Company Registration No: 5965116

PEEL PORTS GROUP LIMITED (FORMERLY PEEL PORTS SHAREHOLDER FINANCECO LIMITED)

Report and Financial Statements

For the year ended 31 March 2013

REPORT AND FINANCIAL STATEMENTS 2013

CONTENTS

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

T E Allison (Chairman)
I G L Charnock
H M M Mackenzie
S Underwood
S Vyas
J Whittaker
M Whitworth

SECRETARY

C R Marrison Gill

REGISTERED OFFICE

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BANKERS

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AUDITOR

Deloitte LLP
Chartered Accountants and Statutory Auditor
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L2 3PG

BUSINESS REVIEW

1. GROUP OVERVIEW

Peel Ports Group Limited and its subsidiaries ("the Group") operate as the Statutory Harbour Authority for the Port of Liverpool, the Manchester Ship Canal, the River Medway, parts of the area along and around the River Clyde, Ardrossan Harbour, Twelve Quays at Birkenhead Docks and Heysham Port

Port facilities, freight forwarding and cargo handling services are also provided in Dublin and Belfast as well as shipping and transport services to the UK, the Republic of Ireland and Europe

The Group's assets form a strategic hub centred on the Irish Sea, with locations in Liverpool, Dublin, Belfast, Glasgow and along the Manchester Ship Canal Linked by the Group's short sea shipping services and the Manchester Ship Canal container shuttle service, the Group's assets provide direct access to the significant hinterland of North West England and the main RoRo services to Ireland Additionally, the Port of Sheerness provides access to London and Clydeport to Central Scotland

In addition to providing landlord services to the many leading businesses that operate from the Group's port facilities, the Group also offers a value added logistics solution to a customer's supply chain This includes conservancy, pilotage, berthing, facilities rental, storage, cargo handling, marine services and shipping

The Group handles a diverse range of cargos including bulk liquids, bulk solids, automotive, energy, agribulks and containers

During the year the Group increased its shareholding in Cammell Laird Shiprepairers & Shipbuilders Limited ("Cammell Laird") and Atlantic & Peninsula Marine Services Limited ("A&PMS"), together "Marine Support Services", for a total consideration of £30 5m Cammell Laird is principally engaged in the provision of marine services to ship owners and operators, while A&PMS is principally engaged in ship repair and marine engineering

Port of Liverpool won the Port Authority of the Year award organised by the authoritative global industry journal, Containerisation International, in October 2012 The award cited the heavy investment the Port is making and the way in which it is helping change the way stakeholders think about the supply chain

BUSINESS REVIEW (CONTINUED)

1. GROUP OVERVIEW (CONTINUED)

The Group ıs undertakıng a major ınvestment ın Lıverpool 2, a new ın-rıver contaıner termınal With the scheduled wıdenıng of the Panama Canal ın 2015, and the potentıal for round the world trade routes that thıs mıght brıng, the termınal wıll enable the Port of Lıverpool to handle most of the largest contaıner vessels afloat Total ınvestment wıll be approxımately £300m and ıs beıng part financed by a £150m loan secured from the European Investment Bank In addıtıon, a Regıonal Growth Fund grant of £35m has been awarded to the Group as contrıbutıon to the cost of dredgıng the approach channel to the Mersey Estuary

Overall, group operatıng profit was £99 5m, up £6 9m compared to £92 6m ın 2012 Profit after tax was £17 6m, up £2 2m on the prıor year profit of £15 4m

2. FINANCIAL REVIEW

The results for the year and the prevıous year, and the Group's key performance ındıcators, are summarısed ın the table below

Contınuing Operatıons:	**2013**	**2012**	**Change**	
	£m	**£m**	**£m**	**%**
Group excludıng Marıne Support Servıces	385 3	380 5	4 8	1 3
Marıne Support Servıces	116 6	-	116 6	-
Turnover	**501.9**	**380.5**	**121 4**	**31.9**
Group excludıng Marıne Support Servıces	137 1	133 9	3 2	2 4
Marıne Support Servıces	11 3	-	11 3	-
Gross profit	**148 4**	**133.9**	**14.5**	**10.8**
EBITDA[1]	**157 0**	**150.1**	**6.9**	**4.6**
Group operatıng profit	**99 5**	**92.6**	**6.9**	**7.5**
	%	**%**		
Group profit margın:				
Group excludıng Marıne Support Servıces	35 6	35 2		
Marıne Support Servıces	9 7	-		
Total	**29 6**	**35.2**		
Tonnage throughput*				
UK Ports (mıllıons)	59 7	62 3	(2 6)	(4 2)
Irısh Termınals (mıllıons)	2 8	3 0	(0 2)	(6 7)
Shıppıng (mıllıons)	3 2	2 7	0 5	18 5
Total	**65.7**	**68.0**	**(2.3)**	**(3.4)**

*Uses standard tonnage measures for the port ındustry, UK Ports relates to the Group's Statutory Harbour Authorıtıes

[1] EBITDA ıs total operatıng profit before deprecıatıon, amortısatıon of goodwıll and operatıng exceptıonal ıtems, and after other finance ıncome arısıng from the defined benefit pensıon schemes and after mınorıty ınterest

BUSINESS REVIEW (CONTINUED)

2. FINANCIAL REVIEW (CONTINUED)

The operatıng performance for the year ended 31 March 2013 and the financıal posıtıon as at the year end reflects the followıng hıghlıghts

- The Group's ports and shıppıng busınesses contınued to delıver revenue and profit growth durıng the year, underpınned by a dıversıfied servıce offerıng and customer base, long term contracts and a sıgnıficant level of guaranteed revenues
- Despıte contınuıng economıc uncertaınty, whıch resulted ın a 3 4% decrease ın tonnage throughput, turnover and gross profit, excludıng Marıne Support Servıces, ıncreased by 1 3% and 2 4% respectıvely, and the gross margın ıncreased from 35 2% to 35 6%
- EBITDA ıncreased 4 6% from £150 1m to £157 0m and Group operatıng profit ıncreased 7 5% from £92 6m to £99 5m
- Operatıng cash flows for the year were £133 9m, down from £142 5m ın the prıor year prımarıly as a result of ıncreased actıvıty levels whıch absorbed workıng capıtal
- After corporatıon tax paıd of £12 1m (2012 £8 8m), returns on ınvestments and servıcıng of finance of £56 5m (2012 £53 3m) and the payment of equıty dıvıdends of £23 0m (2012 £23 0m), the Group ınvested £49 3m ın net capex and ınvestments At the end of the financıal year ıt had cash reserves of £48 8m (2012 £76 2m)
- The level of busıness actıvıty for the port operatıons has been satısfactory ın the current economıc clımate Although the economıc outlook remaıns uncertaın, ıt ıs antıcıpated that the present level of actıvıty wıthın the Group wıll ımprove over the next 12 months In addıtıon, the results for the year endıng 31 March 2014 wıll benefit from a full year of tradıng from the Marıne Support Servıces busınesses

Other financıal hıghlıghts from the year ended 31 March 2013 ınclude

- The Group establıshed a new fundıng platform under whıch new bank, ınstıtutıonal and prıvate placement loans were raısed to refinance the exıstıng bank debt facılıtıes and to ıncrease capex facılıtıes avaılable to the Group, ıncludıng £200 0m for the development of the Lıverpool 2 ın-rıver contaıner termınal (see below) The loans and loan note ınstruments have repayment dates between 11 December 2015 and 30 September 2046
- Tangıble fixed asset addıtıons ın the year totalled £43 8m, arısıng from capıtal ınvestment beıng made at several of the Group's ports At the Port of Lıverpool, thıs ıncluded the on-goıng constructıon of the Lıverpool 2 ın-rıver contaıner termınal (see below), upgradıng the steel termınal at the Gladstone Dock and upgradıng the Gladstone Rıver entrance In addıtıon, sıx new straddle carrıers were acquıred, brıngıng the total termınal fleet capacıty to 40 At the Port of Sheerness, the four slıdıng caısson gates to the two tıdal North locks, whıch provıde access to Chatham Docks on the Rıver Medway, were refurbıshed In Scotland sıgnıficant ınvestment contınued to be made at Hunterston ın the coal handlıng facılıtıes
- The Group has commenced accountıng for ıts share of the past-servıce defıcıt of the Pılots Natıonal Pensıon Fund ("PNPF"), an ındustry-wıde defined benefit pensıon scheme, on a defined benefits basıs Thıs has resulted ın the recognıtıon of a charge of £41 4m ın the statement of total recognısed gaıns and losses Thıs followed the resolutıon of a number of unresolved ıssues that have prevıously prevented the Group from recognısıng ıts share on a consıstent and reasonable basıs

3. OTHER DEVELOPMENTS DURING THE YEAR AND FUTURE DEVELOPMENTS

Port Authorıty of the Year

In October 2012 Peel Ports won the Port Authorıty of the Year award organısed by the authorıtatıve global ındustry journal, Contaınerısatıon Internatıonal The award cıted the Port of Lıverpool, whıch ıs ınvestıng heavıly and helpıng change the way stakeholders thınk about the supply chaın The judges commended the Port on ıts progressıve and ınnovatıve approach ın lookıng beyond the port gates to the needs of the beneficıal cargo owner and the ımportance of developıng more efficıent and cost effectıve supply chaıns At the same tıme, the Port was commended for recognısıng that modern and new contaıner-handlıng facılıtıes are needed to maıntaın a competıtıve posıtıon ın the market place, wıth a new and larger termınal under constructıon

BUSINESS REVIEW (CONTINUED)

3. OTHER DEVELOPMENTS DURING THE YEAR AND FUTURE DEVELOPMENTS (CONTINUED)

Liverpool 2

The new in-river terminal, called "Liverpool 2", will enable the Port of Liverpool to handle container vessels of post Panamax capacity (up to 13,500 TEU), with draught up to 15m It will increase port capacity from 0 9m TEU to 1 5m TEU in the first phase (operational in 2015) and then to 2 4m TEU in the second phase (operational in 2019) The combination of the Liverpool 2 terminal with the Group's existing port assets and short sea shipping services in the Irish Sea, the Continent and along the Manchester Ship Canal is expected to provide significant advantages to both shipping lines and importers It is estimated that 35 million consumers live within a radius of 150 miles of the Port of Liverpool

Regional Growth Fund Grant Award

In June 2013 the Group received confirmation that it had been awarded a £35 0m Regional Growth Fund grant towards the cost of dredging the approach channel in the Mersey Estuary (part of the total cost of developing the Liverpool 2 terminal referred to above) By deepening the approach channel of the Mersey to 16 metres it will allow access for post Panamax size container ships as well as widening the tidal access window for a range of other river users It is expected that the grant will support the creation, expansion and protection of thousands of jobs and businesses dependent on the river

Marine Support Services

As referred to above, the Group increased its investment in Cammell Laird and A&PMS during the year Cammell Laird's Birkenhead site expands across 130 acres and includes four dry docks The company specialises in military ship refits, commercial ship repairs, upgrades and conversion and shipbuilding Cammell Laird is also active in the industrial services and energy sectors A&PMS, owner of A&P Group Limited, is a leading engineering services and fabrication group, providing ship repair, ship conversion and marine services and specialising in the global marine and energy sectors A&P Group operates from three sites across the UK, in the North East (Tyne and Tees) and South West (Falmouth)

