Ltd	*	100%	Property development
Forth Energy Ltd	*	100%	Dormant/non-trading
Fife Energy (Services) Ltd	*	100%	Dormant/non-trading
Forth Energy (Pipelines) Ltd	*	100%	Dormant/non-trading
Forth Energy (Services) Ltd	*	100%	Dormant/non-trading
Forth Energy (Tilbury) Ltd	**	100%	Dormant/non-trading
Forth Energy (Retail) Ltd	*	100%	Dormant/non-trading
Forth Energy (Generation) Ltd	*	100%	Dormant/non-trading
Forth Energy (Distribution) Ltd	*	100%	Dormant/non-trading
Port of Grangemouth Security Authority Ltd	*	100%	Dormant/non-trading
Victoria Quay Ltd	*	100%	Dormant/non-trading
Forthside Ltd	*	100%	Dormant/non-trading
Forth Ports Trustees Ltd	*	100%	Non-trading
Forth Estate Management Ltd	*	100%	Dormant/non-trading
Grainfax Ltd	*	100%	Dormant/non-trading
Nordic Ltd	**	100%	Dormant/non-trading
Nordic Holdings Ltd	**	100%	Dormant/non-trading
Nordic Recycling (Lincoln) Ltd	**	100%	Dormant/non-trading
Nordic Data Management Ltd	**	100%	Dormant/non-trading
O M Holdings Limited	*	100%	Intermediate holding company
Oilfield Machinery Limited	*	100%	Finance company
OM Heavy Lift Limited	*	100%	Logistics services
Port of London Tilbury Ltd	**	100%	Dormant/non-trading
Logistics Academy East of England Ltd	**	100%	Dormant/non-trading
Forthport Ltd	*	100%	Dormant/non-trading
FLM Realisations Ltd	*	100%	Dormant/non-trading
Leith Stevedores Ltd	*	100%	Dormant/non-trading
Cruise Edinburgh Ltd	*	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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 36. Subsidiary, Joint Venture and Associate Undertakings (continued)

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

<u>Associate</u>		<u>Interest Held</u> %***	<u>Description of Undertaking</u>
Tilbury on the Thames Trust	**	100%	Promotion of heritable buildings for community benefit and provision of training

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

#### Joint Ventures

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
***	All shares held are ordinary equity shares

- (1) Forth Estuary Towage Ltd is entitled to exemption from audit by virtue of meeting the conditions set out in section 479A of the Companies Act 2006.