Company Registration No: 5965116

PEEL PORTS GROUP LIMITED

Report and Financial Statements
For the year ended 31 March 2020

REPORT AND FINANCIAL STATEMENTS

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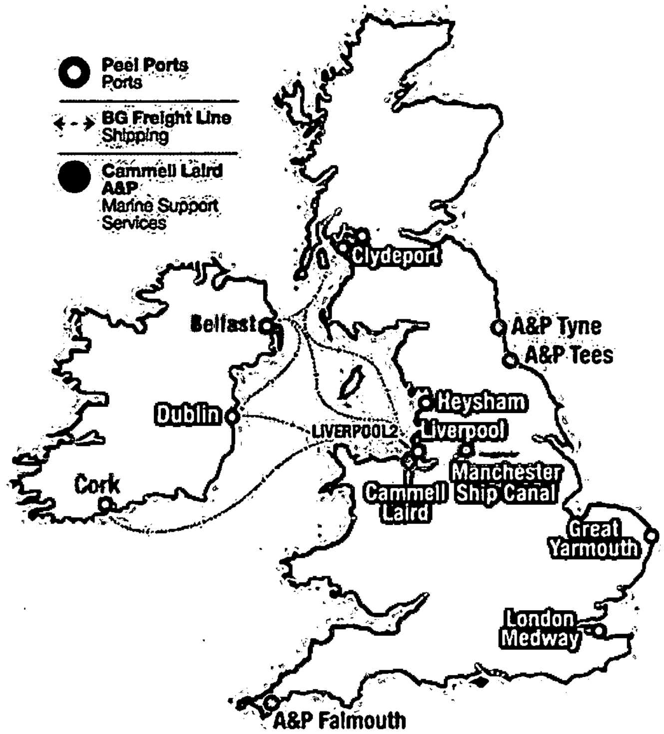
STRATEGIC REPORT

1. GROUP OVERVIEW AND PRINCIPAL ACTIVITIES

Group overview

The Group operates three business segments, Ports, Shipping and Marine Support Services.



Ports

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.

In addition, the Group operates Great Yarmouth Port as an agent of Great Yarmouth Port Authority, the Statutory Harbour Authority for that port, on a long-term basis.

Container facilities, freight forwarding and cargo handling services are also provided at Dublin Port under concession.

The Group's assets form a strategic hub centred on the Irish Sea, with locations in Liverpool, Dublin, Glasgow and along the Manchester Ship Canal. Linked by the Group's short sea shipping services and the Manchester Ship Canal container vessel 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. Great Yarmouth, as an offshore supply base, is strategically located close to the oil, gas and windfarm installations in the Southern North Sea.

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.

STRATEGIC REPORT (CONTINUED)

1. GROUP OVERVIEW AND PRINCIPAL ACTIVITIES (CONTINUED)

Ports (continued)

The Group's container handling offering is centred on the Port of Liverpool, which operates two container terminals, Liverpool2 and the Royal Seaforth Container Terminal ("RSCT").

Liverpool2 is a new in-river deep-water container terminal capable of accommodating the world's largest container vessels with smaller post-Panamax vessels the most likely primary users of the terminal.

The first phase of the construction of Liverpool2 saw approximately £300m invested, in addition to further investment in the port infrastructure at Liverpool. This was part financed by a £150m loan secured from the European Investment Bank and a Regional Growth Fund grant of £35m as a contribution to the cost of dredging the approach channel to the Mersey Estuary. By deepening the approach channel of the Mersey to 16 metres, it allows access for the post-Panamax vessels as well as widening the tidal access window for a range of other users of the port.

The second phase of the project will further increase the capacity of Liverpool2 and has an estimated cost of £50m, which in the main represents investment in additional quayside and landside cranes, together with some related infrastructure works. Orders were placed for all additional cranes in the year ended 31 March 2019 and the civil and electrical works commenced during summer 2019.

In January 2020, the Group entered into a joint venture agreement with Terminal Investment Limited S.A.R.L. in respect of the cargo handling operations of the Liverpool2 deep-water container terminal at the Port of Liverpool. The arrangement is intended to enable the business to achieve its ambitious growth plans for Liverpool2.

RSCT was the Port of Liverpool's existing container terminal. It has direct deep-sea and short-sea connections to a range of countries, including the USA, Canada, Spain, Italy, Portugal, Cyprus and Turkey, in addition to a number of feeder services connecting Liverpool with the Far East, India, Africa and South America.

The Group's two main terminals in Liverpool are complemented by facilities at Greenock in Scotland, Dublin in Ireland and at inland ports along the Manchester Ship Canal.

The combination of the Liverpool2 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 shipping lines, importers and exporters. It is estimated, for example, that 35 million consumers live within a radius of 150 miles of the Port of Liverpool.

Shipping

The Group's port operations are complemented by a shipping line, providing short sea container services between the UK, Ireland and mainland Europe and feeder services between the UK and Ireland. Operating as BG Freight Line, based in Rotterdam, the segment has taken delivery of four new purpose-built vessels designed specifically to meet the needs of customers. In addition to these seven-year charters, the segment also charters other vessels on a short-term basis as required to meet demand.

Marine Support Services

The Group's Marine Support Services segment provides a range of marine services, including ship repair and marine engineering, to ship owners and operators. Cammell Laird's Birkenhead site covers 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&P Group 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). Subsequent to the year-end, the Group has entered into an agreement to dispose of the Marine Support Services segment, with completion expected by the end of July 2020.

Overview of financial performance for the year

The financial performance of the Group is set out in Section 2 of the Strategic Report.

The subsidiaries principally affecting the profits or net assets of the Group in the year are listed in note 30.

STRATEGIC REPORT (CONTINUED)

2. FINANCIAL REVIEW

2.1 Operating performance

The results for the year and the previous year, and the Group's key performance indicators, are summarised below:

Continuing operations:	2020 £m	2019 £m	Change £m	Change %
Turnover	792.3	759.5	32.8	4.3
Gross profit before exceptional items[1]	223.5	244.5	(21.0)	(8.6)
Gross profit	185.4	223.8	(38.4)	(17.2)
EBITDA[2]	270.8	256.9	13.9	5.4
Group operating profit before exceptional items[1]	153.6	169.9	(16.3)	(9.6)
Group operating profit	112.7	120.7	(8.0)	(6.6)

	%	%
Gross profit margin before exceptional items[3]	28.2	32.2

Tonnage throughput (millions)*:				
Ports	60.2	60.2	-	-
Shipping	5.9	5.8	0.1	1.7
Total	66.1	66.0	0.1	1.7

*Uses standard tonnage measures for the port industry.

The operating performance for the year ended 31 March 2020 reflects the following:

- EBITDA increased by 5.4%, from £256.9m to £270.8m, reflecting another strong performance by the Group.
- Group operating profit before exceptional items is lower by 9.6%, at £153.6m compared to £169.9m in the prior year. This is after reflecting a £25.8m increase in the annual depreciation charge as a result of increased investment in tangible fixed assets and the write-down of certain obsolete assets following a detailed review.
- Tonnage throughput has increased from 66.0mt to 66.1mt, with the Shipping segment handling marginally higher volumes than the previous year.

[1] The exclusion of exceptional items of £38.1m (2019: £20.7m) from the gross profit of £185.4m (£2019: £223.8m) and £40.9m (2019: £49.2m) from the Group operating profit of £112.7m (2019: £120.7m) to derive the adjusted gross profit and Group operating profit figures removes items that could distort the understanding of the Group's performance and the comparability between periods.

[2] EBITDA of £270.8m (2019: £256.9m) is group operating profit of £112.7m (2019: £120.7m) before depreciation of £101.5m (2019: £75.7m), amortisation of goodwill of £14.5m (2019: £10.5m), statutory unrealised foreign currency gains and losses of £1.2m (net loss) (2019: £0.8m net loss) and exceptional items of £40.9m (2019: £49.2m), and after other finance income arising from the defined benefit pension schemes of £nil (2019: £nil) and dividends received from joint ventures of £nil (2019: £nil) and before minority interest. The use of EBITDA as a primary measure of profitability, and its definition, is derived from the Group's banking covenants. EBITDA is also commonly used by peer group companies, though definitions across the sector may differ.

[3] Gross profit margin before exceptional items of 28.2% (2019: 32.2.%) is calculated by dividing the gross profit before exceptional items of £223.5m (2019: £244.5m) by the turnover of £792.3m (2019: £759.5m).

STRATEGIC REPORT (CONTINUED)

2. FINANCIAL REVIEW (CONTINUED)

2.1 Operating performance (continued)

- Turnover increased by 4.3%, from £759.5m to £792.3m, as a result of growth in each of the Group's segments.
- Gross profit margin before exceptional items decreased from 32.2% to 28.2%, reflecting a change in mix and a lower level of spot market opportunities in the year ended 31 March 2020.
- Group operating profit decreased by 6.6% from £120.7m to £112.7m, after recognising exceptional charges for the year of £40.9m (2019: £49.2m). The Group's loss after tax was £102.1m, compared to a prior year loss after tax of £87.3m. This is after taking account of non-cash net charges of £83.0m (2019: £67.1m) relating to the change in the fair value of derivative financial instruments (in respect of which £11.1m (2019: £13.2m) relates to the accretion on the index-linked swaps) and a loss of £10.0m (2019: £21.2m loss) arising from the retranslation of foreign currency loans.
- Included within exceptional items in cost of sales are £16.7m (2019: £20.7m) of unexpected costs on a long-term project undertaken in the Marine Support Services segment, where delays in completing the project have had an adverse impact on the costs to complete and the reported performance in the year. Although the customer has agreed to additional value in respect of some of these costs, there is no certainty of any further recovery, which is reflected in the result for the year.
- The extraordinary circumstances arising from the global Covid-19 pandemic have given rise to a number of exceptional costs in the year ended 31 March 2020, reflecting the risks arising from the economic disruption. In addition to additional operational costs of £0.9m, the Group has recognised an exceptional charge of £5.8m in respect of legacy costs arising from abandoned vessels, an exceptional bad debt provision of £4.5m and recognised an exceptional charge of £6.0m in respect of cruise terminal assets. These are predominantly non-cash in nature.
- The exceptional charge in administrative costs in the year ended 31 March 2019 also included a non-cash impairment charge of £15.8m in respect of goodwill associated with the Marine Support Services segment. This followed a review by the directors of the performance of the aforementioned project and the future strategy of the Marine Support Services segment. In addition, a £5.8m non-cash charge relating to the equalisation of guaranteed minimum pensions ("GMPs") within the Group's defined benefit pension arrangements was recognised. This followed a UK High Court judgement in October 2018, in respect of the gender equalisation of GMPs for occupational pension schemes. Further information can be found in note 21.
- Operating cash flows[4] were £203.2m, down from £207.7m, as the increase in EBITDA was offset in part by timing differences relating to movements in working capital.
- The Group invested £124.8m (2019: £99.5m) in net capital expenditure[5]. Financing activities in the year raised £72.0m (2019: £106.7m) of net new funds[6] and also included a net drawdown of £55.0m (2019: net repayment of £25.0m) of revolving facilities. The Group paid interest of £109.9m (2019: £108.9m). Dividends paid to the owners of the parent company totalled £90.1m (2019: £73.9m). Dividends of £1.0m were paid to the non-controlling interests (2019: £nil).
- The level of business activity for the Group reflects the higher volumes handled in the Shipping segments as well as the stage of completion of long-term contracts and lower levels of activity within Marine Support Services, alongside a robust performance by the Ports segment. The strong results for the year demonstrate the Group's ability to continue to grow its share of challenging markets.
- As noted below, there are continued economic uncertainties surrounding the outcome of Brexit negotiations and the effects of Covid-19, though the fundamentals of the business are unchanged and the Group is planning for further growth.