4. PRINCIPAL RISKS AND UNCERTAINTIES

Economic outlook and market pressures

The regional ports within the Group each form part of a wider transport infrastructure The key operational risk and uncertainty relates to the dependency upon the economic activity of the businesses and consumers within an economic geographic proximity of the ports These consumers and businesses generate the trade which flows through the ports and when they are subject to economic cycles or, at the extreme, to failure, there is an unavoidable impact on the ports In addition, the Group may be exposed to declining volumes in certain sectors, downward pricing pressure or the loss of major contracts

The mitigation of this risk comes from the wide and diverse nature of customers, markets and products served by the ports This has the effect of minimising the impact of a particular cycle or business failure and indeed one trade can hedge against another In addition, the Group benefits from a high proportion of secure revenue from customers on long-term contracts at its port operations with no significant concentration of revenue or profits dependent on any one customer Further, the Group continues to invest in maintaining and developing its facilities and services to meet the needs of its customers

Liquidity, cash flow and interest risks

The key financial risk arises from the level of long-term debt held by the Group and the interest arising thereon The Group's loans and loan note instruments with repayment dates between 11 December 2015 and 30 September 2046 ("long-term debt") amount to £1,268 1m (2012 repayment dates between 31 December 2013 and 30 September 2046 - £1,185 7m) The cash flow risk arising in connection with interest charges is mitigated through the use of interest rate and index-linked swaps Further details can be found in note 17

BUSINESS REVIEW (CONTINUED)

4. PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

Liquidity, cash flow and interest risks (continued)

The directors consider that the combination of the swap instruments, stable trading of the ports business, effective working capital management and the investment in the asset base assists in managing the risks arising from the level of debt and variability in interest rates

The Group's bank loans and swap instruments are spread over a large number of banks and within the current facility agreements there are undrawn funds of £412 0m available, of which £200 0m is specific to the development of the Liverpool 2 facility at the Port of Liverpool

Credit risk

Financial risk also arises from credit extended to customers This risk is mitigated by using strict credit control procedures, the imposition of appropriate credit limits and obtaining third party credit references

Foreign exchange risk

The Group is exposed to translation and transaction foreign exchange risk Transaction exposures, including those associated with forecast transactions, are hedged when known The Group manages its foreign exchange exposure on a net basis, and, if required, uses forward foreign exchange contracts and financial instruments to reduce the exposure If the hedging activity does not mitigate the exposure, then the results and the financial condition of the Group may be adversely impacted by foreign currency fluctuations Whilst the aim is to achieve an economic hedge, the Group does not adopt an accounting policy of hedge accounting for these financial statements The Group reviews its exposure to translation risk arising from its overseas investments on a continual basis and will enter into hedges if considered necessary

Capital expenditure projects

The efficient management of the Group's projected capital expenditure will impact on the ability of the Group to complete projects on time and deliver the expected financial performance In addition to the Group's own experience of completing capital projects, additional personnel with experience of managing major construction projects have been recruited to mitigate this risk

Pensions risk

The Group operates defined benefit pension schemes and is party to a number of industry-wide defined benefit pension schemes Modest changes to the assumptions used to value the schemes' assets and liabilities can have a significant effect on the asset or liability that the Group records The Group manages its responsibilities with regard to these arrangements by agreeing contribution rates with the trustees of those schemes to enable deficits to be recovered over appropriate periods of time At 31 March 2013, the Group balance sheet recorded a pension liability, net of deferred taxation, of £42 9m (2012 asset of £6 4m) The year-on-year increase in the deficit is primarily as a result of the recognition of a net deficit relating to the PNPF and A&PMS, which operates a number of defined benefit schemes that are in deficit In addition, revised actuarial assumptions in all schemes, due to lower corporate bond yields, have also increased the deficit The schemes and the assumptions used are more fully explained in note 21 of the financial statements, together with an indication of the sensitivity of amounts recorded to changes in assumptions

Health and safety

The nature of the ports industry is such that the work undertaken requires employees and contractors to be aware of their working environment as there is always the possibility of accidents occurring Some of the cargos which are handled are dangerous and need to be handled in accordance with specific procedures

The Group enforces rigorous policies and procedures and has emergency plans in place which are reviewed and updated where necessary In addition, training and safety guidance is provided to all employees and contractors working in the ports The Board of Directors is committed to ensuring that the Group complies with all appropriate health and safety requirements and to achieving continuous improvement

DIRECTORS' REPORT

The directors present their report and the audited financial statements of the Group and the Company for the year ended 31 March 2013

PRINCIPAL ACTIVITIES

The principal activities of the Group are the provision of port facilities and cargo handling and marine related services together with the operation of shipping and freight forwarding businesses

The subsidiaries and joint ventures principally affecting the profits or net assets of the Group in the year are listed in note 32 to the financial statements

The Company also acts as an intermediate holding company within the Peel Ports Holdings (CI) Limited group of companies

CHANGE OF NAME

The Company changed its name from Peel Ports Shareholder FinanceCo Limited to Peel Ports Group Limited on 10 June 2013

RESULTS AND DIVIDENDS

The results for the year and the Group's financial position at the end of the year are shown in the financial statements, and are discussed further in the Business Review above Details of operating exceptional items can be found in note 6

Net liabilities were £517 4m at 31 March 2013 (2012 £473 0m) In addition to the profit for the financial year of £17 6m (2012 £15 4m), the net liability position has changed primarily because of an actuarial loss, net of tax, of £42 1m (2012 loss of £14 6m) relating to the Group's defined benefit pension schemes and the payment of interim dividends on ordinary shares of £23 0m (2012 £23 0m)

The directors proposed and paid interim dividends of £23 0m (2012 £23 0m) No final dividend is proposed (2012 £nil)

GOING CONCERN

As referred to in note 1 to the financial statements, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and for this reason they continue to adopt the going concern basis of accounting in preparing the annual financial statements

DIRECTORS

The directors who held office during the financial year and thereafter, except as noted, were as follows

T E Allison (Chairman)
I G L Charnock
P J Hosker
H M M Mackenzie
J B McCarthy (resigned 5 March 2013)
J Whittaker
M Whitworth

It is intended that P J Hosker will resign as a director and that S Underwood and S Vyas will be appointed as directors as soon as practicable after the financial statements have been signed

The Company maintains directors' and officers' liability insurance which provides insurance cover for the directors and officers of the Company and its subsidiaries against liabilities which they may incur personally as a consequence of claims made against them alleging breach of duty or other wrongful act or omission in their capacity as directors or officers

DIRECTORS' REPORT (CONTINUED)

SUPPLIER PAYMENT POLICY

The effective and efficient sourcing of both operating and capital expenditure is an important driver of the Group's business performance The Group aims to agree and make suppliers aware of terms and conditions before business takes place and to settle amounts due to its suppliers in line with the terms agreed At 31 March 2013, the Group owed an equivalent of 36 days of purchases (2012 41 days) to trade creditors, based on the average daily amount invoiced by suppliers during the year

EMPLOYEES

The Group considers that employee involvement is essential to the continuing development and success of its business and uses a variety of methods to inform, consult and involve its employees The primary communication channels for employees are within the Group's operating units

Applications for employment by disabled persons are given full consideration, having regard to the capabilities of the applicant In the event of employees becoming disabled, every effort is made to provide them with employment in the Group and to arrange any necessary re-training It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of a person who does not suffer from any disability Appropriate access and facilities are also provided for any disabled employees as required Training programmes are in place to ensure that the Group has suitably qualified individuals to undertake the various operational tasks within the Group

CHARITABLE AND POLITICAL CONTRIBUTIONS

During the year, contributions by the Group for charitable purposes totalled £0 1m (2012 £0 1m) The Group made no political contributions during the financial year (2012 £nil)

ENVIRONMENT

The Group is conscious of the impact of its operations on the environment Necessary attention is given to environmental issues particularly when developing new projects, refurbishing existing properties and considering possible acquisitions Design consultants are encouraged to promote good environmental performance with consideration given to environmental risk, energy consumption, the use of environmentally-friendly materials and the avoidance of materials hazardous to health

AUDITOR AND THE DISCLOSURE OF INFORMATION TO THE AUDITOR

Each person who is a director of the Company at the date of approval of this report confirms that

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006

Deloitte LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an Annual General Meeting

On behalf of the Board

IGL Charnock

I G L Charnock
Director
11 July 2013

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) 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 the Company and of the profit or loss of the Group for that period In preparing these financial statements, the directors are required to

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

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website Legislation in the United Kingdom governing the preparation and dissemination of financial information differs from legislation in other jurisdictions

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PEEL PORTS GROUP LIMITED

We have audited the financial statements of Peel Ports Group Limited for the year ended 31 March 2013 which comprise the consolidated profit and loss account, the consolidated statement of total recognised gains and losses, the reconciliation of movements in Group shareholder's deficit, the Group and Parent Company balance sheets, the consolidated cash flow statement, the reconciliation of Group cash flows to movement in net debt and the related notes 1 to 32 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

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

Respective responsibilities of directors and auditor

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 Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the Group's and the parent Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Group's and the Parent Company's affairs as at 31 March 2013 and of the Group's profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

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

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

Patrick Loftus BSc ACA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Liverpool, United Kingdom
11 July 2013

CONSOLIDATED PROFIT AND LOSS ACCOUNT
For the year ended 31 March 2013

	Note	2013 £m	2012 £m
GROUP TURNOVER	2		
Existing operations		385 3	380 5
Acquisitions		116 6	-
		501 9	380 5
GROUP OPERATING PROFIT	2, 3		
Existing operations		92 7	92 6
Acquisitions		6 8	-
		99 5	92 6
Share of operating profit of joint ventures	2	5 0	5 5
TOTAL OPERATING PROFIT: GROUP AND SHARE OF JOINT VENTURES		104 5	98 1
Net interest and similar items	7	(76 1)	(71 2)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		28 4	26 9
Tax on profit on ordinary activities	8	(9 3)	(11 4)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		19 1	15 5
Equity minority interests	30	(1 5)	(0 1)
PROFIT FOR THE FINANCIAL YEAR	20	17 6	15 4

The above results are derived from continuing operations

The Group's turnover is stated net of turnover for joint ventures and the Group's reported net interest and similar items and taxation include the Group's share of joint ventures' net interest and similar items and taxation These are not material to the Group and accordingly are separately disclosed in the notes to the financial statements

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
For the year ended 31 March 2013

	Note	2013 £m	2012 £m
Profit for the financial year			
- Group profit		13 8	11 3
- Joint ventures' profit		3 8	4 1
		17 6	15 4
Other recognised gains and losses			
Actuarial loss relating to recognition of PNPF net liabilities		(41 4)	-
Other actuarial losses relating to Group pension schemes		(13 4)	(19 4)
Actuarial loss relating to Group pension schemes	21	(54 8)	(19 4)
Movement on taxation relating to pension deficit			
- Deferred		10 9	3 3
- Current		1 8	1 5
Actuarial loss net of deferred taxation relating to joint venture pension schemes		(0 3)	(0 5)
Currency translation differences on foreign net investments		0 4	(1 1)
		(42 0)	(16 2)
Minority interest share of actuarial loss relating to Group pension schemes		0 6	-
		(41 4)	(16 2)
Total recognised gains and losses for the financial year		(23 8)	(0 8)

