PD Logistics Limited

Annual Report and Financial Statements
for the year ended 31 December 2019

Registered number in England and Wales: 01422772

Contents

The Directors present their Annual Report on the affairs of PD Logistics Limited ("the Company") together with the Financial Statements for the year ended 31 December 2019.

Principal activities and business review

The Company does not have any operational activities but acts as a financing company internally within the UK group of companies headed by PD Ports Limited (the "Group").

The Company's result for the year amounted to £nil (2018: £nil).

The Balance sheet on page 8 shows that the net assets of the Company were £4,000,000 as at 31 December 2019 and 2018.

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

Principal risks and uncertainties

Given the fact that it does not have any trading activity and its financing activities are matched, there are no principal risks to the Company's business.

Liquidity risk

The Company's liquidity is managed by the Group, and, as such, it has access to the cash balances and facilities of the Group as required to manage its liabilities.

Credit risk

The Directors consider that the risk of exposure to external credit risk is low given it does not trade with external customers.

Macro-economic risks

The Group is, in common with most other businesses, subject to macro-economic risks outside of its control. These include, inter alia, the impact of the withdrawal of the United Kingdom from membership of the European Union (commonly referred to as "Brexit") and the end of current transitional trading arrangements on 31 December 2020. The Group's directors have included the consideration of the potential impacts of Brexit upon the Group's businesses as an agenda item in its meetings since before the referendum on the subject in June 2016. The key risk to the Group would be any long-term changes to internal and external demand for goods and any consequent changes to established supply chains that consequently reduced volumes passing through its facilities. After taking into account these key risks and the possible outcomes of the continuing withdrawal process, the Group's directors do not expect that Brexit will have a material impact on the Group's ability to continue to trade successfully under its current business model.

Principal risks and uncertainties (continued)

Macro-economic risks (continued)

In the period since the Balance Sheet date, there has been a significant adverse impact on the level of world trade as a consequence of the impact of COVID-19 virus across the globe. It is currently uncertain for how long the effects of the virus will impact on world trade, and what the extent of that impact may be. The key risk to the Group would be any long-term changes to internal and external demand for goods and any consequent changes to established supply chains that consequently reduced volumes passing through its facilities. The Directors consider that, in its position as the owner and operator of infrastructure assets critical to the continuation of the UK's ability to trade with other countries, the Group's activities have a high level of resilience against any permanent or long-term reduction in its capacity to trade from what is currently universally perceived as being the short-term adverse impact of the COVID-19 virus.

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

Future developments

The Directors consider that the Company will continue to operate as a financing company for the foreseeable future.

Approved by the Board and signed on its behalf by:

D M Russell
Director
17-27 Queen's Square
Middlesbrough
TS2 1AH
United Kingdom
Company registration number: 01422772
29 May 2020

Directors' responsibilities statement

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

The members have not required the Company to obtain an audit of the Financial Statements for the year ended 31 December 2019 in accordance with section 476 of the Companies Act 2006, and the Directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of the Financial Statements.

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable United Kingdom accounting standards have been followed subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Directors

The Directors of the Company who served during the year and subsequently were as follows:

D M Russell
J M Hopkinson
J F Calje

Directors' indemnities

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

Dividends

The Company has not declared any dividends in respect of the year ended 31 December 2019 or since the year end (2018: £nil).

Strategic Report

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

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

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

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on page 2-3, which also sets out the principal risk and uncertainties facing the Company.

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

On 20 December 2019, the Group entered into a new financing agreement with 2 banks, under which it secured a five year term loan and revolving facilities amounting to £470,000,000. The purpose of the financing was to facilitate the refinancing of the Group's long-term debt. At the year-end, the facility remained completely undrawn. Subsequent to the year-end, on 17 January 2020, the Group drew down the term loan of £395,000,000, and provided its fellow subsidiary, PD Port Services, with sufficient funds to repay the interest-bearing amounts due to the Company in full. The Company then used these funds to repay its interest-bearing borrowings due to THPA Finance Limited in full.

Going concern (continued)

As a consequence of the impact of COVID-19 on world trade, the Group has recently prepared detailed financial forecasts covering the period up to and including 12 months after the date of signature of the Financial Statements. These were compiled using the Group's trading results for the first quarter of the financial year, the visibility of future volumes available at the time of preparation and the results of discussions with our major customers regarding their expectations of future volumes through the Group's facilities. Consideration was also given to the future capital investment plans of the Group, and management's initiatives to reduce the Group's cost base which have both already implemented and which are under evaluation. The forecasts assessed the Group's liquidity requirements over that period, and the sources of that liquidity. They also included an assessment of the forecasted future financial covenants, and compared these with the default covenants included in the Group's current contractual financing agreements.