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[4] Cash inflows from operating activities of £203.2m (2019: £207.7m), before adjustment for tax paid of £3.9m (2019: £2.5m).

[5] Net capital expenditure of £124.8m (2019: £99.5m) is the sum of payments to acquire tangible fixed assets of £128.9m (2019: £102.2m) less receipts from the sale of tangible fixed assets of £4.1m (2019: £2.7m).

[6] Net new funds raised of £72.0m (2019: £106.7m) represents new private placement loans of £252.8m (2019: £75.0m), repayment of private placement loans of £22.0m (2019: £nil), new bank loans of £150.0m (2019: £100.0m) and repayment of bank loans of £308.9m (2019: £68.3m).

STRATEGIC REPORT (CONTINUED)

2. FINANCIAL REVIEW (CONTINUED)

2.2 Other financial developments

Other financial developments include:

- During the year, the Group raised £252.9m (2019: £75.0m) from the issuance of Private Placement Loans, with maturities between 2026 and 2031, and £150.0m (2019: £100.0m) of new bank loans, which were repaid during the year (2019: mature between 2022 and 2027). In total, the Group repaid £330.9m (2019: £68.3m) of bank facilities and private placement loans.
- In May 2019, the Group acquired the entire issued share capital of Quality Freight (UK) Limited for total consideration of £10.3m, of which £7.3m was paid in the year ended 31 March 2020 (see below).
- Net investment in capital expenditure totalled £124.8m (2019: £99.5m)[7]. This included further investment in Liverpool2 and a new double deck ramp at the Twelve Quays RoRo facility in Birkenhead. There has also been investment in the infrastructure at Heysham Port. At the Port of Sheerness, the second stage of development of Wellmarsh, the former Thamesteel site, is underway. In Scotland, projects to develop Ardrossan Harbour and transition Hunterston Port are continuing while there has also been investment in enhancing the infrastructure at King George V dock and the Greenock Ocean Cruise Terminal in Glasgow. At Great Yarmouth, investment has been made in plant and machinery to improve the efficiency of operations.
- Ordinary dividends of £90.1m (2019: £73.9m) were paid during the year. These are set out below:

	2020 £m	2019 £m
Dividends (includes the prior year final declared dividend of £44.5m (2019: £36.9m))	90.1	73.9

A final dividend of £nil has been proposed (2019: £44.5m).

2.3 Financial position at the end of the year

- Net liabilities were £1,946.2m as at 31 March 2020 (2019: £1,772.5m). In addition to the loss for the financial year of £102.1m (2019: loss of £87.3m), the net liability position has changed primarily because of an actuarial gain, net of deferred tax, of £18.4m (2019: £3.6m) relating to the Group's defined benefit pension schemes, and the payment of ordinary dividends of £90.1m (2019: £73.9m). The prior year movement in net liabilities also included the issue of £38.4m of share capital to the Group's existing shareholders.

3. OTHER DEVELOPMENTS DURING THE YEAR AND FUTURE DEVELOPMENTS

Quality Freight (UK) Limited

On 16 May 2019, the Group acquired the entire issued share capital of Quality Freight (UK) Limited for a total consideration of £10.3m, of which £7.3m was paid in the year ended 31 March 2020, £2.4m of deferred and contingent consideration was paid subsequent to the year-end and £0.6m will be paid on the second anniversary of the acquisition. Quality Freight (UK) Limited provides freight-forwarding, port services, stevedoring, shipbroking and chartering services from a site along the Manchester Ship Canal that it leases from the Group. In the company's most recent audited annual accounts, annual revenue was £24.3m and EBITDA was £1.6m.

ERP

The Group has made good progress with its ERP implementation project, with the first three releases of SAP having been successfully rolled out during the year ended 31 March 2020. Despite the disruption caused by Covid-19, the implementation programme and expected final cost remain in line with the original investment proposal.

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[7] Net investment in capital expenditure of £124.8m (2019: £99.5m) represents payments to acquire tangible fixed assets of £128.9m (2019: £102.2m) less receipts from sales of tangible fixed assets of £4.1m (2019: £2.7m).

STRATEGIC REPORT (CONTINUED)

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

Joint Venture with Terminal Investment Limited S.A.R.L.

In January 2020, the Group entered into a joint venture agreement with Terminal Investment Limited S.A.R.L. in respect of the cargo handling operations of the Liverpool2 deep-water container terminal at the Port of Liverpool. The arrangement is intended to enable the business to achieve its ambitious growth plans for Liverpool2. Work has already begun on the second phase of Liverpool2 to provide additional capacity for the expected increase in volumes. In April 2020, Liverpool2 welcomed the MSC Federica and exchanged 5,452 TEU of cargo, the highest number handled from a single vessel since the terminal opened in 2016. The vessel is part of MSC's Turkey-Canada service and directly links Liverpool to the Far East.

Marine Support Services

Subsequent to the year-end, the Group has entered into an agreement to dispose of the Marine Support Services segment, with completion expected by the end of July 2020.

Covid-19

The global pandemic that spread around the world in the first quarter of the 2020 calendar year affected the Group's results for the year ended 31 March 2020, particularly in March 2020 when the UK went into 'lockdown'. As this report is being prepared, the UK is taking careful steps to return to something approaching a form of normality and to open up more parts of the economy. This is addressed further in Section 4.

4. PRINCIPAL RISKS AND UNCERTAINTIES

4.1 Covid-19

The global Covid-19 pandemic has brought about a period of unprecedented uncertainty and disrupted global economies and supply chains in ways not seen before. As explained in the Financial Review, this affected the results of the Group in the final month of its year ended 31 March 2020. It will also undoubtedly have an effect on the results of the Group for the year ending 31 March 2021.

However, the Group has shown itself to be agile in responding to past economic shocks, including the global financial crisis, and it has moved quickly to put in place measures to mitigate to the fullest extent possible the effects of the pandemic.

First and foremost, the most immediate need was to quickly consider and respond to the risks that the pandemic brought to the health and well-being of the Group's employees. As a major ports group, it was essential to the UK economy and key sectors and organisations, including the National Health Service, that the Group could continue to operate as close to normal as possible while maintaining its core focus on health and safety. Extensive cleaning and availability of hand sanitiser was initiated quickly. Signage was installed reminding employees and visitors to wash hands regularly and to maintain suitable social distancing measures. Visitors to the port and non-essential travel by employees was discouraged. Formal policies regarding the reporting of potential symptoms and the requirement to self-isolate were introduced and regular reporting of potential cases to the Executive Board allowed for this to be monitored. As lockdown measures were introduced, employees were encouraged to work from home where practicable and appropriate support was put in place for employees who were considered to be vulnerable. Regular communications have kept employees and third parties up to date as to how the Group is responding to the situation as it develops and as guidance is issued by the UK Government and regulatory authorities.

Continuing to operate as close to normal as possible during the pandemic has necessitated the Group deploying many of its business continuity procedures and has shown the value of investment in technology, including that required to allow employees to work remotely where required.

At the time of preparing this report, the countries in which the Group operate are starting to return to something approaching normality, though it is clear that continued vigilance is required and the Group is ensuring it plays its part in that regard.

From a commercial perspective, although there has been unprecedented disruption to supply chains, it is still the case that the vast majority of goods by volume imported and exported from the UK are moved by sea. Peel Ports is the second largest ports group in the UK, and one of the most diversified, meaning that the Group plays an essential role in supporting the recovery of the UK and global economies.

STRATEGIC REPORT (CONTINUED)

4. PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

4.1 Covid-19 (continued)

More immediately, the Group has curtailed or delayed non-essential expenditure, including development capital expenditure, and taken the opportunity to raise a further £50.0m of finance to provide additional liquidity. In order to respond to reduced volumes the Group has had to take some difficult decisions and this has resulted in some employees being made redundant. This was not a decision taken lightly; we are proud of the growth in our employee numbers, stemming from investments made in the business. It was necessary, however, to align our cost base with our revised outlook for the UK economy. It is hoped that as the economy recovers we will be able to return to growing job opportunities within the Group.

Commercial opportunities will still present themselves, and we are engaging proactively with customers and potential customers alike to identify ways in which we can provide Group-wide solutions for those companies looking to optimise their supply chains.

4.2 Operational

Health and safety

The nature of the Group's operations is such that there is always a possibility of accidents occurring. Some of the cargos passing over the quay need to be handled with care and in accordance with specific procedures. The Board of Directors is committed to ensuring that the Group complies with all appropriate health and safety requirements and to achieving continuous improvement to the effectiveness of the Group's health and safety management. The safety of its workforce, and anyone who enters the working environment, is an essential part of the Group's overall strategy.

It is Peel Ports' policy that health and safety should be placed to the fore in the conduct of our operations. This was particularly evident in the Group's response to the Covid-19 pandemic.

The Group's approach to health and safety matters is overseen by a Health and Safety Governance Committee, chaired by the Group Chief Executive Officer.

The Group has continued to enhance its focus on health and safety in the year ended 31 March 2020, with further investment in training. Further initiatives are planned with the objective of continuing the progress made so far in raising the profile of this critical area.

This continuing concerted focus on health and safety helped contribute to a more than 70% decrease in lost-time incidents in the year ended 31 March 2020, compared to the previous year.

It is expected that continued investment in this area will make a significant contribution to:

- Reducing the risk of injury to employees and others who enter the Group's working environment;
- Protecting the health of employees;
- Building a strong and effective safety culture among employees at every level; and
- Demonstrating full compliance with all statutory requirements in this area.

This investment is intended to maintain Peel Ports' reputation as a 'responsible operator' amongst all stakeholders, including the communities in which the Group operates.

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 returns. In addition to the Group's own experience of completing capital projects, additional personnel with experience of managing major construction projects are recruited from time to time to mitigate this risk.

Resilience of operational assets

The nature of ports is such that operations are reliant on the infrastructure of those ports, including quaysides, lock gates, cranes and warehousing. The Group invests significantly in capital maintenance in order to mitigate the risk of major infrastructure failure which could adversely affect the operations of the respective ports.