RECONCILIATION OF MOVEMENTS IN GROUP SHAREHOLDER'S DEFICIT
For the year ended 31 March 2013

		2013 £m	2012 £m
Profit for the financial year		17 6	15 4
Dividends	9	(23 0)	(23 0)
Other recognised net gains and losses for the financial year		(41 4)	(16 2)
Net change in shareholder's deficit		(46 8)	(23 8)
Opening shareholder's deficit		(473 6)	(449 8)
Closing shareholder's deficit		(520 4)	(473 6)

BALANCE SHEETS
As at 31 March 2013

	Note	Group 2013 £m	Group 2012 £m	Company 2013 £m	Company 2012 £m
FIXED ASSETS					
Intangible assets	10	156 1	137 6	-	-
Tangible assets	11	759 3	733 1	-	-
Interests in joint ventures	12				
- share of gross assets		4 9	19 4	-	-
- share of gross liabilities		(4 0)	(12 3)	-	-
		0 9	7 1	-	-
Other investments	12	0 7	0 7	337 5	337 5
		917 0	878 5	337 5	337 5
CURRENT ASSETS					
Short-term investments	12	2 4	2 6	-	-
Stocks	13	2 7	1 2	-	-
Debtors - due within one year	14	121 4	175 4	111 6	279 9
- due after more than one year	14	0 8	1 7	123 0	123 0
Cash at bank and in hand		48 8	76 2	-	-
		176 1	257 1	234 6	402 9
CREDITORS: amounts falling due within one year	15	(302 9)	(335 7)	(109 8)	(278 1)
NET CURRENT (LIABILITIES)/ASSETS		(126 8)	(78 6)	124 8	124 8
TOTAL ASSETS LESS CURRENT LIABILITIES		790 2	799 9	462 3	462 3
CREDITORS: amounts falling due after more than one year	16	(1,252 4)	(1,267 2)	(123 0)	(123 0)
PROVISIONS FOR LIABILITIES	18	(12 3)	(12 1)	-	-
NET (LIABILITIES)/ASSETS EXCLUDING PENSION (LIABILITY)/ASSET		(474 5)	(479 4)	339 3	339 3
Pension (liability)/asset	21	(42 9)	6 4	-	-
NET (LIABILITIES)/ASSETS INCLUDING PENSION (LIABILITY)/ASSET		(517 4)	(473 0)	339 3	339 3
CAPITAL AND RESERVES					
Called-up share capital	19	337 5	337 5	337 5	337 5
Merger reserve	20	(506 1)	(506 1)	-	-
Profit and loss account	20	(351 8)	(305 0)	1 8	1 8
TOTAL SHAREHOLDER'S (DEFICIT)/FUNDS		(520 4)	(473 6)	339 3	339 3
Equity minority interests	30	3 0	0 6	-	-
CAPITAL EMPLOYED		(517 4)	(473 0)	339 3	339 3

The financial statements of Peel Ports Group Limited (company registration number 5965116), were approved by the Board of Directors on 11 July 2013 and signed on its behalf by

I G L Charnock
Director

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 March 2013

	Note	2013 £m	2012 £m
Cash inflow from operational activities	22	133 9	142 5
Dividends from joint ventures		5 5	2 3
Returns on investments and servicing of finance	22	(56 5)	(53 3)
Taxation paid		(12 1)	(8 8)
Capital expenditure and financial investment	22	(36 7)	(19 2)
Acquisitions and disposals	22	(12 6)	(32 0)
Equity dividends paid	9	(23 0)	(23 0)
Cash (outflow)/inflow before financing		(1 5)	8 5
Financing	22	(26 1)	12 8
(Decrease)/increase in cash in the year	23	(27 6)	21 3

RECONCILIATION OF GROUP CASH FLOWS TO MOVEMENT IN NET DEBT
For the year ended 31 March 2013

	Note	2013 £m	2012 £m
(Decrease)/increase in cash in the year	23	(27 6)	21 3
Change in net debt arising from finance leases	23	1 1	1 2
Cash inflow/(outflow) from increase/(decrease) in debt financing	22	25 0	(14 0)
Change in net debt resulting from cash flows		(1 5)	8 5
Accretion payment accrued on index-linked swap	7, 24	(13 8)	(19 3)
Change in value of unamortised issue costs	17, 24	(2 2)	(2 4)
Loans and finance leases acquired with subsidiary undertakings	23	(2 1)	-
Exchange differences	23	0 2	(0 3)
Change in net debt in the year		(19 4)	(13 5)
Net debt brought forward	23	(1,193 9)	(1,180 4)
Net debt carried forward	17, 23	(1,213 3)	(1,193 9)

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2013

1. ACCOUNTING POLICIES

These financial statements are prepared under the historical cost convention and in accordance with applicable United Kingdom law and accounting standards A summary of the principal Group accounting policies, which have been applied consistently throughout the current and prior financial years, is set out below

Basis of preparation

In considering the appropriateness of the going concern basis of preparation, the directors have considered forecasts for the next twelve months following the date of the signing of the 2013 financial statements, which include detailed cash flow forecasts and working capital availability These forecasts show that sufficient resources remain available to the business for the next twelve months In addition, the directors note the following

- the directors prepare and update detailed annual budgets, two year forecasts, and ten year strategic plans Together these show that sufficient resources are available to the business and on this basis the directors continue to adopt the going concern assumption,
- at the balance sheet date, the Group has net liabilities of £517 4m (2012 £473 0m) which are principally attributed to the reorganisation of the Group in 2006 which was accounted for under merger accounting principles and resulted in the creation of a merger relief reserve of £506 1m,
- during the year ended 31 March 2013, the Group established a new funding platform under which new bank, institutional and private placement loans were raised to refinance the existing bank debt facilities The loans and loan note instruments have repayment dates between 11 December 2015 and 30 September 2046,
- at the balance sheet date, the Group has borrowings of £1,145 1m (2012 £1,062 7m), which are subject to covenant restrictions No breaches have occurred in the historical period or are forecast to occur After taking account of reasonably possible changes in trading performance, the Group's forecasts and projections indicate that it is expected to continue to comply with covenant requirements for a period of at least 12 months from the date of approval of the financial statements,
- in the year ended 31 March 2013, excluding the effect of Marine Support Services, turnover increased by £4 8m to £385 3m and Group operating profit increased by £0 1m to £92 7m, despite the continuing uncertainty in the global economic environment,
- cash inflows generated in the year enabled the Group to finance fixed asset additions and investments of £70 6m,
- at the balance sheet date the Group held £48 8m of cash balances and had undrawn loan facilities of £412 0m available to the Group, of which £200 0m is specific to the development of the Liverpool 2 facility at the Port of Liverpool

After making enquiries, the directors have formed a judgment, at the time of approving the financial statements, that there is a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future For this reason, the directors continue to adopt the going concern basis of accounting in preparing the annual financial statements

Group financial statements

The financial statements for the year ended 31 March 2007 were prepared under merger accounting principles applicable for group reconstructions set out in FRS6 following the merger of the Company and Peel Holdings (Ports) Limited Under merger accounting, the results and cash flows of the Company and Peel Holdings (Ports) Limited were combined from the beginning of the financial period in which the merger occurred All other subsidiaries were consolidated under acquisition accounting principles

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2013

1. ACCOUNTING POLICIES (CONTINUED)

Group financial statements (continued)

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings made up to 31 March each year

All subsidiaries in the year ended 31 March 2013 are consolidated under acquisition accounting principles Results of subsidiary undertakings acquired or disposed of during the year are included from the date of acquisition or to the date of disposal to the extent of Group control

The financial statements of Peel Holdings (Ports) Limited in 2005 were prepared under merger accounting principles applicable for group reconstructions set out in FRS6 following the merger of Peel Holdings (Ports) Limited and Peel Ports Holdings Limited Under merger accounting, the results and cash flows of Peel Holdings (Ports) Limited and Peel Ports Holdings Limited were combined from the beginning of the financial period in which the merger occurred All other subsidiaries were consolidated under acquisition accounting principles

The Group profit and loss account incorporates the Group's share of the results of joint ventures In the Group balance sheet, the fixed asset investment in joint ventures represents the Group's share of net assets of those undertakings

The separable net assets of subsidiary undertakings acquired and accounted for under acquisition accounting and joint ventures are included in the Group financial statements at their fair value to the Group at the date of acquisition including provisions and liabilities taken into consideration in assessing the fair value of the business acquired

Intra-group turnover and profits are eliminated on consolidation

As permitted by Section 400 of the Companies Act 2006, a separate profit and loss account for Peel Ports Group Limited is not presented The profit of the Company for the financial year was £23 0m (2012 £22 9m)

Goodwill

Goodwill arising on the acquisition of subsidiary undertakings, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised as an intangible asset and written off to the profit and loss account on a straight line basis over its useful economic life, up to a maximum of twenty years Provision is made for any impairment

When the Group has acquired shares in other companies by the issue of shares, and the requirements of merger accounting have been satisfied, the Group has utilised the merger relief provisions available and the issue of shares has been recorded at the nominal value, any premium being credited to the merger reserve

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment Depreciation is provided on all tangible fixed assets, excluding freehold and long-leasehold land and capital work in progress, at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life as follows

- operational buildings at rates varying between 1% and 4% per annum,
- plant and machinery at rates varying between 1% and 25% per annum,
- freehold and long-leasehold land is not depreciated, and
- no depreciation is charged on capital work in progress until the assets are available for use On completion, such assets are transferred to the appropriate category of tangible fixed assets

Residual value is calculated using prices prevailing at the date of acquisition

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2013

1. **ACCOUNTING POLICIES (CONTINUED)**

Fixed asset investments

Fixed asset investments in subsidiary undertakings are stated at cost less provision for impairment Cost represents the aggregate cash consideration, costs incurred and either the fair value or the nominal value of shares issued

Investments in joint ventures are accounted for using the gross equity method

Listed investments and other investments are stated at cost to the Group less provision for impairment

Income from fixed asset investments is recognised in the profit and loss account when dividends have been declared

Stocks

Stocks are stated at the lower of cost and estimated net realisable value Provision is made where necessary for obsolete, slow moving and defective stocks

Long-term contracts

Amounts recoverable on long-term contracts, which are included in debtors, are stated at the net sales value of the work done less amounts received as progress payments on account Excess progress payments are included in creditors as payments on account Cumulative costs incurred net of amounts transferred to cost of sales, less provision for contingencies and anticipated future losses on contracts, are included as long-term contract balances in stock

Government grants

Government grants received in respect of capital expenditure are credited to a deferred income account and released to the profit and loss account over the useful economic life of the assets to which they relate

Leased assets

Assets acquired under finance leases are capitalised at a value equivalent to the cost incurred by the lessor and depreciated over their expected useful economic lives Finance charges thereon are charged to the profit and loss account in the period in which they accrue The capital element of the future lease payments is reflected within creditors Costs in respect of operating leases are charged directly to the profit and loss account on a straight-line basis over the lease term