These forecasts, which have been reviewed by the Board, show that the Group is not expected to breach any of its financing covenants in the period, and that it is expected to have appropriate levels of headroom against the respective default levels.They also show that the Group has access to sufficient committed liquidity to be able to settle its liabilities as they fall due throughout the forecast period. The Board has also considered the downside sensitivities, and the circumstances under which the future financial performance could fail to achieve the default covenants, together with the remedies that would be available to the Group should this scenario crystallise. The latter includes the capacity for an equity cure to remedy any future breach of the financial covenants.

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

Further details regarding the adoption of the going concern basis can be found in the Directors' Report in the Financial Statements.

Approved by the Board and signed on its behalf by:

D M Russell
Director
17-27 Queen's Square
Middlesbrough
TS2 1AH
United Kingdom
Company registration number: 01422772

29 May 2020

Profit and Loss Account

For the year ended 31 December 2019

	Notes	2019 £'000	2018 £'000
Finance charges (net)	2	-	-
Result before taxation	3	-	-
Tax on result	4	-	-
Result for the financial year		-	-

The accompanying notes are an integral part of this profit and loss account.

There were no recognised gains or losses in ether the current or prior year other than as presented in the above profit and loss account, and accordingly, no separate statement of comprehensive income is presented.

Balance Sheet
As at 31 December 2019

	Notes	2019 £'000	2018 £'000
Current assets			
Debtors	5	56,675	55,650
Creditors: Amounts falling due within one year	6	(40,758)	(38,731)
Net current assets		**15,917**	**16,919**
Total assets less current liabilities		**15,917**	**16,919**
Creditors: Amounts due in more than one year	7	(11,917)	(12,919)
Net assets		**4,000**	**4,000**
Capital and reserves			
Called-up equity share capital	8	4,000	4,000
Profit and loss account	8	-	-
Shareholders' funds		**4,000**	**4,000**

The accompanying notes are an integral part of this balance sheet.

For the year ended 31 December 2019 the Company was entitled to exemption from audit under section 479a of the Companies Act 2006 relating to subsidiary companies.

- The members have not required the Company to obtain an audit of the Financial Statements for the year ended 31 December 2019 in accordance with section 476
- The Directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of the Financial Statements

The Financial Statements of PD Logistics Limited, registered number 01422772, on pages 7 to 16 were approved by the Board of Directors and authorised for issue on 29 May 2020. These were signed on its behalf by:

D M Russell
Director

Statement of Changes in Equity

For the year ended 31 December 2019

	Called up Share Capital	Profit and Loss Account	Total
	£'000	£'000	£'000
As at 1 January 2018	**4,000**	**-**	**4,000**
Total comprehensive result	-	-	-
As at 31 December 2018	**4,000**	**-**	**4,000**
Total comprehensive result	-	-	-
As at 31 December 2019	**4,000**	**-**	**4,000**

Statement of Accounting Policies

For the year ended 31 December 2019

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

General information and Basis of accounting

The Company is incorporated as a private company limited by shares in the United Kingdom under the Companies Act and is registered in England and Wales. The registered office address is given on page 6. The nature of the Company's operations and its principal activities are set out on page 2.

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

The Financial statements are prepared under the historical cost convention, and in accordance with Financial Reporting Standard 102 (FRS 102). The Company is deemed a qualifying entity under FRS 102. On this basis its intermediate parent company, which prepares consolidated financial statements which are publically available, has approved its eligibility for disclosure exemptions, this report excludes a cash flow statement, key management compensation, financial instruments and related party disclosures which are included in the financial statements of the intermediate parent company.

Going concern

The financial statements have been prepared on the going concern basis. Future details can be found in the Directors' Report on pages 4-6.

Critical accounting judgements and key sources of estimation uncertainty

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

Dividends

Dividends payable are accounted for when they are declared.

Interest receivable and payable

Interest income and expense is accrued on a time-basis, by reference to the principal outstanding and at the effective interest rate applicable.

Taxation

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

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

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

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the Balance Sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the Balance Sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax liabilities are recognised for timing differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the timing difference and it is probable that it will not reverse in the foreseeable future.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the Balance Sheet date that are expected to apply to the reversal of the timing difference.