STRATEGIC REPORT (CONTINUED)

4. PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

4.2 Operational (continued)

Cyber security

As well as the risk to our physical infrastructure, like most businesses, the Group faces risks associated with a cyber security breach. Threats can vary in their complexity and sophistication and can potentially negatively impact organisations of all sizes. Over a number of years, the Group has increased its investment in this area to put in place appropriate resilience and recovery measures as well as a comprehensive employee training programme to raise awareness and defend against malicious attacks. This is reinforced by regular tests to ensure that employees remain vigilant. We employ a range of industry-standard security products, both internally and on our network perimeters. Formal security and IT conditions of use policies are established, which define security standards and acceptable use.

Technology and innovation

The rate of development of technology and innovation continues to be a strategic risk, and opportunity, for many businesses. The construction of the Liverpool2 container-handling terminal at the Port of Liverpool provided an opportunity to future-proof aspects of our port-wide technology. We have also invested in other technology that has improved the effectiveness and resilience of operations, including in respect of our group-wide vessel traffic management system. The Group is currently progressing the deployment of an Enterprise Resource Planning ('ERP') system.

General Data Protection Regulation ('GDPR')

Non-compliance with GDPR, and before it the Data Protection Act 2018, continues to be a significant regulatory risk facing the Group. The Group has put in place appropriate policies and procedures, comprehensive training and reference materials and issued reminders through signage and intranet/IT screen background messages. Compliance with the GDPR is overseen by the Group's Data Protection Officer.

4.3 Commercial

Brexit

Despite the continuing political uncertainty arising from the UK's vote to leave the EU, the Group has not encountered any material adverse impacts that might be directly attributable to Brexit. The Group has reviewed its operations in readiness for Brexit and has obtained Authorised Economic Operator status for each of its principal ports. Economic uncertainty, with the potential impact on the UK ports, continues to be a particular area of concern, though any negative effect is likely to be less apparent while the global economy is also recovering from the global Covid-19 pandemic. However, the Group is well diversified both by geography and by commodity and its business fundamentals are robust. This provides a resilient base from which it can respond to challenges and opportunities as they arise.

Dependency of the Group's ports on economic activity

The regional ports within the Group each form part of a wider transport infrastructure. The key operational risks and uncertainties relate to the dependency upon the economic activity of the businesses and consumers within the 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. This is particularly the case as the global economy deals with the effects of the Covid-19 pandemic.

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 and has 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 current and future customers.

STRATEGIC REPORT (CONTINUED)

4. PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

4.3 Commercial (continued)

Container shipping sector developments

The container shipping line industry continues to face significant upheaval with global alliances being created between shipping lines, ongoing acquisition activity, profitability challenges and excess capacity. These factors can result in potential risks to the activity levels of the Group's container handling operations. The Group has invested significantly in modern technology and practices so that its Shipping operations are efficient and attractive to existing and potential customers.

Shipping and Marine Support Services tendering for contracts

For the Group's non-port segments, there is a greater degree of commercial tendering for lower margin contracts which are typically of a shorter duration than those in the Ports segment. The mitigation of this risk comes from developing a strong track record for delivering excellent service, ensuring operational efficiency and maintaining the flexibility to respond quickly to potential upsides and downsides in activity levels. Following the recording of exceptional charges in respect of Marine Support Services, relating to unexpected costs on a significant contract, a review of the strategy for this segment has been undertaken and is now in the process of being implemented. Subsequent to the year-end, the Group has entered into an agreement to dispose of the Marine Support Services segment, with completion expected by the end of July 2020.

4.4 Financial

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 1 April 2020 and 30 September 2046 ("long-term debt") amount to £2,143.3m (2019: £2,006.3m)[8]. 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 notes 19 and 20.

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. As at 31 March 2020, within the current facility agreements, there were undrawn funds of £115.0m available in addition to cash of £91.1m on the Group's balance sheet. In addition, the Group has in place £110.0m of debt service reserve liquidity facilities to cover annual interest costs. Consideration of this in the context of going concern, and the additional risks arising from Covid-19, can be found in note 3.

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. The disruption caused by Covid-19 has increased the potential risk that customers may not pay or may pay later than agreed terms. The Group's ports play an essential role in maintaining the UK's (and Global) supply chains, including the supply of essential supplies to organisations such as the National Health Service. It is, therefore, important that the Group is able to secure payments due from customers in order to ensure it can operate effectively and pay suppliers on a timely basis. The Group engages proactively with customers to mitigate the risks arising and takes appropriate action when necessary.

Capital risk

The Group's financing arrangements are set out in note 19 to the financial statements. The Group keeps its funding structure under review with the objective of maximising shareholder value and the capacity to meet its operational requirements and to facilitate the execution of its strategy. The group's external loan covenants impose certain restrictions on the Group relating to capital which are regularly monitored by management. The Group was in compliance with these covenants during 2019 and 2020 and had significant headroom to the set limits.

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[8] Loans and loan note instruments of £2,143.3m (2019: £2,006.3m) represents total loans and borrowings of £2,138.3m (2019: £1,998.6m) less perpetual debenture stock of £2.2m (2019: £2.2m), 3% irredeemable loan stock of £1.2m (2019: £1.2m), 3.625% irredeemable debenture stock of £0.7m (2019: £0.7m), finance leases of £1.0m (2019: £nil) and after adding back unamortised debt issue costs of £10.1m (2019: £11.8m).

STRATEGIC REPORT (CONTINUED)

4. PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

4.4 Financial (continued)

Foreign exchange risk

The Group is exposed to translation and transaction foreign exchange risk. The Group's Shipping segment (based in Rotterdam) transacts primarily in euros and US dollars, the Group's Irish container terminals (based in Dublin) transacts primarily in euros, and a subsidiary of the Marine Support Services segment (based in New South Wales, Australia) transacts primarily in Australian dollars. In addition, the Group has in issuance US dollar denominated private placement loans and may also purchase items from third party companies in currencies other than sterling.

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. For example, the US dollar denominated private placement loans were fixed into sterling at the time of issuance using cross currency swaps. In addition, the new long-term charter commitments within the Group's Shipping segment are subject to forward contracts. If the hedging activity does not mitigate the exposure, then foreign currency fluctuations may adversely affect the results and the financial condition of the Group.

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.

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 each schemes' assets and liabilities can have a significant effect on the asset or liability that the Group records. As at 31 March 2020, the Group balance sheet recorded a pension liability of £76.3m (2019: £106.8m). The liability has decreased in the year due to employer contributions paid in the year, investment returns and changes in actuarial assumptions. The arrangements and the assumptions used are more fully explained in note 21 of the financial statements.

It is also explained in note 21 that the assumptions used, and balance sheet positions, as determined by FRS 102 are not representative of the funding position of the defined benefit pension schemes, which are subject to triennial actuarial valuations.

Contribution rates are agreed with the trustees of each of the Group's schemes to enable deficits to be recovered over appropriate periods of time, by reference to the triennial actuarial valuations. The results of the triennial valuation of the Pilots National Pension Fund, as at 31 December 2019, are expected in late 2020 or early 2021. Although this valuation is prepared as at a date that pre-dates the Covid-19 pandemic, and would not be expected to take into account subsequent events, continuing focus on pension deficit positions by The Pensions Regulator, including guidance it issues to Trustees, can lead to different positions being taken at each valuation date and additional contributions being requested by the Trustees. The Group engages constructively with the Trustees of each of the defined benefit pension schemes that it is party to. In the year ended 31 March 2020, the Group paid employer contributions to defined benefit pension schemes of £12.0m (2019: £10.5m).

Going concern

As referred to in note 3 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. This has also taken into account the potential risks associated with the global Covid-19 pandemic. As reported above, the Group moved quickly to mitigate the financial effects of the disruption caused by the pandemic, including the curtailing and deferment of non-essential expenditure, including development capital expenditure, accessing the Government's business interruption financial assistance packages and job retention schemes and putting in place a more concerted focus on the recovery of trade debtors. Although the Group has significant resources available to it, a further £50m of finance has been raised in June 2020.

STRATEGIC REPORT (CONTINUED)

4. PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

4.5 Environmental

Operations

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.

Climate change

Climate change has become an increasingly important consideration across the world and is an important principal risk to which the Group has to respond. The Climate Change Act 2011 required certain of the Group's ports to complete a risk assessment and submit a climate change adaption report to Defra. The Group continues to monitor and consider the risks identified in those reports.

The UK Government has made a legally binding commitment to achieving a Net Zero Carbon economy by 2050. To achieve this, there will need to be significant changes across the economy and, by extension, the ports that serve it. For example, this is likely to result in the long-term reduction in tonnages of oil related cargoes and a move away from diesel and petrol cars to electric and other more environmentally friendly forms of transport. Existing vessels' propulsion systems will become obsolete, an event mitigated within the Group's shipping division in recent years by the entering into of long-term charters for the hire of modern-built and more environmentally friendly vessels. The Group will need to adopt new technologies and deal with currently unforeseen legislative changes. As we have seen in the year ended 31 March 2020, the Group will need to manage the impact of extreme weather on the business, with several of the Group's ports being affected in an unprecedented way by several named storms in short succession.

The Group's five year plan includes initiatives that will help support the response to risks associated with climate change, including the use of technology and energy efficiency solutions.

5. STREAMLINED ENERGY AND CARBON REPORTING ('SECR')

The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2018 require the disclosure of annual UK energy consumption and greenhouse gas emissions from SECR regulated sources.

The Company and the majority of the Group's subsidiary undertakings are considered to be "low energy users" for the purposes of the streamlined energy and carbon reporting legislation and, therefore, no disclosure is required in respect of those companies.

The Mersey Docks and Harbour Company Limited ('MDHC'), a wholly-owned subsidiary, is required to disclose information and this is set out below. By turnover and net assets, MDHC is the largest trading company in the Group.

Disclosures in respect of The Mersey Docks and Harbour Company Limited

	kWh
Energy used to calculate emissions	56,093,000
	tC02
Greenhouse gas emissions from:	
- combustion of gas	209
- combustion of fuel for transport purposes	3,203
- employees' business travel where the company is responsible for buying the fuel	-
- purchased electricity	11,020
Total emissions	14,432

STRATEGIC REPORT (CONTINUED)

5. STREAMLINED ENERGY AND CARBON REPORTING (CONTINUED)

	tC02 per thousand tonnes
Intensity ratio[9]	0.47

Methodology

The calculation of the SECR greenhouse gas emissions requires the application of a choice of methodology and the use of estimations, which is explained further below.

Greenhouse gas emissions have been calculated using conversion factors published by DEFRA in 2019. Additionally, electricity emissions calculations also use supplier-specific fuel-mix disclosures in gCO2/kWh, accounting for the contractual arrangements in place. Electricity and natural gas calculations use metered kWh consumption taken from supplier invoices where possible. Transport emissions have been calculated using purchased fuel where available.

Energy efficiency actions

As set out in 4.5 above, the Group's five year plan includes initiatives to extend the use of technology and energy efficiency solutions and further work is planned in order to develop the reporting of data in this area.