Finance costs

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs Issue costs associated with borrowings are charged to the profit and loss account over the term of the borrowings and represent a constant proportion of the balance of capital repayments outstanding Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the profit and loss account using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise Accrued finance costs attributable to borrowings where the maturity at the date of issue is less than 12 months are included in accrued charges within current liabilities For all other borrowings, accrued finance charges and issue costs are added to the carrying value of those borrowings

Finance costs which are directly attributable to the construction of tangible fixed assets are capitalised as part of the cost of those assets The commencement of capitalisation begins when both finance costs and expenditures for the asset are being incurred and activities that are necessary to get the asset ready for use are in progress Capitalisation ceases when substantially all the activities that are necessary to get the asset ready for use are compete

Foreign currencies

Assets and liabilities denominated in foreign currencies, including overseas investments, are translated into sterling at rates applicable at the balance sheet date or forward foreign exchange contract rates as appropriate The results of overseas operations are converted at average rates applicable during the year Gains and losses arising in the ordinary course of business are included in operating profit, and those on the translation of assets, liabilities and reserves of overseas companies are shown as a movement on reserves

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2013

1. ACCOUNTING POLICIES (CONTINUED)

Derivatives

The Group uses interest rate swaps and cross currency swaps to adjust interest rate exposures and to reduce exposure to foreign currency exchange risk on foreign currency debt instruments The Group does not hold or issue derivative financial instruments for speculative purposes

For an interest rate swap to be treated as a hedge the instrument must be related to actual assets or liabilities or a probable commitment and must change the nature of the interest rate by converting a variable rate to a fixed rate or vice versa Interest differentials under these swaps are recognised by accruing within net interest and similar items

For a cross currency swap to be treated as a hedge the instrument must be related to actual foreign currency assets or liabilities involving the same or similar currencies as the hedged item and must also reduce the risk of foreign currency exchange movements Gains and losses arising on these contracts are deferred and recognised in the profit and loss account only when the hedged transaction has itself been reflected in the Group's financial statements

Swaps are not revalued to fair value or recognised on the balance sheet at the year end If they are terminated early, the gain/loss is spread over the remaining maturity of the original instrument

Taxation

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

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions

- provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable, and
- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

Turnover

Turnover is stated net of VAT, rebates and trade discounts Turnover from the sale of goods and services is recognised when the significant risks and benefits of ownership of the product have transferred to the buyer or the service has been discharged, which may be upon shipment, completion of the product or the product being ready for delivery, based on specific contract terms Where a contract has only been partially completed at the balance sheet date turnover represents the value of the service provided to date based on a proportion of the total contract value Where payments are received from customers in advance of services provided, the amounts are recorded as Deferred Income and included as part of Creditors due within one year Rental income comprises property rental income and rental premiums, which are accounted for on an accruals basis

Profit is recognised on long-term contracts, if the final outcome can be assessed with reasonable certainty, by including in the profit and loss account turnover and related costs as contract activity progresses Turnover is calculated by reference to the value of work performed to date as a proportion of the total contract value

Pension costs

The cost of the Group's money purchase pension arrangements is charged to the profit and loss account on the basis of contributions payable in respect of the accounting period The Group also operates defined benefit schemes which require contributions to be made to separately administered funds These have been accounted for under the requirements of FRS 17 "Retirement Benefits" ("FRS 17")

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2013

1. ACCOUNTING POLICIES (CONTINUED)

Pension costs (continued)

Under FRS 17, the defined benefit scheme assets are measured using market values Pension scheme liabilities are measured using the projected unit method and are discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability Any increase in the present value of the Group's defined benefit pension scheme liabilities expected to arise from employee service in the period is charged against operating profit The expected return on the schemes' assets and the increases during the period in the present value of the schemes' liabilities arising from the passage of time are included in other finance income Actuarial gains and losses are recognised in the statement of total recognised gains and losses

The Group recognises an asset in respect of any surplus, being the excess of the value of the assets in the schemes over the present value of the schemes' liabilities, only to the extent that it is able to recover the surplus, either through reduced contributions in the future or from refunds from the schemes

The Group also participates in a number of industry-wide defined benefit pension schemes Where the Group is unable to determine its share of the assets and liabilities on a consistent and reliable basis it accounts for these schemes as defined contribution schemes Further information on these schemes is contained within note 21

2. SEGMENTAL ANALYSIS

	2013 £m	2012 £m
Turnover		
Port and canal income	249 7	250 0
Shipping income	83 9	78 0
Marine support services income	116 6	-
Transport income	15 7	16 4
Gross rental income	33 2	31 8
Other trading income	2 8	4 3
	501 9	380 5
Direct costs	(353 5)	(246 6)
Gross profit	148 4	133 9
Administrative expenses		
Other administrative expenses	(36 7)	(29 5)
Pension funds service costs (note 21)	(0 3)	(3 4)
Amortisation of goodwill (note 10)	(11 0)	(10 1)
Profit on disposal of tangible fixed assets	1 0	4 5
Exceptional items (note 6)	(2 0)	(3 1)
	(49 0)	(41 6)
Group operating profit before other operating income	99 4	92 3
Other operating income	0 1	0 3
Group operating profit	**99.5**	**92.6**
Share of operating profit of joint venture companies	5 0	5 5
Total operating profit (including Group's share of joint ventures' operating profit)	**104.5**	**98.1**

Turnover does not include the Group's share of turnover arising from joint venture companies amounting to £38 7m (2012 £43 0m) There are immaterial sales between segments and are therefore not separately disclosed In relation to acquisitions in the year ended 31 March 2013 (see note 31), UK continuing operations in 2013 include direct costs of £105 3m, gross profit of £11 3m and administrative expenses of £4 5m

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2013

2 SEGMENTAL ANALYSIS (CONTINUED)

	2013 UK £m	2013 Rest of Europe £m	2013 Total £m	2012 UK £m	2012 Rest of Europe £m	2012 Total £m
Turnover by destination	413 2	88 7	501 9	298 3	82 2	380 5
Operating profit excluding exceptional items	95 2	6 3	101 5	91 6	4 1	95 7
Exceptional items	(2 0)	-	(2 0)	(2 5)	(0 6)	(3 1)
Operating profit	93 2	6 3	99 5	89 1	3 5	92 6
Share of joint ventures' operating profit	5 0	-	5 0	5 5	-	5 5
Net interest payable and similar items	(76 0)	(0 1)	(76 1)	(71 1)	(0 1)	(71 2)
Profit on ordinary activities before taxation	22 2	6 2	28 4	23 5	3 4	26 9
Net (liabilities)/assets	(541 3)	23 9	(517 4)	(490 4)	17 4	(473 0)

3. GROUP OPERATING PROFIT

	2013 £m	2012 £m
Group operating profit is stated after charging/(crediting)		
Depreciation - owned assets	37 9	34 5
- leased assets	0 6	1 0
Amortisation of goodwill	11 0	10 1
Profit on disposal of fixed assets	(0 9)	(4 5)
Hire of plant and machinery under operating leases	21 3	20 1
Hire of other assets under operating leases	6 3	4 5
Grant releases	(0 3)	(0 3)
Foreign currency exchange losses	0 1	0 5
Fees payable to the Group's auditor for the audit of the Group's annual financial statements	0 5	0 4
Fees payable to the Group's auditor for non-audit services		
Taxation services	0 8	0 3
Corporate finance services	0 3	0 4
Other services	-	0 1
	1 1	0 8

The disclosures above are for the Group The Company is not required, in its individual financial statements, to separately disclose information about fees for non-audit services provided by the Company because the consolidated financial statements are required to disclose such fees on a consolidated basis The auditor's remuneration for audit work, carried out on behalf of the Company, of £10,000 (2012 £10,000) was borne by a subsidiary undertaking

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2013

4. EMPLOYEE INFORMATION

The average monthly number of persons employed by the Group durıng the year, ınclusıve of executıve dırectors, was as follows

	2013 Number	2012 Number
Admınıstratıon	356	248
Operatıonal	1,607	968
	1,963	1,216

The staff costs for the above persons were

	2013 £m	2012 £m
Wages and salarıes	75 7	46 2
Socıal securıty costs	7 4	4 5
Pensıon funds servıce costs (note 21)	0 3	3 4
Other pensıon costs		
- Group pensıon schemes	2 3	1 4
	85 7	55 5

The Company had no employees durıng the year or durıng the prevıous year

5. DIRECTORS' REMUNERATION

The remuneratıon of the dırectors of the Group was as follows

	2013 £'000	2012 £'000
Emoluments	1,187	1,195
Group contrıbutıon to defined contrıbutıon pensıon schemes	108	74
	1,295	1,269

At 31 March 2013 retırement benefits are accruıng to one dırector (2012 one) under a Group defined benefit pensıon scheme and to two dırectors under a defined contrıbutıon scheme (2012 two)

The above analysıs excludes the emoluments of dırectors who are remunerated by undertakıngs outsıde of the Peel Ports Group Lımıted group of companıes and have to account ın turn to those undertakıngs

The remuneratıon of the hıghest paıd dırector was as follows

	2013 £'000	2012 £'000
Emoluments	660	639
Group contrıbutıon to defined contrıbutıon pensıon schemes	64	62

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2013

6. EXCEPTIONAL OPERATING COSTS

	2013 £m	2012 £m
Restructuring costs	2 0	3 1

Restructuring expenses comprise redundancy and other costs incurred in connection with the streamlining and reorganisation of activities as part of a strategic review of the Group's operations. Included within the charge for the year ended 31 March 2012, is £1 4m of costs relating to the closure of the Group's woodchip operation at the Port of Sheerness

7. NET INTEREST AND SIMILAR ITEMS

	2013 £m	2012 £m
Interest payable:		
Accretion payment accrued on index-linked swap	13 8	19 3
Other interest on bank loans and overdrafts	47 0	41 9
Interest on private placement notes	5 5	-
Bank loans, overdrafts and private placement notes	66 3	61 2
Amortisation of issue costs	2 2	2 4
9% subordinated redeemable loan notes		
Payable to group undertakings	5 5	5 5
Payable to related undertakings	5 5	5 5
Other loans	-	0 4
Finance leases	0 1	0 2
	79 6	75 2
Finance costs capitalised	(0 1)	-
Total interest payable	79 5	75 2
Interest receivable:		
Group interest receivable and similar income	(0 9)	(0 6)
Total interest receivable	(0 9)	(0 6)
Other finance income (note 21)		
Expected return on pension scheme assets	(22 0)	(22 5)
Interest on pension scheme liabilities	19 5	19 1
Total other finance income	(2 5)	(3 4)
Net interest and similar items	76 1	71 2