Deferred tax assets and liabilities are offset only if (a) the Company has a legally enforceable right to offset current tax assets against current tax liabilities and (b) when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Financial instruments

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

(a) Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those classified as at fair value through profit or loss which are initially measured at fair value, unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

(b) Debt

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

(c) Finance

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

(d) Equity

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

1 Staff costs

The Company has no employees other than executive Directors (2018: nil).

Messrs Hopkinson, Calje and Russell are employed by PD Ports Management Limited, which is a fellow group company. It is not practicable to determine the proportions of such emoluments which are attributable to these Directors' services to the Company.

The Group contributed to the defined contribution pension arrangements of no Directors (2018: one).

The emoluments of the Directors are as follows:

	2019 £'000	2018 £'000
Emoluments	950	997
Employer pension contributions	-	2
Amounts paid to highest paid Director		
Emoluments	343	361
Employer pension contributions	-	-

2 Finance charges (net)

	2019 £'000	2018 £'000
Interest payable to fellow group undertakings	(1,025)	(1,091)
Interest payable and similar charges	(1,025)	(1,091)
Interest receivable from fellow group companies	1,025	1,091
	-	-

3 Result before taxation

There were no fees payable to Deloitte LLP and their associates for the audit of the Company's annual Financial Statements as these Financial Statements are not audited (2018: £1,000). The Company incurred £nil (2018: £nil) in respect of non-audit services.

4 Tax on result

	2019 £'000	2018 £'000
Analysis of tax charge:		
UK Corporation tax on result for the year	-	-
Total current tax	-	-
Deferred tax		
	-	-

Factors that may affect future tax charges

The Directors do not expect that the Company will be liable to corporation tax in the foreseeable future.

5 Debtors

	2019 £'000	2018 £'000
Amounts falling due within one year:		
Amounts owed by group undertakings	56,675	55,650

Of the above balance £13,210,000 is interest bearing at the rates of 7-10% and the balance of £43,465,000 is interest free.

6 Creditors: amounts falling due within one year

	2019 £'000	2018 £'000
Amounts owed to group undertakings (loan balances)	(1,293)	(1,238)
Amounts owed to group undertakings (trading balances)	(39,465)	(37,493)
	(40,758)	(38,731)

Amounts owed to group undertakings (trading balances) are unsecured, interest free and have no fixed repayment date.

7 Creditors: amounts falling due in more than one year

	2019 £'000	2018 £'000
Amounts owed to group undertakings	(11,917)	(12,919)
Amounts owed to group undertakings fall due for payment as follows:		
Between one and two years	(1,059)	(1,003)
Between two and five years	(3,504)	(3,305)
After five years	(7,354)	(8,611)
	(11,917)	(12,919)
On demand or within one year	(1,293)	(1,238)
	(13,210)	(14,157)

Of the amounts owed to group undertakings, £13,210,000 (2018: £14,157,000) is secured by way of a fixed and floating charge over the assets of the Company and is repayable in the year to 31 March 2031. This debt attracts fixed interest rates, currently of between 7.1% and 10.0%.

8 Called-up share capital and reserves

a) Called up share capital

	2019 £'000	2018 £'000
Allotted, called-up and fully paid		
4,000,000 Ordinary shares of £1 each	4,000	4,000

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

b) Reserves

The Company's other reserves are as follows:
The profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

9 Financial commitments

As at 31 December 2019, the Company (along with certain other companies) had guaranteed the obligations of THPA Finance Limited, a fellow subsidiary, under the terms of the issue of that company's listed debt. The amount guaranteed by the Company at 31 December 2019 under these arrangements totalled £160,175,000 (31 December 2018: £172,742,000). The guarantees were secured by fixed and floating charges.

10 Post Balance sheet event

On 20 December 2019, the Group entered into a new financing agreement with 2 banks, under which it secured a five year term loan and revolving facilities amounting to £470,000,000. The purpose of the financing was to facilitate the refinancing of the Group's long-term debt. At the year-end, the facility remained completely undrawn. Subsequent to the year-end, on 17 January 2020, the Group drew down the term loan of £395,000,000, and and provided its fellow subsidiary, PD Port Services, with sufficient funds to repay the interest-bearing amounts due to the Company in full. The Company then used these funds to repay its interest-bearing borrowings due to THPA Finance Limited in full.

11 Ultimate parent undertaking and controlling party

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

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