In the period covered by the report, MDHC has promoted the awareness of energy usage and ways in which it can be reduced, including posters positioned near electrical devices and light switches and the use of the Group's intranet. In addition, investment in new fixed assets, such as cranes, also allows for more energy efficient equipment to be used in operations. MDHC has also taken forward several projects to upgrade existing lighting with LED alternatives and control systems to ensure the lighting is only used when required. A further programme of investment and a transition to alternative lower carbon fuels is planned.

6. SECTION 172 STATEMENT

Section 172 ('S172') of the Companies Act 2006 requires a director of a company to act in the way he or she considers, in good faith, would most likely promote the success of the company for the benefit of its members as a whole. In doing this, with respect to Peel Ports Group Limited, S172 requires a director to have regard, among other matters, to the:

- likely consequences of any decisions in the long term;
- interests of the Group's employees;
- need to foster the Group's business relationships with suppliers, customers and other stakeholders;
- impact of the Group's operations on the community and environment;
- desirability of the Group maintaining a reputation for high standards of business conduct; and
- need to act fairly as between members of the Group.

In discharging its S172 duties, the Board has had regard to the factors set out above, although at times some factors may have been given greater weighting than others.

Appropriate regard was also given to other factors considered relevant to the decision being made, for example our relationship with regulators, industry bodies and other business relationships. We acknowledge that every decision the Board has made will not necessarily result in a positive outcome for all of our stakeholders and the Board frequently has to make difficult decisions based on competing priorities. However, by giving consideration to key stakeholder groups and aligning our activities with our strategic plan, as well as the Group's culture and values, we aim to balance those different perspectives in the best interests of the Group over the long term.

We identify our key stakeholders as employees, defined benefit pension schemes, customers, suppliers, communities, the environment, government, local authorities and regulators, financial investors and shareholders.

[9] The intensity ratio is the total emissions of 14,432 tCO2 divided by the tonnage handled by the Port of Liverpool (30,653 thousand tonnes).

STRATEGIC REPORT (CONTINUED)

6. SECTION 172 STATEMENT (CONTINUED)

The Board will sometimes engage directly with stakeholders on certain issues, but the size and distribution of our stakeholders, and of the Group, means that stakeholder engagement often takes place at an operational level. The Board considers information from across the organisation to help it understand the impact of the Group's operations, and the interests and views of our key stakeholders. It also reviews strategy, financial and operational performance, as well as information covering areas such as key risks, and legal and regulatory compliance.

We consider the principal decisions to be those decisions taken by the Board directly, which should not be delegated to either management or a committee of the Board, and which may have a potentially material impact on the Group's strategy, a stakeholder group or the long-term value creation of the Group. We have grouped the Board's principal decisions into the following categories:

- financial results (the full and half year results);
- capital allocation (the approval of the annual budget, the recommendation of the full-year dividend and declaration of an interim dividend);
- material funding and treasury matters;
- tax strategy;
- M&A activity;
- review of matters reserved for the Board;
- Board member changes;
- material supplier contracts;
- strategy review (the review of the Group's five year business plan); and
- Group statements (the approval of the Group's modern slavery statement and gender pay report).

Details of the Group's key stakeholders and how we engage with them are set out below.

Employees

Our employees are key to our success and we want them to be safe, well trained and successful, individually and as a team. We engage with our employees in a number of ways, including face-to-face briefings, newsletters, an intranet, social media and through engagement with unions.

Key areas of focus include health and well-being, development opportunities, job security, pay and benefits.

Examples of ways in which the Group has responded to the expectations of employees include our response to Covid-19, with the emphasis on safe working practices, having continuous improvement of health and safety practices at the core of everything we do, publication of gender pay reports and development opportunities such as apprenticeship programmes.

Defined benefit pension schemes

The Group is party to a number of defined benefit pension schemes, including industry-wide schemes such as the Pilots National Pension Fund. We take seriously our commitments to these pension schemes, which serve to provide benefits for current and former employees of the Group. We engage with these pension schemes on a regular basis through trustee meetings and involvement in industry-wide groups such as the Association of Participating Bodies of the Pilots National Pension Fund. Key areas of focus include the funding of the pension schemes and the covenant strength of the companies that provide this funding.

The Group continues to fulfil its funding commitments and, through focusing on the growth and financial strength of the business, continues to maintain and build its covenant strength.

Customers

We aim to deliver a high level of service to our customers. We build strong lasting relationships and spend time with them to understand their needs and listen to how we can improve our offer and service to them. We use this knowledge to inform our decision-making, for example to tailor our proposition to suit customer demands.

The Group has responded to the expectations and requirements of its customers through investment in major capital expenditure projects, such as the Liverpool2 container terminal, the Wellmarsh development at the Port of Sheerness and the acquisition of land at King George V Dock in Glasgow.

STRATEGIC REPORT (CONTINUED)

6. SECTION 172 STATEMENT (CONTINUED)

Suppliers

The Group's procurement function is engaged with building strong relationships with our suppliers to develop mutually beneficial and lasting partnerships. Engagement with suppliers is primarily through a series of interactions and formal reviews. Key areas of focus include building long-term partnerships, fair terms and conditions and health and safety. The Board recognises that relationships with key suppliers are important to the Group's long-term success.

Twice yearly in-scope group companies report on payment practices and terms, with payments within agreed terms an important objective for the group. The Group also works with suppliers on ensuring compliance with the Modern Slavery Act, the Group's statement on which can be found on its website.

Communities

We engage with the communities in which we operate to build trust and understand the local issues that are important to them. Key areas of focus include how we can support and resolve any concerns that local communities may have with regard to the operation of our ports, create opportunities to recruit local people and help to look after the environment.

Our ports employ a significant number of people from the communities in which they are based. We engage constructively with local community groups and individuals where they may have concerns regarding our operations, so we can be a good neighbour to those who live near our ports. We also support local charities and community projects.

Environment

The environment has been considered to be strongly related to communities and they are often considered together, although we are ever more conscious that the environment also impacts our customers and suppliers and is of increasing importance to our employees as well. The Group is committed to developing its business to meet the needs of its customers in a sustainable way, with initiatives such as reducing our carbon footprint through better energy management and recycling schemes. The Group also engages with key environmental stakeholders such as the Environmental Agency, the Department for Environment, Food and Rural Affairs and the Marine Management Organisation. Engaging with these stakeholders is important to ensure that planning and licenses are granted and that we are able to meet legislative requirements.

Government, local authorities and regulators

We engage with the government, local authorities and regulators through a range of industry consultations and meetings to communicate our views to policy makers relevant to our business. When planning development projects, we work closely with local authorities to ensure that an appropriate solution is delivered for our customers within planning requirements. Key areas of focus are compliance with laws and regulations and health and safety. The Board is updated on legal and regulatory developments and takes these into account when considering future actions.

Financial investors

We rely on the support of our financial investors and we aim to maintain a timely, open and constructive dialogue with them. In addition to twice yearly presentations on the financial performance of the Group and key developments, we engage with our financial investors on an ad hoc basis through a Financial Investor relationship programme. Key areas of focus are the use to which we put financial investment, financing and refinancing opportunities, the Group's ability to pay interest payments/debt repayments when they fall due and covenant compliance.

Shareholders

As owners of our Group we rely on the support of shareholders and their opinions are important to us. Our shareholders appoint representatives to sit on the Board of the Group's immediate parent undertaking, Peel Ports Holdings (CI) Limited, and matters relevant to the Group are discussed in meetings of that board. Discussions with shareholders cover a wide range of topics including environment, health and safety ('EHS'), financial performance, strategy, outlook and governance.

STRATEGIC REPORT (CONTINUED)

On behalf of the Board

I G L Charnock
Director
22 July 2020

DIRECTORS' REPORT

This report contains the statutory information disclosed in addition to that set out in the separate Strategic Report. Information relating to the future development of the business, which would otherwise be included in the Directors' Report, is included in the Strategic Report.

DIVIDENDS

Dividends paid in the year totalled £90.1m (2019: £73.9m). Of these, £45.6m (2019: £37.0m) is an interim dividend and £44.5m (2019: £36.9m) is a final dividend declared in respect of the preceding financial year. A final dividend of £nil has been proposed (2019: £44.5m).

DIRECTORS

The directors who held office during the financial year and thereafter were as follows:

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

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.

DISABLED PERSONS

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.

EMPLOYEE ENGAGEMENT

A statement on employee engagement is included in the Section 172 statement in the Strategic Report.

STATEMENT ON BUSINESS RELATIONSHIPS

A statement on business relationships is included in the Section 172 statement in the Strategic Report.

STREAMLINED ENERGY AND CARBON REPORTING

Disclosures in respect of the Streamlined Energy and Carbon Reporting requirements are included in the Strategic Report.

SUBSEQUENT EVENTS

The Group is progressing the disposal of the Marine Support Services segment, with completion expected by the end of July 2020. Proceeds from the sale are expected to be in excess of the carrying value of the net assets of the segment.

DIRECTORS' REPORT (CONTINUED)

AUDITOR AND 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

I G L Charnock
Director
22 July 2020

DIRECTORS' RESPONSIBILITIES STATEMENT

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

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

In our opinion the financial statements of Peel Ports Group Limited (the 'Parent company') and its subsidiaries (the 'Group'):

- give a true and fair view of the state of the Group's and the parent company's affairs as at 31 March 2020 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated profit and loss account;
- the consolidated statement of comprehensive income;
- the consolidated and company balance sheets;
- the consolidated and company statements of changes in equity;
- the consolidated cash flow statement; and
- the related notes 1 to 31.

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the "FRC's") Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of our audit approach

Key audit matters	The key audit matter that we identified in the current year was revenue recognition (2019: same).
Materiality	The materiality that we used in the current year for the group audit was £38.9 million, which was determined on the basis of 2% of net liabilities, and a lower materiality of £10.4 million, which was determined on the basis of 4% of earnings before interest, tax, depreciation and amortisation ("EBITDA"), was used for all balances that impacted the EBITDA measure in the financial statements.
Scoping	Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team. As a consequence of the audit scope determined, we achieved coverage of 100% of revenue, EBITDA, profit before tax and net assets.
Significant changes in our approach	Our key audit matter remains consistent with prior year and there have been no changes in our approach within the audit of the current period.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group and Parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Key audit matters