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2013

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2013 £m	2012 £m
Current tax:		
United Kingdom		
UK corporation tax	12 3	13 9
Foreign tax		
Corporation tax	0 1	0 1
Other current tax		
Adjustments in respect of previous periods	(5 0)	(1 1)
Group current tax charge	7 4	12 9
Share of joint venture current tax	1 2	1 4
Total current tax charge	8 6	14 3
Deferred tax:		
Origination and reversal of timing differences		
- United Kingdom	(1 8)	(2 0)
- foreign tax	-	(0 1)
Adjustment in respect of prior periods	2 5	0 6
Change of UK tax rate	(0 5)	(1 1)
Pension cost relief in excess of pension cost charge	0 4	0 1
Pension cost relief – change of UK tax rate	0 1	(0 4)
Total deferred tax charge/(credit)	0 7	(2 9)
Total tax on profit on ordinary activities	9 3	11 4

Excluding deferred tax items relating to the defined benefit pension schemes and to joint ventures, the deferred tax charge is £0 2m (2012 credit £2 6m) (note 18)

On 21 March 2013, the UK government announced its intention to reduce the rate of corporation tax to 23% from 1 April 2013 with further reductions of 2% and 1% in 2014 and 2015 respectively The reduction to 23% was substantively enacted before the balance sheet date The further reductions have not been substantively enacted, and the deferred tax balances as at 31 March 2013 have therefore been calculated at a rate of 23%, which has resulted in a credit to the profit and loss account of £0 4m

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2013

8 TAX ON PROFIT ON ORDINARY ACTIVITIES (CONTINUED)

Reconciliation of current tax charge
The tax assessed for the year is higher (2012 higher) than that arising from applying the standard rate of UK corporation tax of 24% (2012 26%) The differences are explained below

	2013 £m	2012 £m
Profit on ordinary activities before taxation	28 4	26 9
Profit on ordinary activities multiplied by the standard rate of UK corporation tax of 24% (2012 26%)	6 8	7 0
Effects of		
Short-term timing differences and depreciation in excess of capital allowances	1 8	2 5
Expenses not deductible for tax purposes	6 8	7 3
Adjustments in respect of prior periods	(5 0)	(1 1)
Adjustments in respect of foreign tax rates	(1 4)	(1 3)
Pension relief in excess of pension charge	(0 4)	(0 1)
Current tax charge	8 6	14 3

9. EQUITY DIVIDENDS PAID

	2013 £m	2012 £m
Interim ordinary dividends of £0 068 (2012 £0 068) per share	23 0	23 0

10. INTANGIBLE FIXED ASSETS

Group	Goodwill £m
Cost	
At 1 April 2012	203 7
Additions (note 31)	29 5
At 31 March 2013	233 2
Amortisation	
At 1 April 2012	66 1
Charge for the year	11 0
At 31 March 2013	77 1
Net book amount	
At 31 March 2013	156 1
At 31 March 2012	137 6

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2013

11. TANGIBLE FIXED ASSETS

Group	Freehold and long leasehold land and buildings £m	Plant and machinery £m	Capital work in progress £m	Total £m
Cost				
At 1 April 2012	707 3	210 4	17 9	935 6
Additions	5 3	13 5	25 0	43 8
Arising from acquisitions (note 31)	12 0	11 2	-	23 2
Disposals	(1 6)	(5 3)	(1 0)	(7 9)
Transfer from capital work in progress	3 7	11 6	(15 3)	-
Exchange difference	-	0 1	-	0 1
At 31 March 2013	726 7	241 5	26 6	994 8
Depreciation				
At 1 April 2012	115 1	87 4	-	202 5
Charge for the year	20 4	18 1	-	38 5
Disposals	(0 1)	(5 3)	-	(5 4)
Exchange difference	-	(0 1)	-	(0 1)
At 31 March 2013	135 4	100 1	-	235 5
Net book amount				
At 31 March 2013	591 3	141 4	26 6	759 3
At 31 March 2012	592 2	123 0	17 9	733 1

Cumulative finance costs capitalised in the cost of tangible fixed assets amount to £0 1m (2012 £nil)

Leased assets

Included within plant and machinery are leased assets with a net book value of £10 7m (2012 £13 4m)

Non-depreciable land

Included within tangible fixed assets is freehold and long-leasehold land, which is not subject to depreciation, which amounted to £152 3m (2012 £149 9m)

The Company has no tangible fixed assets

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2013

12. INVESTMENTS

	Group		Company	
	2013	2012	2013	2012
	£m	£m	£m	£m
Subsidiary undertakings	-	-	337 5	337 5
Joint venture undertakings	0 9	7 1	-	-
Other investments	0 7	0 7	-	-
	1 6	7 8	337 5	337 5
Short-term investments	2 4	2 6	-	-

Details of investments of the Group in its principal subsidiary undertakings and joint ventures are given in note 32

Subsidiary undertakings	Company £m
Cost and net book value	
At 1 April 2012 and at 31 March 2013	337 5

The Company holds an investment in 337,492,988 ordinary shares of £1 each in Peel Ports Intermediate Holdco Limited, representing the entire issued share capital of that company

Joint venture undertakings	Group £m
At 1 April 2012	7 1
Share of results for the year	3 8
Reclassification to subsidiary undertakings (note 31)	(4 2)
Dividends received	(5 5)
Share of actuarial loss net of deferred taxation relating to defined benefit pension scheme	(0 3)
At 31 March 2013	0 9

As disclosed in note 31, Cammell Laird Shiprepairers & Shipbuilders Limited ("Cammell Laird") became a subsidiary of the Group on 21 September 2012 Prior to this date Cammell Laird was accounted for as a joint venture undertaking The profit and loss information given below is for the period from 1 April 2012 to 21 September 2012 and for the year ended 31 March 2012

	Group	
	Period ended 21 September 2012 £m	Year ended 31 March 2012 £m
Turnover	36 6	40 9
Profit before tax	4 7	5 4
Taxation	(1 1)	(1 4)
Profit after tax	3 6	4 0

The Group's share of the Cammell Laird net assets at 31 March 2012 was £6 2m, comprising of £1 8m of tangible fixed assets, £10 7m of current assets (including a debtor balance of £2 4m which was due after more than one year) and £6 3m of liabilities due within one year

The turnover and net assets of the other joint ventures amounted to £2 1m (2012 £2 1m) and £1 0m (2012 £0 9m) respectively

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2013

12. INVESTMENTS (CONTINUED)

Other investments

	Group £m
At 1 April 2012 and at 31 March 2013	0 7

Included within other investments is £0 6m (2012 £0 6m) of listed investments At 31 March 2013, the market value of these investments, based on the closing middle-market price on the London Stock Exchange, was £0 7m (2012 £0 7m)

Short-term investments

	Group 2013 £m	Group 2012 £m
Short-term investments	2 4	2 6

Short-term investments comprise £2 4m (2012 £2 6m) of cash held on short-term deposit which acts as collateral for certain floating-rate guaranteed loan notes (note 17(b)) This cash is only available for redemption of those floating-rate guaranteed loan notes

13. STOCKS

	Group 2013 £m	Group 2012 £m
Raw materials and consumables	2 7	1 2

There is no material difference between the balance sheet value of stocks and their replacement cost

The Company has no stocks

14. DEBTORS

	Group 2013 £m	Group 2012 £m	Company 2013 £m	Company 2012 £m
Amounts falling due within one year:				
Trade debtors	75 3	50 2	-	-
Amounts recoverable on contracts	21 4	-	-	-
Amounts owed by group undertakings	-	116 0	111 5	279 9
Amounts owed by non-ports group undertakings	2 0	0 3	-	-
Other debtors	6 9	2 7	0 1	-
Prepayments and accrued income	13 2	6 0	-	-
Corporation tax recoverable	2 6	0 2	-	-
	121 4	175 4	111 6	279 9
Amounts falling due after more than one year:				
Amounts owed by Group undertakings	-	-	123 0	123 0
Prepayments and accrued income	0 8	1 7	-	-
	122 2	177 1	234 6	402 9

Amounts owed by Group undertakings falling due after more than one year relate to a loan made to a subsidiary undertaking The loan bears interest at 9% per annum and is repayable in full on 30 September 2046

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2013

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2013	2012	2013	2012
	£m	£m	£m	£m
Bank loans	7 0	-	-	-
Other loans	0 2	-	-	-
Floating-rate guaranteed loan note instruments	2 4	2 6	-	-
Finance leases	0 4	0 6	-	-
Loan amounts owed to group undertakings	11 0	11 0	11 0	11 0
Debt falling due within one year (note 17)	21 0	14 2	11 0	11 0
Trade creditors	62 3	28 5	0 1	-
Amounts owed to group undertakings	93 3	209 7	93 1	261 5
Amounts owed no non-ports group undertakings	0 1	-	-	-
Amounts owed to joint venture undertakings	-	0 1	-	-
Corporation tax	7 6	8 3	-	-
Taxation and social security	2 4	2 1	-	-
Other creditors	21 6	10 9	-	-
Accruals and deferred income	94 6	61 9	5 6	5 6
	302 9	335 7	109 8	278 1

16. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	2013	2012	2013	2012
	£m	£m	£m	£m
Bank loans	787 5	1,062 7	-	-
Private placement loans	318 8	-	-	-
Accretion payment accrued on index-linked swaps	8 8	68 3	-	-
9% subordinated redeemable loan notes due to group undertakings	61 6	61 6	61 6	61 6
9% subordinated redeemable loan notes due to related undertakings	61 4	61 4	61 4	61 4
Other loans	4 8	4 1	-	-
Finance leases	0 6	0 4	-	-
Debt falling due after more than one year (note 17)	1,243 5	1,258 5	123 0	123 0
Other creditors	8 9	8 7	-	-
	1,252 4	1,267 2	123 0	123 0

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2013

17 LOANS AND OTHER BORROWINGS

	Group 2013 £m	Group 2012 £m
(a) Fınancıal lıabılıties		
Bank loans	794 5	1,062 7
Prıvate placement loans	318 8	-
Accretıon payment accrued on ındex-lınked swaps	8 8	68 3
9% subordınated redeemable loan notes 2046		
Due to group undertakıngs	61 6	61 6
Due to related undertakıngs	61 4	61 4
Loan amounts due to group undertakıng	11 0	11 0
Floatıng-rate guaranteed loan note ınstruments 2015	2 4	2 6
Perpetual debenture stocks	2 2	2 2
3% ırredeemable loan stock	1 2	1 2
3 625% ırredeemable debenture stock	0 7	0 7
Other loans	0 9	-
Fınance lease oblıgatıons	1 0	1 0
	1,264 5	1,272 7
(b) Analysıs of Group net debt		
Fınancıal lıabılıtıes fallıng due wıthın one year	21 0	14 2
Fınancıal lıabılıtıes fallıng due after more than one year	1,243 5	1,258 5
Total financıal lıabılıtıes	1,264 5	1,272 7
Cash at bank and ın hand	(48 8)	(76 2)
Short-term deposıts held as guarantee agaınst floatıng-rate guaranteed loan note ınstruments (note 12)	(2 4)	(2 6)
Group net debt	1,213 3	1,193 9
(c) Maturıty of financıal liabılitıes		
Net oblıgatıons under finance leases are payable as follows:		
In one year or less	0 4	0 6
In more than one year, but not more than two years	0 6	0 4
	1 0	1 0
Maturıty of other financıal lıabılitıes.		
In one year or less or on demand	20 6	13 6
In more than one year, but not more than two years	0 2	1,131 0
In more than two years, but not more than five years	740 8	-
In more than five years not by ınstalments	501 9	127 1
	1,263 5	1,271 7
Financıal lıabılıties, net of unamortısed issue costs and finance charges allocated to future perıods	1,264 5	1,272 7
Unamortısed ıssue costs	31 8	-

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2013

17. LOANS AND OTHER BORROWINGS (CONTINUED)

During the year ended 31 March 2013, the Group established a new funding platform under which new bank, institutional and private placement loans were raised to refinance the existing bank debt facilities of the group As part of the financing arrangements, certain group undertakings have created security (by a combination of fixed charges, floating charges and assignments by way of security) over all, or substantially all of their assets

At 31 March 2013, financial liabilities include bank loans totalling £821 0m A bank loan of £7 0m is due for repayment within one year Falling due after more than one year is £814 0m of bank loans which are due for repayment between 11 December 2015 and 11 December 2019 The bank loans bear interest at LIBOR plus varying rates of margin

Financial liabilities also include £324 1m relating to the proceeds from the issue of sterling and US dollar denominated private placement notes The sterling notes total £82 0m, bear fixed interest rates of between 5 68% and 6 55% and are due for repayment in instalments between 10 December 2021 and 10 December 2037 The US dollar denominated notes total $385 0m, bear fixed interest rates of between 4 67% and 5 25% and are due for repayment between 10 December 2019 and 10 December 2022

The Group has put in place cross-currency swaps in respect of the US dollar denominated notes with the notes being recorded at the sterling equivalent values of £242 1m Under the cross-currency swaps the Group receives fixed US dollar interest and pays sterling LIBOR interest plus margin, and the effect of the swaps is therefore to convert the US dollar fixed interest debt to sterling floating rate debt The fair value of these swaps at 31 March 2013 was a liability of £9 4m

The Group's existing interest rate and index-linked swaps were also restructured as part of the refinancing As part of the restructuring of the index-linked swaps, the Group made payments totalling £73 4m of accretion which had accrued on its existing swaps As explained below, the amount accrued at 31 March 2012 was £68 3m The negative fair values of the existing swaps at the date of refinancing were rolled into the new swaps and are reflected in the pricing of those new swaps

At 31 March 2013, the Group was party to fixed interest rate swaps over £612 0m of notional principal, with fixed rates at between 4 9031% and 5 1031% plus margin The fair value calculated in respect of the swaps was a liability of £241 8m

At 31 March 2013, the Group was also party to index-linked swaps over £352 0m of notional principal under which the Group receives a LIBOR floating rate of interest and pays interest at varying initial rates which increase over the term of the swaps by the movement in the UK Retail Prices Index ("UKRPI") The initial rate of interest was between 1 868% and 2 268% In addition, the terms of the index-linked swaps provide for accretion payments to be made every four years commencing in December 2016, based on the movement in the UKRPI over each four-year period At 31 March 2013 a provision of £8 8m has been recorded in respect of these accretion payments for the period to 31 March 2013 The fair value of the index-linked swaps at 31 March 2013 was a liability of £447 8m, excluding the accretion accrual

In accordance with accounting requirements the fair values of derivative transactions are not recognised on the balance sheet

The Group incurred issue costs during the year in connection with the refinancing of its bank facilities amounting to £34 0m, of which £2 2m has been amortised in the year

Details of the bank loans and related swaps held by the Group at 31 March 2012, prior to the refinancing in the year ended 31 March 2013, are as follows

At 31 March 2012, financial liabilities included bank loans of £1,062 7m which were repaid on 11 December 2012 These were secured by a fixed legal charge on certain freehold properties and investments and by a floating charge over all other assets of certain Group companies The bank loans bore interest at LIBOR plus applicable margin Interest on bank loans of £612 0m was fixed by an interest rate swaps at rates of between 3 93% and 4 469% plus margin The fair value of the swaps at 31 March 2012 was a liability of £155 8m

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2013

17. LOANS AND OTHER BORROWINGS (CONTINUED)

At 31 March 2012, interest on £352 0m of bank loans was offset by index-linked swaps under which the Group received a floating rate of interest of LIBOR plus margin and paid an initial rate of interest of between 1 65% and 2 3115%, which increased over the term of the swap by the movement in the UK Retail Prices Index ("UKRPI") In addition, a sum was payable on termination, which was also determined by the movement in the UKRPI over the term of the swap, in respect of which a provision of £68 3m had been made in the financial statements The fair value of the swaps at 31 March 2012 was a liability of £208 7m, excluding the accrued termination payment

At 31 March 2012 the Group had also entered into basis swap arrangements with a notional value of £964 0m under which it exchanged 1 month and 3 month LIBOR interest rates The fair value calculated in respect of these basis swaps was a liability of £2 0m In addition, the Group had entered into basis swaps with a notional value of £312 3m prior to 31 March 2012, which had a commencement date after 31 March 2012 The fair value calculated in respect of these basis swaps at 31 March 2012 was a loss of £0 03m

Details of other loans and borrowings that have not been impacted by the refinancing explained above are as follows

Peel Ports Group Limited issued 9% subordinated redeemable loan notes to Peel Ports Holdings (IOM) Limited and to Infrastructure JVCo (Lime) S a r l at par The loan notes have a final repayment date of 30 September 2046 and interest is payable bi-annually in arrears

The loan amount due to group undertakings is payable on demand to the Group's parent company and is not subject to an interest charge

The floating-rate guaranteed loan note instruments 2015 are guaranteed by Bank of Scotland plc These bear interest based on LIBOR and are redeemable at par on demand of the holder on any interest payment date prior to and including the final maturity date of 30 September 2015

The 3% irredeemable loan stock issued by Clydeport Operations Limited has no fixed redemption dates and can only be redeemed with the agreement of the respective stockholders Stockholders have no right to demand redemption

The perpetual debenture stocks are secured by floating charges over the undertaking of The Manchester Ship Canal Company Limited and bear interest at rates between 3 5% and 4%

The 3 625% irredeemable debenture stock is secured by a fixed charge over certain securities and a floating charge over Peel Ports (IDS) Limited

Finance lease obligations are secured on the assets to which they relate (note 11)

18. PROVISIONS FOR LIABILITIES

Group	Deferred taxation £m
At 1 April 2012	12 1
Charge to profit and loss account (note 8)	0 2
At 31 March 2013	12 3

The provision for deferred tax comprises:	**2013 £m**	**2012 £m**
Accelerated capital allowances	15 7	16 6
Other timing differences	(3 4)	(4 5)
	12 3	12 1

The Company has no deferred tax liability

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2013

19. CALLED-UP SHARE CAPITAL

	Group 2013 £m	Group 2012 £m	Company 2013 £m	Company 2012 £m
Authorised				
500,000,000 ordinary shares of £1 each	500 0	500 0	500 0	500 0
Allotted, called-up and fully paid				
337,492,988 ordinary shares of £1 each	337 5	337 5	337 5	337 5

20. RESERVES

Group	Merger reserve £m	Profit and loss account £m
At 1 April 2012	(506 1)	(305 0)
Net exchange adjustments	-	0 4
Profit for the financial year	-	17 6
Dividends (note 9)	-	(23 0)
Actuarial loss relating to the Group pension schemes (note 21)	-	(54 8)
Movement on tax relating to Group pension schemes	-	12 7
Actuarial loss relating to joint venture pension schemes	-	(0 3)
Minority interest share of actuarial loss relating to the Group pension schemes	-	0 6
At 31 March 2013	(506 1)	(351 8)

The merger reserve arose as a result of the reconstruction of the Group in 2005 when Peel Holdings (Ports) Limited and Peel Ports Holdings Limited merged and subsequently in the year ended 31 March 2007 when the Company merged with Peel Holdings (Ports) Limited The merger accounting principles set in FRS6 "Acquisitions and Mergers" were applied to these Group reconstructions

Company	Profit and loss account £m
At 1 April 2012	1 8
Profit for the financial year	23 0
Dividends (note 9)	(23 0)
At 31 March 2013	1 8

21. PENSION FUNDS

Defined contribution schemes operated by the Group

The Group operates a number of defined contribution (otherwise known as money purchase) pension schemes in the United Kingdom and the Republic of Ireland, in respect of which contributions totalling £2 3m (2012 £1 4m) were paid during the year The assets of the schemes are held separately from the assets of the Group and are administered by trustees and managed professionally Benefits are provided based on actual contributions paid and investment performance Group contributions to these pension schemes typically match those paid by employees, up to a maximum of 6% of pensionable salaries

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2013

21. PENSION FUNDS (CONTINUED)

Defined benefit schemes operated by the Group

The Group also operates a number of defined benefit pension schemes based on final pensionable pay The assets of the schemes are held separately from the assets of the Group and are administered by trustees and managed professionally In addition there are unfunded pensions payable to certain retired employees, who are not members of the above schemes

Contributions to the defined benefit pension schemes are determined by a qualified actuary on the basis of triennial valuations using the projected unit method

The largest of the Group's defined benefit schemes is the Peel Ports Final Salary Pension Scheme, in respect of which the most recent full triennial actuarial valuations were as at April 2012 The main assumptions applied were that long-term investment rates would be 7 0% per annum pre-retirement and 3 8% per annum post-retirement, pensionable salary increases would be 3 25% per annum, the majority of pensions in payment would increase at a rate of between 2 2% and 3 6% per annum, and price inflation would be 3 25% per annum on a RPI basis and 2 75% on a CPI basis As at the latest actuarial valuation, the value of the assets within each section of the scheme was sufficient to cover between 86% and 100% of the benefits that had accrued to members, after allowing for expected future increases in earnings

Atlantic & Peninsula Marine Services Limited operates a number of defined benefit schemes The effective dates of the most recent full triennial actuarial valuations were between 31 March 2010 and 5 April 2011 The main assumptions in the actuarial valuations were that long-term investment rates would be between 5 5% and 6 5% pre-retirement and between 5 35% and 5 5% post-retirement and that price inflation would be between 3 5% and 3 6% (RPI) As at the latest actuarial valuations, the value of the assets was enough to cover between 68% and 94% of the benefits that had accrued to members

Contributions totalling £7 3m (2012 £6 1m) were paid during the year to the defined benefit schemes operated by the Group, at contribution rates varying between 12 0% and 28 7% of pensionable salaries (2012 12 0% and 28 7%) Employee contributions were made at rates that varied between 5 0% and 9 0% (2012 5 0% and 9 0%) of pensionable salaries

Industry-wide defined benefit schemes

The Group is also involved in a number of industry-wide defined benefit pension schemes, which are explained further in this section Where industry-wide defined benefit schemes are required to be accounted for on a defined benefits basis this information is included in the consolidated numerical disclosures that follow

The Pilots National Pension Fund ("PNPF")

The Pilots National Pension Fund ("PNPF") is a multi-employer industry-wide defined benefit pension scheme that is accounted for on a defined benefits basis This follows the resolution of a number of issues during the year that have previously prevented the Group from recognising its share of the PNPF past-service deficit on a consistent and reasonable basis The Trustee of the PNPF has engaged with the participating bodies and, following a consultative process, provided sufficient data to allow the Company to recognise its share of the past-service deficit Accordingly, the Group commenced accounting for the PNPF on a defined benefits basis as of 31 March 2013, recognising a £41 4m charge in the statement of total recognised gains and losses, corresponding to the Company's share of the past-service deficit at 31 March 2013