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

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

Revenue recognition	
Key audit matter description	There are three main revenue streams for the Group; Ports £418.7m (2019: £403.5m), Shipping £136.9m (2019: £133.7m) and Marine Support Services £236.7m (2019: £222.3m). Ports and Shipping revenue relates to operations as the Statutory Harbour Authority in a number of ports across the UK, and providing short sea container services between the UK, Ireland and mainland Europe. There is a risk in relation to the judgements involved in determining the point at which revenue should be recognised, particularly whether the revenue should be recognised at a point in time or spread over a number of years. This is specific to unusual transactions that have unique circumstances and fact patterns. The directors determine when revenue should be recognised with reference to the circumstances of each transaction, the relevant accounting standards and the Group's accounting policies. Revenue for Marine Support Services relates to the value of contracts from the provision of a range of marine services to ship owners and operators, including ship repair and marine engineering. There is a risk in relation to the judgemental nature of assumptions and forecasts made in assessing the performance on long-term contracts. Profit and revenue are recognised based on a stage of completion basis, and the directors must make judgements around when revenue should be recognised, based on the overall performance of the contract. Further details are included within the strategic report on pages 2 to 7, and note 5 to the financial statements.
How the scope of our audit responded to the key audit matter	We obtained an understanding of relevant controls relating to recognition of revenue. We challenged the directors' judgements regarding the point at which revenue is recognised, in particular around any unusual transactions and long-term contracts. We obtained supporting evidence, such as contracts and agreements with customers to support the value and timing of revenue recognised. We independently corroborated the stage of completion and performed calculations to determine the amount of revenue to be recognised, and to confirm the stage of completion is appropriate. Our challenge included reviewing contractual terms, considering linkages between contracts, evaluating revenue recognised against the requirements of FRS 102.23 and corroborating to supporting evidence.
Key observations	Based on the work performed, we concluded that revenue is appropriately stated.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Our application of materiality

Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Specified balances	Parent company financial statements
Materiality	£38.9m (2019: £35.5m)	£10.4m (2019: £10.1m)	£6.2m (2019: £6.1m)
Basis for determining materiality	2% of net liabilities (2019: 2% of net liabilities)	4% EBITDA (2019: 4% EBITDA)	1.5% total assets (2019: 1.5% total assets)
Rationale for the benchmark applied	We determined materiality based on net liabilities as this is the key metric used by management, investors, analysts and lenders, with shareholder value being driven by total assets value movements.	In addition to net liabilities, we consider EBITDA to be a critical financial performance measure for the Group and we applied a lower threshold based on that measure for testing of all impacted balances, classes of transactions and disclosures throughout the financial statements – which is effectively every balance other than derivative financial instruments and their related change in valuation. This lower materiality represents 1.3% of revenue and 0.5% of net liabilities.	We determined materiality based on total assets as this is the key metric used by management, investors, analysts and lenders, with shareholder value being driven by total assets value movements. Parent company materiality equates to 0.7% of net liabilities, which is capped at 60% of the materiality applied to the specific balances for the group audit.

Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Group performance materiality was set at 70% of group materiality for the 2020 audit (2019: 70%). In determining performance materiality, we considered the following factors:

- *our risk assessment, including our assessment of the group's overall control environment; and*
- our past experience of the audit, which has indicated a low number of corrected and uncorrected misstatements identified in prior periods.

Error reporting threshold

We agreed with the Board of Directors that we would report to the Directors all audit differences in excess of £500,000 (2019: £551,000) for the group, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Directors on disclosure matters that we identified when assessing the overall presentation of the financial statements.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

An overview of the scope of our audit

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

We focused our group audit scope on all significant subsidiaries in the group which were all subject to a full scope audit. As a consequence of the audit scope determined, we achieved coverage of 100% of revenue, EBITDA, profit before tax and net assets which is consistent with prior year. Our audit work for each component was executed at levels of materiality applicable to each individual entity which were lower than Group materiality and ranged from £4.6m to £19.0m.

At the parent entity level, we tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to full scope audit.

Working with other auditors

Audit work for all significant subsidiaries was performed directly by the group audit engagement team except for BG Freight Line BV. The group audit team provide direct oversight, review, and co-ordination of our component audit team in the Netherlands. The group audit team interacted regularly with the component Deloitte team during each stage of the audit, were responsible for the scope and direction of the audit process and reviewed key working papers. We maintained continuous and open dialogue with our component teams in order that we were fully aware of their progress and results of their procedures.

Other information

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

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

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

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have nothing to report in respect of these matters.

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

We have nothing to report in respect of this matter.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Rachel Argyle

Rachel Argyle (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Liverpool, UK
23 July 2020

CONSOLIDATED PROFIT AND LOSS ACCOUNT
For the year ended 31 March 2020

	Note	2020 £m	2019 £m
GROUP TURNOVER	5	792.3	759.5
Other cost of sales		(568.8)	(515.0)
Exceptional items	8	(38.1)	(20.7)
Cost of sales		(606.9)	(535.7)
GROSS PROFIT		185.4	223.8
Other administrative expenses		(69.9)	(74.6)
Exceptional items	8	(2.8)	(28.5)
Administrative expenses		(72.7)	(103.1)
GROUP OPERATING PROFIT	6	112.7	120.7
Share of operating profit of joint ventures	13	0.1	0.2
TOTAL OPERATING PROFIT: GROUP AND SHARE OF JOINT VENTURES		112.8	120.9
Net interest expense	9	(212.3)	(207.0)
LOSS BEFORE TAXATION		(99.5)	(86.1)
Taxation	10	(2.6)	(1.2)
LOSS FOR THE FINANCIAL YEAR		(102.1)	(87.3)
LOSS ATTRIBUTABLE TO:			
- Owners of the parent		(101.6)	(81.7)
- Non-controlling interest		(0.5)	(5.6)
		(102.1)	(87.3)

The above results are derived from continuing operations.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March 2020

	Note	2020 £m	2019 £m
Loss for the financial year		(102.1)	(87.3)
Other comprehensive income:			
Remeasurement of net defined benefit liability	21(a)	22.8	4.4
Remeasurement of joint venture undertaking's net defined benefit liability	13(b)	-	0.1
Currency translation differences		1.1	(0.7)
Total tax on components of other comprehensive income	10(d)	(4.4)	(0.8)
Other comprehensive income for the year, net of tax		19.5	3.0
Total comprehensive expense for the year		(82.6)	(84.3)
Total comprehensive expense attributable to:			
- Owners of the parent		(82.3)	(78.9)
- Non-controlling interests		(0.3)	(5.4)
		(82.6)	(84.3)

CONSOLIDATED AND COMPANY BALANCE SHEETS
As at 31 March 2020

	Note	Group 2020 £m	Group 2019 £m	Company 2020 £m	Company 2019 £m
FIXED ASSETS					
Intangible assets:	11				
- positive goodwill		69.7	77.5	-	-
- negative goodwill		(1.5)	(3.1)	-	-
		68.2	74.4	-	-
Tangible assets	12	1,393.8	1,344.8	-	-
Interests in joint ventures:	13				
- share of gross assets		7.1	3.8	-	-
- share of gross liabilities		(6.1)	(2.9)	-	-
		1.0	0.9	-	-
Other investments	13	0.9	0.9	337.5	337.5
		1,463.9	1,421.0	337.5	337.5
CURRENT ASSETS					
Stocks	15	6.3	4.4	-	-
Debtors - due within one year	16	212.0	220.2	215.0	212.1
- due after more than one year	16	84.3	44.3	123.0	123.0
Cash at bank and in hand		91.1	101.3	-	-
		393.7	370.2	338.0	335.1
CREDITORS: amounts falling due within one year	17	(495.7)	(414.4)	(109.8)	(109.8)
NET CURRENT (LIABILITIES)/ASSETS		(102.0)	(44.2)	228.2	225.3
TOTAL ASSETS LESS CURRENT LIABILITIES		1,361.9	1,376.8	565.7	562.8
CREDITORS: amounts falling due after more than one year	18	(3,231.8)	(3,042.5)	(123.0)	(123.0)
Post-employment pension liability	21(a)	(76.3)	(106.8)	-	-
NET (LIABILITIES)/ASSETS		(1,946.2)	(1,772.5)	442.7	439.8
CAPITAL AND RESERVES					
Called-up share capital	22	389.4	389.4	389.4	389.4
Merger reserve		(506.1)	(506.1)	-	-
Profit and loss account		(1,834.8)	(1,662.4)	53.3	50.4
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT		(1,951.5)	(1,779.1)	442.7	439.8
Non-controlling interests	29	5.3	6.6	-	-
TOTAL EQUITY		(1,946.2)	(1,772.5)	442.7	439.8

The profit of the Company for the financial year was £93.0m (2019: £115.8m).

The financial statements of Peel Ports Group Limited (company registration number 5965116), were approved and authorised for issue by the Board of Directors on 22 July 2020 and signed on its behalf by:

I G L Charnock
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 March 2020

	Called-up share capital £m	Merger reserve £m	Profit and loss account £m	Total £m	Non-controlling interest £m	Total equity £m
As at 1 April 2018	351.0	(506.1)	(1,509.6)	(1,664.7)	12.0	(1,652.7)
Loss for the financial year	-	-	(81.7)	(81.7)	(5.6)	(87.3)
Other comprehensive income for the financial year	-	-	2.8	2.8	0.2	3.0
Total comprehensive expense for the financial year	-	-	(78.9)	(78.9)	(5.4)	(84.3)
New share capital issued	38.4	-	-	38.4	-	38.4
Dividends (note 22)	-	-	(73.9)	(73.9)	-	(73.9)
Total transactions with owners, recognised directly in equity	38.4	-	(73.9)	(35.5)	-	(35.5)
As at 31 March 2019	389.4	(506.1)	(1,662.4)	(1,779.1)	6.6	(1,772.5)
Loss for the financial year	-	-	(101.6)	(101.6)	(0.5)	(102.1)
Other comprehensive income for the financial year	-	-	19.3	19.3	0.2	19.5
Total comprehensive expense for the financial year	-	-	(82.3)	(82.3)	(0.3)	(82.6)
Dividends (note 22)	-	-	(90.1)	(90.1)	(1.0)	(91.1)
Total transactions with owners, recognised directly in equity	-	-	(90.1)	(90.1)	(1.0)	(91.1)
As at 31 March 2020	389.4	(506.1)	(1,834.8)	(1,951.5)	5.3	(1,946.2)

COMPANY STATEMENT OF CHANGES IN EQUITY
For the year ended 31 March 2020

	Note	Called-up share capital £m	Profit and loss account £m	Total £m
As at 1 April 2018		351.0	8.5	359.5
Profit for the financial year		-	115.8	115.8
Total comprehensive income for the financial year		-	115.8	115.8
New share capital issued		38.4	-	38.4
Dividends	22	-	(73.9)	(73.9)
Total transactions with owners, recognised directly in equity		38.4	(73.9)	(35.5)
As at 31 March 2019		389.4	50.4	439.8
Profit for the financial year		-	93.0	93.0
Total comprehensive income for the financial year		-	93.0	93.0
Dividends	22	-	(90.1)	(90.1)
Total transactions with owners, recognised directly in equity		-	(90.1)	(90.1)
As at 31 March 2020		389.4	53.3	442.7

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 March 2020

	Note	2020 £m	2019 £m
Cash inflow from operating activities	23(a)	203.2	207.7
Taxation paid		(3.9)	(2.5)
Net cash inflow from operating activities		199.3	205.2
Cash flow used in investing activities	23(b)	(130.6)	(129.4)
Cash flow used in financing activities	23(c)	(79.2)	(65.6)
Net (decrease)/increase in cash and cash equivalents		(10.5)	10.2
Cash and cash equivalents at the beginning of the year		101.3	91.4
Exchange gains/(losses) on cash and cash equivalents		0.3	(0.3)
Cash and cash equivalents at the end of the year		91.1	101.3
Cash and cash equivalents consist of:			
Cash at bank and in hand		91.1	101.3
Cash and cash equivalents		91.1	101.3

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020

1. GENERAL INFORMATION

The Company is a private company limited by shares and is incorporated in England. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the Strategic Report on page 2.