Prior to this, and as permitted by FRS 17 'Retirement benefits', the scheme had been accounted for by the Group as if the scheme was a defined contribution scheme, the cost recognised within the profit and loss account being equal to the contributions payable to the scheme for the year

The most recent formal actuarial valuation, completed by an independent actuary, is as at 31 December 2010 As at that date, the scheme had assets with a market value of £293 0 million, representing 61% of the benefits accruing to members

The main assumptions in the actuarial valuation as at December 2010 were that long-term investment rates, and the discount rate, would be 6 7% per annum pre-retirement and 4 8% per annum post-retirement, pension salary increases would be 3 9% per annum, pensions in payment would increase at a rate of between 2 7% and 3 7% per annum, and price inflation would be 3 4% per annum on a RPI basis and 2 7% on a CPI basis

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2013

21. PENSION FUNDS (CONTINUED)

Industry-wide defined benefit schemes (continued)

Merchant Navy Officers Pension Fund ("MNOPF")

The scheme is divided into two sections, the Old Section and the New Section The New Section is accounted for on a defined benefits basis while the New Section is accounted for on a defined contributions accounting basis Both sections are closed to new members

The most recent valuation for each section was carried out at 31 March 2012 At that date the Old Section had assets of £1,330 0m, representing 100% of the benefits accrued to members, whilst the New Section had assets of £2,169 0m, representing 82% of the benefits accrued to members as at that date The valuation assumptions adopted by the actuary were as follows

	Old Section %	New Section %
Inflation		
- RPI	-	3 2
- CPI	-	2 2
Rate of increase for pensions in payment	-	3 0
Investment return on existing assets ('discount rate')		
- Pre and post-retirement	3 1	-
- Pre-retirement	-	5 7
- Post-retirement	-	4 0

During the year, the Group made contributions of £0 1m (2012 £0 1m) in relation to the past-service deficit The Group has no current active members in this scheme

As noted above, the Group's share of the MNOPF New Section's scheme assets and liabilities is accounted for on a defined benefits basis At 31 March 2013, the Group's share of the deficit was £nil (2012 £nil), which is included in the amount recognised in the balance sheet

Because the Group is unable to identify its share of the scheme assets and liabilities of the MNOPF Old Section on a consistent and reasonable basis, as required by FRS 17 "Retirement benefits", the section is accounted for by the Group as if it was a defined contribution scheme, the cost recognised within the profit and loss account being equal to the contributions payable to the section for the year The amount recognised in the year ended 31 March 2013 is £nil (2012 £nil)

The Former Registered Dock Workers Pension Fund ("FRDWPF")

The FRDWPF is accounted for on a defined contributions basis, as explained further below As at 5 April 2010, the date of the most recent valuation carried out by an independent actuary, the scheme had assets with a market value of £662 0m, representing 101% of the benefits accrued to members As at 5 April 2010, approximately 11% of the scheme's assets were invested in UK equities, 6% in diversified growth funds, 58% in index-linked or corporate bonds, 24% in gilts and 1% in cash The valuation assumptions adopted by the actuary at the time of the most recent valuation were as follows

	%
Inflation	3 8
Rate of increase of pensionable salaries	4 8
Rate of increase for pensions in payment	3 8
Rate of increase for deferred pensions	3 8
Discount rate	4 7

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2013

21. PENSION FUNDS (CONTINUED)

Industry-wide defined benefit schemes (continued)

The Former Registered Dock Workers Pension Fund ("FRDWPF") (continued)

Because the Group is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis, as required by FRS 17 "Retirement benefits", the scheme is accounted for as if it was a defined contribution scheme, the cost recognised within the profit and loss account being equal to the contributions payable to the scheme for the year

During the year the Group made contributions of £0 01m (2012 £0 01m) to this scheme in relation to its current active members and has recorded those as defined contribution costs within the profit and loss account

Disclosures relating to pension arrangements that are accounted for on a defined benefits basis

The following disclosures are in respect of the defined benefit schemes operated by the Group and those industry-wide defined benefit schemes which are required to be accounted for on a defined benefits basis Disclosures are provided on a consolidated basis

Amounts recognised in the balance sheet:	**Group 2013 £m**	**Group 2012 £m**
Present value of funded liabilities	(624 5)	(388 7)
Fair value of scheme assets	573 4	401 0
	(51 1)	12 3
Surplus restriction	(3 5)	(2 3)
Present value of unfunded liabilities	(1 1)	(1 4)
Recognisable (deficit)/asset before deferred taxation	(55 7)	8 6
Deferred taxation	12 8	(2 2)
Amount recognised in the balance sheet	(42 9)	6 4

Amount recognised in the profit and loss account:	**Group 2013 £m**	**Group 2012 £m**
Current service cost	3 4	3 2
Past service cost	(3 1)	0 2
Interest cost	19 5	19 1
Expected return on scheme assets	(22 0)	(22 5)
Total credit	(2 2)	-

Of the net credit recognised for the year of £2 2m (2012 £nil), a charge of £0 3m (2012 £3 4m) has been included in administrative expenses and a credit of £2 5m (2012 £3 4m) has been included within net interest and similar items

The most recent actuarial valuations were updated to 31 March 2013 by qualified actuaries These valuations used a set of assumptions consistent with those required under FRS 17 The major assumptions used by the actuaries are set out below

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2013

21. PENSION FUNDS (CONTINUED)

Disclosures relating to pension arrangements that are accounted for on a defined benefits basis (continued)

Major actuarial assumptions	2013 % pa	2012 % pa
Rate of increase in pensionable salaries	3 3	3 1
Rate of increase of pensions in payment	3 3	3 1
Rate of increase for deferred pensioners	3 3	3 1
Discount rate	4 1	4 7
Price inflation (RPI)	3 3	3 1
Price inflation (CPI)	2 3	2 1

Mortality	2013 Years	2012 Years
Current pensioners		
Male life expectancy at age 65	20 7	20 7
Future pensioners		
Male life expectancy at age 65 (currently aged 45)	22 6	22 6

In each year presented the actuarial table used was the 110% SAPS table, birth year, with medium cohort improvements and a 1% underpin An adjustment of 120% was applied in setting the mortality assumption adopted for the Clydeport section of the main defined benefit pension scheme

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice

Sensitivities

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below

Assumption	Change in assumption	Impact on scheme liabilities
Discount rate	+/- 0 5%	-6%/+6%
Inflation	+/- 0 5%	+3%/-3%
Rate of increase in pensionable salaries	+/- 0 5%	+1%/-1%
Mortality	+1 year	+3%

Changes in the present value of the defined benefit liabilities are as follows:	Group 2013 £m	Group 2012 £m
Opening defined benefit liability	390 1	356 8
Acquisitions	92 0	-
Recognition of PNPF liabilities	100 3	-
Current service cost	3 4	3 2
Past service cost	(3 1)	0 2
Interest cost	19 5	19 1
Actuarial losses on scheme liabilities	44 9	29 3
Contributions by employees	0 8	0 9
Benefits paid	(22 3)	(19 4)
Closing defined benefit liability	625 6	390 1

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2013

21 PENSION FUNDS (CONTINUED)

Disclosures relating to pension arrangements that are accounted for on a defined benefits basis (continued)

Analysis of the defined benefit obligation:	Group 2013 £m	Group 2012 £m
Present value of unfunded liabilities	1 1	1 4
Present value of funded liabilities	624 5	388 7
	625 6	390 1

Reconciliation of fair value of scheme assets:	Group 2013 £m	Group 2012 £m
Opening fair value of scheme assets	401 0	381 0
Acquisitions	74 2	-
Recognition of PNPF assets	58 9	-
Expected return on scheme assets	25 3	24 2
Actuarial gains on scheme assets	28 2	8 2
Contributions by the Group	7 3	6 1
Contributions by employees	0 8	0 9
Benefits paid	(22 3)	(19 4)
Closing fair value of scheme assets	573 4	401 0

Cumulative amount of actuarial gains and losses recognised in the statement of total recognised gains and losses since adoption of FRS 17:	Group 2013 £m	Group 2012 £m
Opening cumulative	(30 6)	(11 2)
Actuarial losses	(58 1)	(19 4)
Effect of restriction imposed	3 3	-
Movement in the year	(54 8)	(19 4)
Closing cumulative	(85 4)	(30 6)

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2013

21. PENSION FUNDS (CONTINUED)

Plan assets	Fair value of assets 31 March 2013 £m	31 March 2013 %	Expected rate of return 31 March 2013 %	Fair value of assets 31 March 2012 £m	31 March 2012 %	Expected rate of return 31 March 2012 %
Equities	111 0	20	7 5	95 4	23	8 0
Hedge funds	112 9	20	7 5	78 0	19	8 0
Fixed-interest gilts	43 8	8	2 4	2 0	1	2 8
Index-linked gilts	37 0	6	2 4	35 5	9	2 8
Corporate bonds	230 7	40	4 1	184 7	46	4 7
Pooled investment vehicle	17 5	3	7 5	2 0	1	2 8
Annuities	2 3	-	4 1	-	-	-
Property	0 9	-	7 5	0 9	-	8 0
Cash	17 3	3	0 5	2 5	1	0 5
Total market value of assets	573 4	100	5 1	401 0	100	5 9

The overall expected return on assets is calculated as the weighted average of the expected returns on each individual asset class The expected returns are set by reference to market indicators, including price inflation, dividend yields, economic growth, yields on index linked gilts and bonds and interest rates The actual return on plan assets was a gain of £54 5m (2012 £32 5m)

History of experience gains and losses	Group 2013 £m	Group 2012 £m	Group 2011 £m	Group 2010 £m	Group 2009 £m
Present value of defined benefit liability	(625 6)	(390 1)	(356 8)	(356 7)	(275 7)
Fair value of scheme assets	573 4	401 0	381 0	364 9	294 8
Effect of restriction imposed	(3 5)	(2 3)	(2 3)	-	-
(Deficit)/surplus	(55 7)	8 6	21 9	8 2	19 1
Experience (losses)/gains on scheme liabilities and changes in assumptions:					
Amount	(145 2)	(29 3)	8 7	(80 1)	25 6
Percentage of present value of scheme liabilities	(23 2%)	(7 5%)	2 4%	(22 5%)	9 3%
Difference between expected and actual return on scheme assets:					
Amount	28 2	8 2	1 3	66 9	(62 1)
Percentage of scheme assets	4 9%	2 0%	0 3%	18 3%	(21 1%)

Group contributions for the defined benefit pension schemes for the year ending 31 March 2014 are expected to be in the region of £9 4m

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2013

22. NOTES TO THE GROUP CASH FLOW STATEMENT

Reconciliation of operating profit to net cash inflow from operating activities

	2013 £m	2012 £m
Continuing activities		
Group operating profit	99 5	92 6
Depreciation and amortisation	49 5	45 6
Profit on disposal of fixed assets	(0 9)	(4 5)
Release of grants to income	(0 3)	(0 3)
Increase in stocks	(0 9)	(0 1)
Increase in debtors	(12 5)	(0 1)
Increase in creditors	6 6	12 2
Difference between pension charge and cash contributions	(7 0)	(2 6)
Net cash inflow from continuing operating activities excluding amounts due to and from group undertakings	134 0	142 8
Decrease in short-term loans to and from group undertakings	(0 1)	(0 3)
Cash inflow from continuing operational activities	133 9	142 5