2. STATEMENT OF COMPLIANCE

The financial statements of Peel Ports Group Limited have been prepared in accordance with United Kingdom Accounting Standards, including Financial Reporting Standard FRS 102, "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" ("FRS 102"), as issued by the Financial Reporting Council, and the Companies Act 2006.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the principal accounting policies, which have been applied consistently throughout the current and prior financial years, is set out below.

Basis of preparation

The financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the recognition of certain financial assets and liabilities measured at fair value.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

Going concern

In considering the appropriateness of the going concern basis of preparation, the directors have considered forecasts for the next 12 months following the date of the signing of the 2020 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 12 months. In addition, the directors note the following:

- the directors prepare and update detailed annual budgets, two year projections, and five year strategic plans. As these were prepared before the outbreak of the global Covid – 19 pandemic, management have reforecast the Group's projected results and modelled different scenarios in the absence of further mitigating actions that show that the Group has sufficient headroom to withstand significant further downward pressure on results from reduced volumes or customer opportunities not being converted, both in terms of available liquidity and the Group's covenant ratios. If the actual results are significantly worse than forecast, the group has the option of pursuing further mitigating measures that are under its own control to cut costs and preserve cash. These include further reductions in variable staff and other variable costs to match reduced activity.
- at the balance sheet date, the Group has net liabilities of £1,946.2m (2019: £1,772.5m) which are principally attributed to two factors. Firstly, 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. Secondly, the fair value of the Group's derivative financial instruments, primarily interest rate and index-linked cross currency swaps, which have a net liability of £1,032.3m (2019: £960.4m);
- as at 31 March 2020, the Group has borrowings of £2,020.3m (2019: £1,883.3m), which are subject to covenant restrictions[10]. No breaches have occurred in the historical period or are forecast to occur. After taking account of potential 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;
- other than £6.8m of bank loans which are due for repayment in the year ending 31 March 2021, the Group's loans and loan note instruments have repayment dates between 1 April 2021 and 30 September 2046;

[10] Borrowings subject to covenant restrictions of £2,020.3m (2019: £1,883.3m) comprise bank loans of £856.1m (2019: £957.6m) and private placement loans of £1,154.1m (2019: £913.9m) and after adding back unamortised issue costs of £10.1m (2019: £11.8m).

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Going concern (continued)

- the four-yearly payment of swap accretion, held as a liability of £50.7m as at 31 March 2020 , is scheduled to be paid on 1 October 2020 from available facilities;
- in the year ended 31 March 2020, turnover increased by £32.8m to £792.3m, despite the effects of three named storms in February and the disruption to supply chains caused by the Covid-19 global pandemic in February and March 2020. Group operating profit before exceptional costs decreased from £169.9m to £153.6m, though this reflects a £25.8m increase in the depreciation charge in the year ended 31 March 2020 due to the Group's continued investment in capital expenditure and the write down of certain obsolete assets following a comprehensive review undertaken as the Group moved to a new financial system. The Group continues to benefit from a diversified service offering and robust customer base;
- cash inflows generated in the year, together with utilisation of existing capital expenditure facilities, enabled the Group to finance tangible fixed asset additions of £128.9m (2019: £102.2m) (cash outflow) and to invest £7.3m in the acquisition of Quality Freight (UK) Limited in May 2019 (see note 14);
- at the balance sheet date the Group held £91.1m (2019: £101.3m) of cash balances and had undrawn loan facilities of £115.0m available; a further £110.0m of liquidity facility is available for the payment of interest. Subsequent to the year-end, the Group has raised a further £50m of finance, providing additional liquidity.
- Despite the significant disruption to the global economy caused by the global Covid-19 pandemic, the above considerations together with the Group's robust business model underpinned by long-term customers with a high percentage of secure, and typically RPI-linked, revenue and the ability of management to take appropriate steps to mitigate as far as possible the downside scenarios presented by the pandemic, provides confidence that the Group has the resources and flexibility to respond timely to events as they occur. The group has already instigated certain costs saving and capital expenditure reduction initiatives.
- As a result of the actions already taken to date and further contingency plans to react to a more adverse scenario, management have concluded that the group should generate sufficient cash and EBITDA to continue as a going concern and to avoid breaching its loan covenants. Liquidity risk is principally managed by maintaining cash and borrowing facilities at a level that is forecast to provide reasonable headroom in excess of the expected future needs of the group.

After making enquiries, the directors have formed a judgement, 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.

Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions. The Company has taken advantage of the available exemptions to not disclose:

a) A statement of cash flows;
b) Certain financial instrument disclosures on the basis that equivalent disclosures are included in the consolidated financial statements of the group in which the Company is consolidated; and
c) Key management personnel compensation in total.

Basis of consolidation

The Group consolidated financial statements include the financial statements of the Company and all of its subsidiary undertakings made up to 31 March.

A subsidiary is an entity controlled by the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Where a subsidiary has different accounting policies to the Group, adjustments are made to those subsidiary financial statements to apply the Group's accounting policies when preparing the consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (continued)

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.

All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

Merger accounting principles were used when preparing the financial statements for the year ended 31 March 2005, when Peel Holdings (Ports) Limited was combined with Peel Ports Holdings Limited, and for the year ended 31 March 2007, when Peel Holdings (Ports) Limited combined with the Company. In both cases the combinations met the requirements for group reconstructions. Consequently, the results and cashflows in both cases were presented as if the entities had 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.

As permitted by Section 408 of the Companies Act 2006, a separate profit and loss account for Peel Ports Group Limited is not presented.

Foreign currencies

(i) Functional and presentation currency

The financial statements are presented in pound sterling and rounded to millions.

The Group's and Company's functional and presentation currency is pound sterling.

(ii) Transactions and balances

Foreign currency transactions are translated into functional currency using the spot exchange rates at the dates of transactions.

At each period-end foreign currency monetary items are translated using the closing rate. Non-monetary items are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation of period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

(iii) Translation

The trading results of Group undertakings are translated into pound sterling at the average exchange rates for the year. The assets and liabilities of overseas undertakings are translated at the exchange rates ruling at the year-end. Exchange adjustments arising from the retranslation of opening net investments and from the translation of the profits or losses at average rates are recognised in 'Other comprehensive income' and allocated to non-controlling interests as appropriate.

Revenue recognition

Revenue is recognised in each of the Group's main turnover categories on the principal bases set out below. All revenue recorded excludes value added tax and consideration is given as to the collectability of any amounts due from customers.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

Ports

Revenue from the provision of ports services comprises rates and dues, cargo handling charges, infrastructure charges, marine operations, utilities and fuel, service fees, port-related rental income and other sundry income. Revenue from the provision of ports services is recognised when the service is provided.

Contracts with customers are typically long-term in nature and often include minimum volume guarantees which, if not achieved by the customer, result in additional revenue to the Group to cover the shortfall. These shortfall revenues are recognised at the point that the underperformance on the contract can be reliably measured and the underperformance is reasonably certain, taking into account the period and other terms specified in the contract.

Port related rental income comprises property rental income and rental premiums, which is recognised on a straight-line basis over the lease term unless another systematic basis of recognition is more appropriate.

Revenue from the sale of assets is recognised when the significant risks and rewards of ownership of the product have been transferred to the buyer.

Shipping

Revenue from the provision of shipping services is recognised when the service is provided.

Marine Support Services

Revenue in Marine Support Services can be long-term contractual in nature. Profit is recognised on such 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. Revenue is calculated by reference to the value of work performed to date as a proportion of the total contract value. Projected losses are fully provided for at the point at which the forecast costs of delivering the contract exceed forecast revenues.

Other income

Interest income on financial assets is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is included in net interest expense in the profit and loss account.

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

Employee benefits

The Group provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined contribution pension plans.

(i) Short-term benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is rendered.

(ii) Defined contribution pension plans

The Group operates a number of country-specific defined contribution plans for its employees. A defined contribution plan is a plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid, the Group has no further payment obligations. Pension costs are charged to the profit and loss account as they fall due. The amount charged to the profit and loss account in respect of pension costs is the contributions payable in the year. Amounts not paid are shown in accruals in the balance sheet. The assets of the plan are held separately from the Group in independently administered funds.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Employee benefits (continued)

(iii) Defined benefit pension plans

The Group operates a number of defined benefit pension plans for certain employees and is also party to certain industry-wide defined benefit pension plans. A defined benefit pension plan defines the pension benefit that the employee will receive on retirement, usually dependent on several factors including age, length of service and remuneration. A defined benefit plan is a pension plan that is not a defined contribution plan.

The liability recognised in the balance sheet in respect of the defined benefit plan is the present value of the defined benefit obligation at the reporting date less the fair value of the plan assets at the reporting date.

The defined benefit obligation is calculated using the projected unit credit method. Annually the Group engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating the estimated period of the future payments ('discount rate').

The fair value of plan assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with the Group's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as 'Remeasurement of net defined benefit liability'.

The cost of the defined benefit plan, recognised in profit or loss as employee costs, except where included in the cost of an asset, comprises:

a) The increase in pension liability arising from employee service during the period; and

b) The cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in profit or loss as 'Other finance costs'.

Exceptional items

Exceptional items are those significant items which are separately disclosed on the face of the profit and loss account by virtue of their size or incidence to enable a full understanding of the Group's financial performance.

Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period.

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 tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold; 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.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill

Business combinations are accounted for by applying the purchase method.

The cost of a business combination is the fair value of the consideration given, liabilities incurred or assumed and of equity instruments issued plus the costs directly attributable to the business combination. Where control is achieved in stages the cost is the consideration at the date of each transaction.

On acquisition of a business, fair values are attributed to the identifiable assets, liabilities and contingent liabilities unless the fair value cannot be measured reliably, in which case the value is incorporated in goodwill. Where the fair value of contingent liabilities cannot be reliably measured they are disclosed on the same basis as other contingent liabilities.

Goodwill recognised represents the excess of the fair value and directly attributable costs of the purchase consideration over the fair values to the Group's interest in the identifiable net assets, liabilities and contingent liabilities acquired. Where the reverse is the case, negative goodwill is recognised.

On acquisition, goodwill is allocated to cash-generating units that are expected to benefit from the combination.

Goodwill is amortised over its expected useful life, which is between 5 and 20 years. Negative goodwill is amortised over a period of five years. Goodwill is assessed for impairment when there are indicators of impairment and any impairment is charged to the profit and loss account. No reversals of impairment are recognised.

Tangible fixed assets

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation. The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition.

Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, on a straight-line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

- 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 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.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

Subsequent costs, including major inspections, are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that economic benefits associated with the item will flow to the Group and the cost can be measured reliably.

The carrying amount of any replaced component is derecognised. Major components are treated as a separate asset where they have significantly different patterns of consumption of economic benefits and are depreciated separately over their useful life.