Returns on investments and servicing of finance

	2013 £m	2012 £m
Interest received	0 9	0 6
Interest paid	(57 1)	(53 7)
Minority interest dividends paid	(0 2)	-
Finance lease interest paid	(0 1)	(0 2)
	(56 5)	(53 3)

Capital expenditure and financial investment

	2013 £m	2012 £m
Payments to acquire tangible fixed assets	(40 1)	(25 7)
Receipts from sales of tangible fixed assets	3 4	6 5
	(36 7)	(19 2)

Acquisitions and disposals

	2013 £m	2012 £m
Acquisition of subsidiary undertakings	(30 5)	(32 0)
Cash acquired with subsidiary undertakings	17 9	-
	(12 6)	(32 0)

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2013

22. NOTES TO THE GROUP CASH FLOW STATEMENT (CONTINUED)

Financing

	2013 £m	2012 £m
New loan note issued to related undertaking	-	1 5
New loan note issued to parent undertaking	-	1 5
Loan received from parent undertaking	-	11 0
New bank loans	821 0	-
New private placement loans	324 1	-
Repayment of bank loans	(1,062 7)	-
Issue costs paid	(34 0)	-
Payment of accretion on index-linked swaps	(73 4)	-
Debt financing	(25 0)	14 0
Capital element of finance lease rentals	(1 1)	(1 2)
	(26 1)	12 8

Subsidiary undertakings acquired in the year contributed £8 6m to the Group's net operating cash flows, paid £0 3m in respect of net returns on investment and servicing of finance, paid £2 7m in respect of taxation and utilised £0 2m for capital expenditure

23. ANALYSIS OF MOVEMENT IN GROUP NET DEBT

	As at 1 April 2012 £m	Acquisitions* £m	Cash flow £m	Other non-cash changes £m	Foreign exchange £m	As at 31 March 2013 £m
Cash at bank	76 2	-	(27 6)	-	0 2	48 8
Debt due within one year	(13 6)	(0 2)	(7 0)	0 2	-	(20 6)
Debt due after one year	(1,258 1)	(0 8)	32 0	(16 0)	-	(1,242 9)
Finance leases	(1 0)	(1 1)	1 1	-	-	(1 0)
Cash on short-term deposit*	2 6	-	-	(0 2)	-	2 4
	(1,270 1)	(2 1)	26 1	(16 0)	-	(1,262 1)
	(1,193 9)	(2 1)	(1 5)	(16 0)	0 2	(1,213 3)

*Excluding cash and overdrafts acquired

Cash on short-term deposit is only available for the redemption of floating rate guaranteed loan notes (note 17)

24. MAJOR NON-CASH TRANSACTIONS

The non-cash change of £16 0m (2012 £21 7m) in note 23 relates to the amortisation of debt issue costs of £2 2m (2012 £2 4m) and the change in the accretion payment accrued on an index-linked swap of £13 8m (2012 £19 3m) (note 7)

25 CAPITAL COMMITMENTS

	2013 £m	2012 £m
Capital expenditure contracted for but not provided for in these financial statements	10 5	5 9

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2013

26 RELATED PARTY TRANSACTIONS

Related Party	Transaction	2013 £m	2012 £m
Joint ventures			
CLYDEBoyd Fort William Limited	Rent received and services provided	0 2	0 2
Estuary Services Limited	Sales and expenses recharged	0 3	0 3
	Purchases	(1 1)	(1 1)

At the balance sheet date the following significant amounts were due to joint venture undertakings

	2013 £m	2012 £m
Estuary Services Limited	-	(0 1)

Entities in the Peel Holdings Limited group of companies

The following summarises the transactions during the year between entities in the Group and other divisions of the Peel Holdings Limited group of companies The other divisions of Peel Holdings Limited are headed by the following entities

Related Party	Transaction	2013 £m	2012 £m
Peel Holdings Limited	Expenses reimbursed	(0 1)	-
Peel Holdings Land & Property (UK) Limited	Sales and expenses recharged	2 1	3 6
	Purchases, rent and expenses reimbursed	(1 4)	(2 3)
Peel Holdings (Energy) Limited	Sales	0 1	0 1
	Purchase of fixed assets	1 9	-

At the balance sheet date the following significant amounts were owed by/(to) entities in the Peel Holdings Limited group of companies

	2013 £m	2012 £m
Peel Holdings Limited	(0 1)	-
Peel Holdings Land & Property (UK) Limited	0 2	-
Peel Holdings (Energy) Limited	1 8	0 1

Details of interest payable to the shareholders in the Group's immediate parent company (Peel Ports Holdings (CI) Limited), Peel Ports Holdings (IOM) Limited and Infrastructure JVCo (Lime) S a r l are disclosed in note 8 Details of ordinary dividends paid to the shareholder are shown in the directors' report

Included in accruals and deferred income is accrued interest of £2 8m (2012 £2 8m) payable to Infrastructure JVCo (Lime) S a r l and £2 8m (2012 £2 8m) payable to Peel Ports Holdings (IOM) Limited

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2013

27. OTHER FINANCIAL COMMITMENTS

At 31 March 2013, the Group had annual commitments under non-cancellable operating leases as follows

Group	Land and buildings 2013 £m	Other 2013 £m	Land and buildings 2012 £m	Other 2012 £m
Expiry date				
- within one year	0 1	8 5	0 1	3 9
- between two and five years	1 0	5 3	-	4 1
- after five years	5 6	-	3 9	-
	6 7	13 8	4 0	8 0

The Company has no annual commitments under non-cancellable operating leases

28. ULTIMATE AND IMMEDIATE HOLDING COMPANY

The directors regard Tokenhouse Limited, a company incorporated in the Isle of Man, as the ultimate holding company and Peel Ports Holdings (CI) Limited, a company registered in the Cayman Islands, as the immediate parent company

29. ULTIMATE CONTROLLING PARTY

Tokenhouse Limited is controlled by the Billown 1997 Settlement trust By virtue of its controlling interest in Peel Ports Holdings (CI) Limited and the majority voting power held by the directors appointed by that company's immediate parent undertaking, Peel Ports Holdings (IOM) Limited, the Company considers the Billown 1997 Settlement trust to be the ultimate controlling party

30. EQUITY MINORITY INTERESTS

	£m
At 1 April 2012	0 6
Acquisition of subsidiary undertakings	1 7
Profit and loss account	1 5
Dividends paid	(0 2)
Other recognised gains and losses	(0 6)
At 31 March 2013	3 0

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2013

31. MARINE SUPPORT SERVICES

On 21 September 2012 the Group increased its shareholding in Cammell Laird Shiprepairers & Shipbuilders Limited ("Cammell Laird") from 47 49% to 75% and in Atlantic & Peninsula Marine Services Limited ("A&PMS") to 75%, for a total consideration of £30 5m One of the vendors of A&PMS was Peel Ports Holdings (No 2) (IOM) Limited, a party related by virtue of common ownership and control The investment was financed from cash reserves

	Book value £m	Provisional fair value adjustment £m	Provisional fair value to the Group £m
Fixed assets			
Intangible fixed assets	(0 5)	0 5	-
Tangible fixed assets	23 2	-	23 2
Current assets			
Debtors	42 1	-	42 1
Stock	0 6	-	0 6
Cash	17 9	-	17 9
Total assets	83 3	0 5	83 8
Creditors due in less than one year			
Trade creditors	(31 2)	-	(31 2)
Other creditors and accruals	(23 8)	(2 5)	(26 3)
Loans and finance leases	(1 1)	-	(1 1)
Creditors due in more than one year			
Other creditors	(3 0)	-	(3 0)
Loans and finance leases	(1 0)	-	(1 0)
Provisions			
Pensions	(14 4)	-	(14 4)
Deferred tax	(0 4)	0 6	0 2
Total liabilities	(74 9)	(1 9)	(76 8)
Net assets	8 4	(1 4)	7 0
Minority interest share of fair value of net assets			(1 8)
Less value of joint venture			(4 2)
Net assets acquired			1 0
Goodwill			29 5
Purchase cost			30 5

Satisfied by:	£m
Cash consideration	30 0
Transaction costs	0 5
	30 5

Net cash outflows

	£m
Cash consideration and transaction costs	30 5
Cash at bank	(17 9)
	12 6

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2013

31. MARINE SUPPORT SERVICES (CONTINUED)

Prior to 21 September 2012 Cammell Laird was accounted for as a joint venture undertaking and the Group's share of the profits for the period prior to that date are recorded in the consolidated profit and loss account Cammell Laird and A&PMS have changed their year ends from 31 May and 31 December respectively to 31 March

Cammell Laird reported a profit after tax of £4 3m for the period from 1 June 2012 to 21 September 2012 and £7 6m for the year ended 31 May 2012 A&PMS reported a profit after tax of £6 4m for the period from 1 January 2012 to 21 September 2012 and £3 8m for the year ended 31 May 2012 No minority interests were recorded

32. PRINCIPAL SUBSIDIARY UNDERTAKINGS AND JOINT VENTURES

Subsidiary undertakings

The principal subsidiary undertakings consolidated at 31 March 2013 were as follows

Country of incorporation	Subsidiary	Principal activity
Great Britain	Ardrossan Harbour Company Limited	Operator of a Regional Port
Great Britain	A&P Falmouth Limited	Marine Support Services
Great Britain	A&P Tyne Limited	Marine Support Services
Great Britain	Birkenhead Port Limited	Operator of a Regional Port
The Netherlands	B G Freight Line B V	Shipping
Great Britain	Cammell Laird Shiprepairers & Shipbuilders Limited	Marine Support Services
Great Britain	Clydeport Operations Limited	Operator of a Regional Port
Northern Ireland	Coastal Container Line Limited	Shipping
Great Britain	Heysham Port Limited	Operator of a Regional Port
Republic of Ireland	Marine Terminals Limited	Stevedoring
Great Britain	Peel Ports Limited	Treasury Company
Cayman Islands	Peel Ports PP Finance Limited	Treasury Company
Great Britain	Port of Sheerness Limited	Operator of a Regional Port
Great Britain	The Manchester Ship Canal Company Limited	Operator of a Regional Port
Great Britain	The Mersey Docks and Harbour Company Limited	Operator of a Regional Port

All the above investments are 100% owned other than A&P Tyne Limited and A&P Falmouth Limited, part of the Atlantic & Peninsula Marine Services Limited group of companies, and Cammell Laird Shiprepairers & Shipbuilders Limited in which the Group has a 75% interest

Joint venture undertakings

The principal joint venture undertakings at 31 March 2013 were as follows

Country of incorporation	Joint venture	Principal activity
Great Britain	CLYDEBoyd Fort William Limited	Port facilities
Great Britain	Estuary Services Limited	Port facilities

The Group had a 50% shareholding in each of the joint venture undertakings above