Repairs, maintenance and minor inspection costs are expensed as incurred.

Tangible assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in the profit or loss.

Finance costs

Finance costs, 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.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Finance costs (continued)

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 complete.

Leased assets

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

Investments – Company

Investments in a subsidiary company are held at cost less accumulated impairment losses.

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

Listed investments are stated at their fair value.

Stocks

Stocks are stated at the lower of original purchase price and net realisable value, being the estimated selling price less costs to sell. Provision is made for obsolete, slow moving or defective items where appropriate.

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.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts, when applicable, are shown within borrowings in current liabilities.

Financial instruments

The Group has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

(i) Financial assets

Basic financial assets are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period, financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

(i) Financial assets (continued)

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

(ii) Financial liabilities

Basic financial liabilities are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt is measured at the present value of the future receipts discounted at a market rate of interest.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, these are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Preference shares, which result in fixed returns to the holder or are mandatorily redeemable on a specific date, are classified as liabilities. The dividends on these preference shares are recognised in the profit and loss account as an interest expense.

Derivatives are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless they are included in a hedging arrangement.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Share capital

Ordinary shares are classified as equity.

Distributions to equity holders

Dividends and other distributions to the Company's shareholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the Company's shareholders. These amounts are recognised in the statement of changes in equity.

Related party transactions

The Group discloses transactions with related parties. Where appropriate, transactions of a similar nature are aggregated unless, in the opinion of the directors, separate disclosure is necessary to understand the effect of the transactions on the Group's financial statements.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. These are based on management's best knowledge of the amount, event or actions, taking into account historical experience and other factors that are considered to be relevant. The resulting accounting estimates will, by definition, seldom equal the related actual results.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

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

As has been noted elsewhere in this annual report, the Covid-19 global pandemic has caused unprecedented disruption to economies around the world and this has created significant uncertainty for all companies. Consideration has been given as to how this might impact the critical accounting judgements and estimates with the most likely significant affect being in respect of the valuation of defined benefit pension scheme assets and liabilities and of derivative financial instruments. In the final month of the year ended 31 March 2020, there was significant volatility in investment markets which has affected both the valuation of pension scheme assets and the assessment of liabilities. The net effect of this in the year ended 31 March 2020 was a reduction in the net deficit position of the group's defined benefit pension schemes. It is possible that this uncertainty will continue to affect pension scheme valuations during the year ending 31 March 2021. Movements in swap rates and expectations around inflation and interest rates during the period affected by the global Covid-19 pandemic had minimal effect on the fair value of derivative financial instruments in the year ended 31 March 2020, though the uncertainty caused by the global pandemic means that volatility might be expected in the year ending 31 March 2021.

(i) Critical judgements in applying the Group's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

Revenue recognition

Revenue in respect of Marine Support Services includes the value of contracts in progress. This is recognised based on the level of completion of the contracts to ensure that margin is recognised evenly over the contract life. Management considers the overall expected margin from each contract based on available information and past performance. These estimates may depend upon the outcome of future events and may need to be revised as circumstances change. Further detail is provided in the Group's accounting policies in note 3. An exceptional charge of £16.7m (2019: £20.7m) has been recorded in the year in respect of unexpected costs arising on a long-term contract in the Marine Support Services segment (see note 8).

(ii) Key sources of estimation uncertainty

The key sources of estimation uncertainty that have a significant potential risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

Useful economic lives of tangible assets (notes 3 and 12)

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, economic utilisation and the physical condition of the assets. The depreciation charge for the year ended 31 March 2020 was £101.5m (2019: £75.7m). The increase in the year reflects continued investment in capital expenditure by the Group and the write-down of certain obsolete assets following a comprehensive review undertaken as the Group moved to a new financial system.

Discount rates and other assumptions used to determine the carrying amount of the Group's defined benefit pension obligation (note 21)

The Group's defined benefit pension obligation is discounted at a rate set by reference to market yields at the end of the reporting period on high quality corporate bonds. Significant judgement is required when setting the criteria for bonds to be included in the population from which the yield curve is derived. The most significant criteria considered for the selection of bonds include the issue size of the corporate bonds, quality of the bonds and the identification of outliers which are excluded. As an indication of the sensitivity of the resulting liability to changes in the discount rate, it is estimated that a 0.5% decrease in the rate applied would increase the liability approximately 7.0%.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

(ii) Key sources of estimation uncertainty (continued)

Discount rates and other assumptions used to determine the carrying amount of the Group's defined benefit pension obligation (note 21) (continued)

In addition, the Group has to make assumptions regarding a number of other factors including life expectancy, salary increases and inflation rates.

The Group takes actuarial advice when determining the appropriate assumptions to use.

Further information on the Group's defined benefit pension arrangements can be found in note 21.

Interest rates, inflation rates, exchange rates, discount rates and other assumptions used to determine the fair value of the Group's derivative financial instruments (note 20)

The fair value of the Group's derivative financial instruments requires judgement to determine the appropriate rates to use when calculating discounted cashflows to compare against the nominal value of the instrument. The Group engages a specialist third-party firm to calculate fair values.

Further information on the Group's derivative financial instruments can be found in note 20.

5. TURNOVER

Analysis of turnover by category:	**2020 £m**	**2019 £m**
Port	418.7	403.5
Shipping	136.9	133.7
Marine Support Services	236.7	222.3
	792.3	759.5

Port turnover represents income derived from the services provided by each of the Group's ports. The Group operates a "value added model" in respect of which it acts as both operator and landlord.

Shipping revenue is derived from the provision of vessel charter and associated services.

Revenue in respect of Marine Support Services is materially all contractual in nature. Further information on the methods used to determine the stage of completion and the amount of revenue recognised can be found note 4.

Turnover does not include the Group's share of turnover arising from joint venture companies amounting to £3.8m (2019: £1.9m) (see note 13). Sales between segments are immaterial and are therefore not separately disclosed.

Analysis of turnover by geography:	**2020 £m**	**2019 £m**
United Kingdom	607.0	591.8
Rest of Europe	151.2	147.5
Australia	34.1	20.2
	792.3	759.5

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020

6. GROUP OPERATING PROFIT

Group operating profit is stated after charging/(crediting):

	2020 £m	2019 £m
Amortisation of goodwill (note 11):		
Positive goodwill	16.1	12.1
Negative goodwill	(1.6)	(1.6)
	14.5	10.5
Impairment of goodwill (notes 8)	-	15.8
Depreciation - owned assets (note 12)	101.5	75.7
Operating lease charges	60.1	53.5
Foreign currency losses/(gains)	0.1	(0.2)

The impairment of trade receivables and the value of inventory recognised as an expense is not material in either of the years presented.

Foreign currency losses of £0.1m (2019: gains of £0.2m) include statutory unrealised foreign currency losses of £1.2m (2019: £0.8m) and trading foreign currency gains of £1.1m (2019: £1.0m).

	2020 £m	2019 £m
Fees payable to the auditor for the audit of the Group's annual financial statements	0.7	0.5
Fees payable to the auditor for non-audit services:		
Taxation	0.1	0.1
Advisory	1.7	0.5
	1.8	0.6

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 to 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 (2019: £10,000) was borne by a subsidiary undertaking.

7. EMPLOYEES AND DIRECTORS

Employees

The average monthly number of persons employed by the Group during the year was as follows:

	2020 Number	2019 Number
Administration	573	390
Operational	2,562	2,567
	3,135	2,957

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020

7. EMPLOYEES AND DIRECTORS (CONTINUED)

Employees (continued)

The staff costs for the above persons were:

	2020 £m	2019 £m
Wages and salaries	123.8	118.0
Social security costs	13.6	12.2
Pension funds service and administrative costs (note 21(a))	2.1	1.4
Pension funds past service cost – exceptional charge (notes 8 and 21(a))	-	5.8
Other pension costs - Group defined contribution pension schemes (note 21(b))	8.1	7.2
Total staff costs	147.6	144.6
Amounts capitalised	(6.5)	(2.3)
Staff costs charged to profit and loss	141.1	142.3

The Company had no employees during the year or during the previous year.

Staff costs capitalised have increased in the year ended 31 March 2020 compared to the prior year due to the nature of projects undertaken, including the implementation of an ERP system, the first three releases of which were successfully rolled out during the year ended 31 March 2020.

Directors and key management personnel

The remuneration of the directors of the Group, who are also deemed to be the key management personnel, was as follows:

	2020 £'000	2019 £'000
Emoluments	2,842	2,928
Group contribution to defined contribution pension schemes	10	10
	2,852	2,938

At 31 March 2020, retirement benefits are accruing to one director (2019: one) under a Group defined benefit pension scheme and to one director under a defined contribution scheme (2019: one).

The above analysis excludes the emoluments of directors who are remunerated by undertakings outside of the Peel Ports Group Limited group of companies and have to account in turn to those undertakings.

The remuneration of the highest paid director was as follows:

	2020 £'000	2019 £'000
Emoluments	1,583	1,683
Group contribution to defined contribution pension schemes	10	10

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020

8. EXCEPTIONAL ITEMS

	2020 £m	2019 £m
Unexpected costs on long-term contract	16.7	20.7
Impairment of goodwill (note 11)	-	15.8
Restructuring	3.4	3.3
Settlement of claims	-	3.6
GMP equalisation past service cost (see note 21)	-	5.8
Other exceptional costs	3.6	-
Covid-19		
- Operational costs	0.9	-
- Legacy costs on abandoned vessels	5.8	-
- Bad debt provision	4.5	-
- Cruise terminal assets	6.0	-
	40.9	49.2
Cost of sales	38.1	20.7
Administrative expenses	2.8	28.5
	40.9	49.2

The Group has experienced further unexpected costs of £16.7m (2019: £20.7m) on a long-term project undertaken in its Marine Support Services segment. This follows a review by the directors of the performance of the aforementioned project and the future strategy of the Marine Support Services segment.

In the year ended 31 March 2020, exceptional operating costs also comprised £3.4m of redundancy and other costs incurred in connection with the streamlining and reorganisation of activities in the Group (2019: £3.3m) and other exceptional costs of £3.6m, which include costs arising from the three named storms in February 2020, an unprecedented event that caused significant disruption to port operations. The exceptional charge for the year ended 31 March 2019 also included the settlement of claims and a past service charge in respect of guaranteed minimum pensions ("GMPs").

The extraordinary circumstances arising from the global Covid-19 pandemic have given rise to a number of exceptional costs in the year ended 31 March 2020, reflecting the risks arising from the economic disruption. In addition to additional operational costs of £0.9m, the Group has recognised an exceptional charge of £5.8m in respect of legacy costs arising from abandoned vessels, an exceptional bad debt provision of £4.5m and recognised an exceptional charge of £6.0m in respect of cruise terminal assets. These are predominantly non-cash in nature.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020

9. NET INTEREST EXPENSE

		2020 £m	2019 £m
a)	**Interest payable and similar charges**		
	Other interest on bank loans and overdrafts	65.0	64.7
	Interest on private placement notes	37.2	33.7
	Accretion on index-linked swaps (note 20)	11.1	13.2
	Bank loans, overdrafts and private placement notes	113.3	111.6
	Amortisation of debt issue costs (note 19)	4.0	6.8
	9% subordinated redeemable loan notes:		
	Payable to group undertakings	5.5	5.5
	Payable to related undertakings	5.6	5.5
		128.4	129.4
b)	**Interest expense on financial instruments measured at fair value through profit or loss**		
	Losses on derivative financial instruments (note 20)	104.5	90.7
	Losses on retranslation of foreign currency loans (note 19)	10.0	21.2
		114.5	111.9
c)	**Other finance costs**		
	Net interest expense on post-employment benefits (note 21(a))	2.2	2.7
d)	**Interest receivable and similar income**		
	Interest receivable and similar income	(0.2)	(0.2)
e)	**Interest income on financial instruments measured at fair value through profit or loss**		
	Gains on derivative financial instruments (note 20)	(32.6)	(36.8)
	Net interest expense		
	Total interest payable and similar charges (note 9(a))	128.4	129.4
	Interest expense on financial instruments measured at fair value through profit or loss (note 9(b))	114.5	111.9
	Other finance costs (note 9(c))	2.2	2.7
	Interest receivable and similar income (note 9(d))	(0.2)	(0.2)
	Interest income on financial instruments measured at fair value through profit or loss (note 9(e))	(32.6)	(36.8)
		212.3	207.0

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020

9. NET INTEREST EXPENSE (CONTINUED)

	2020 £m	2019 £m
Movement in fair value of derivative financial instruments		
Change in fair value of derivative financial instruments recorded as interest expense measured at fair value through profit or loss (note 20)	71.9	53.9
Increase in accretion on index-linked swaps (note 20)	11.1	13.2
	83.0	67.1

10. TAXATION

a) Analysis of tax charge in the year

	2020 £m	2019 £m
Current tax:		
United Kingdom		
UK corporation tax	0.5	-
Foreign tax		
Corporation tax	2.1	1.0
Other current tax		
Adjustments in respect of previous years	1.2	0.1
Total current tax charge	3.8	1.1
Deferred tax:		
Origination and reversal of timing differences - United Kingdom	1.1	0.1
Adjustment in respect of prior years	(2.1)	0.2
Origination and reversal of timing differences – foreign tax	(0.2)	(0.2)
Total deferred tax (credit)/charge	(1.2)	0.1
Total tax charge	2.6	1.2

b) Reconciliation of total tax charge

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

	2020 £m	2019 £m
Loss before taxation	(99.5)	(86.1)
Loss before taxation multiplied by the standard rate of UK corporation tax of 19% (2019: 19%).	(18.9)	(16.4)
Effects of:		
Expenses not deductible for tax purposes	12.6	8.2
Deferred tax not recognised	9.7	7.8
Differences in tax rates	(2.1)	1.0
Adjustments in respect of prior years	1.1	0.3
Adjustments in respect of foreign tax rates	0.2	0.3
Total tax charge	2.6	1.2

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020

10. TAXATION (CONTINUED)

c) Factors affecting future tax charges

The Government announced in the Budget on 11 March 2020 that the proposed reduction in the rate of corporation tax to 17% from 1 April 2020 would not take place. Accordingly, the deferred tax balances in these financial statements are stated at 19%, the current rate of corporation tax.

d) Deferred tax

The net deferred tax asset as at 31 March is as follows:

	2020 £m	2019 £m
Accelerated capital allowances	(16.4)	(13.2)
Short-term timing differences	(0.2)	1.0
Derivative contracts	22.1	16.8
Other fair value adjustments	(5.5)	(4.8)
Post-employment benefits	14.5	18.1
	14.5	17.9

The net deferred tax asset is recorded in debtors (note 16).

The net deferred tax asset expected to reverse in 2020 is £nil. This is primarily due to the net deferred tax asset that principally relates to derivative contracts, which is not expected to reverse in 2020. It is possible that the deferred tax asset in respect of the post-employment benefits liability may reverse, though it is not possible to determine this until the liability is updated as at the next reporting date.

Movements in deferred tax

	Asset £m
As at 1 April 2019	17.9
Acquired on acquisition of subsidiary (note 14)	(0.2)
Credited to the profit and loss account (note 10(a))	1.2
Charged to other comprehensive income	(4.4)
As at 31 March 2020	14.5

As at 31 March 2020, the Group had deferred tax not recognised of £126.5m (2019: £108.9m) relating to derivative financial instruments and has gross tax losses of £65.0m (2019: £nil) available to carry forward.

Company

The Company has no deferred tax balances.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020

11. INTANGIBLE FIXED ASSETS

Group	Positive goodwill £m	Negative goodwill £m	Total £m
Cost			
As at 1 April 2019	241.0	(8.4)	232.6
Addition (note 14)	8.3	-	8.3
As at 31 March 2020	249.3	(8.4)	240.9
Amortisation			
As at 1 April 2019	163.5	(5.3)	158.2
Charge for the year	16.1	(1.6)	14.5
As at 31 March 2020	179.6	(6.9)	172.7
Net book value			
As at 31 March 2020	69.7	(1.5)	68.2
As at 31 March 2019	77.5	(3.1)	74.4

Company

The Company has no intangible fixed assets.

12. TANGIBLE FIXED ASSETS

Group	Freehold and long leasehold land and buildings £m	Plant and machinery £m	Capital work in progress £m	Total £m
Cost				
As at 1 April 2019	1,158.0	569.1	95.7	1,822.8
Additions	-	4.1	143.9	148.0
Acquired on acquisition (note 14)	-	4.9	-	4.9
Disposals	(9.7)	(74.7)	-	(84.4)
Reclassifications	74.2	60.1	(134.3)	-
Exchange difference	0.1	0.9	-	1.0
As at 31 March 2020	1,222.6	564.4	105.3	1,892.3
Depreciation				
As at 1 April 2019	277.4	200.6	-	478.0
Charge for the year	69.5	32.0	-	101.5
Disposals	(16.1)	(68.3)	-	(84.4)
Acquired on acquisition (note 14)	-	2.4	-	2.4
Exchange difference	0.1	0.9	-	1.0
As at 31 March 2020	330.9	167.6	-	498.5
Net book amount				
As at 31 March 2020	891.7	396.8	105.3	1,393.8
As at 31 March 2019	880.6	368.5	95.7	1,344.8

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020

12. TANGIBLE FIXED ASSETS (CONTINUED)

A detailed review of the fixed assets ledger during the year ended 31 March 2020 resulted in obsolete assets becoming fully written down and assets no longer used by the Group being disposed of.

Cumulative finance costs capitalised in the cost of tangible fixed assets amount to £13.2m (2019: £13.2m).

The net carrying amount of assets held under finance leases included in plant and machinery is £1.4m (2019: £nil).

Non-depreciable land

Included within tangible fixed assets is freehold and long-leasehold land, which is not subject to depreciation, which amounted to £190.0m (2019: £198.8m).

Company

The Company has no tangible fixed assets.

13. INVESTMENTS

	Group		Company	
	2020	**2019**	**2020**	**2019**
	£m	**£m**	**£m**	**£m**
Subsidiary undertakings (note 13(a))	-	-	337.5	337.5
Joint venture undertakings (note 13(b))	1.0	0.9	-	-
Other investments (note 13(c))	0.9	0.9	-	-
	1.9	1.8	337.5	337.5

a) Subsidiary undertakings

	Company
	£m
Cost and net book value	
As at 1 April 2019 and as at 31 March 2020	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.

b) Joint venture undertakings

	Group
	£m
As at 1 April 2019	0.9
Share of results for the year	0.1
As at 31 March 2020	1.0

The turnover and net assets of the joint ventures amounted to £7.5m (2019: £3.8m) and £2.1m (2019: £1.8m) respectively, of which the Group's share is 50%.

The share of the actuarial loss net of deferred tax relating to the defined benefit pension arrangement was not material in the year ended 31 March 2020.

As set out in note 30, the Group entered in a joint venture agreement with Terminal Investment Limited S.A.R.L. in the year ended 31 March 2020. The turnover and net assets of the joint venture arrangement are included in the numbers provided above.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020

13. INVESTMENTS (CONTINUED)

c) Other investments

	Group £m
As at 1 April 2019 and as at 31 March 2020	0.9

Included within other investments is £0.8m (2019: £0.8m) of listed investments, which are recorded at the closing mid-market price on the London Stock Exchange.

14. ACQUISITION OF SUBSIDIARY

Quality Freight (UK) Limited

In the year ended 31 March 2020, on 15 May 2019, the Group acquired the entire issued share capital of Quality Freight (UK) Limited ('QFUK'). QFUK provides general cargo services to customers from its Ellesmere Port site.

The acquisition has been accounted for under the acquisition method. The following table sets out the book and provisional fair values of the identifiable assets and liabilities acquired:

	Book and fair value £m
Tangible fixed assets	2.5
Debtors	3.3
Cash	1.5
Creditors	(3.7)
Deferred tax	(0.2)
Finance lease creditors	(1.4)
Net assets acquired	2.0
Goodwill	8.3
Cash consideration and purchase cost	10.3

Consideration includes £2.1m of deferred consideration, of which £1.5m was paid subsequent to the year-end, and £0.9m of contingent deferred consideration, which has been paid in full since the year-end.

In the year ended 31 March 2020, turnover of £21.8m and profit after tax of £0.5m was included in the Group's profit and loss account in respect of QFUK.

15. STOCKS

	Group 2020 £m	Group 2019 £m
Raw materials and consumables	6.3	4.4

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

Company

The Company has no stocks.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020

16. DEBTORS

	Group 2020 £m	Group 2019 £m	Company 2020 £m	Company 2019 £m
Amounts falling due within one year:				
Trade debtors	105.9	138.0	-	-
Amounts recoverable on contracts	20.6	23.5	-	-
Amounts owed by subsidiary undertakings	-	-	215.0	212.1
Amounts owed by group undertakings (note 26)	3.0	1.8	-	-
Amounts owed by joint venture undertakings (note 26)	2.1	-	-	-
Other debtors	13.3	10.8	-	-
Prepayments and accrued income	46.5	18.7	-	-
Derivative financial instruments (note 20)	3.3	8.3	-	-
Corporation tax	2.8	1.2	-	-
Deferred tax asset (note 10(d))	14.5	17.9	-	-
	212.0	220.2	215.0	212.1
Amounts falling due after more than one year:				
Amounts owed by Group undertakings	-	-	123.0	123.0
Amounts owed by joint venture undertakings (note 26)	2.5	-	-	-
Derivative financial instruments (note 20)	81.8	44.3	-	-
	84.3	44.3	123.0	123.0
	296.3	264.5	338.0	335.1

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.

Amounts owed by joint venture undertakings falling due after more than one year relate to a loan that bears interest at the Bank of England base rate plus 3% and is repayable in full on 15 January 2030.

17. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2020 £m	Group 2019 £m	Company 2020 £m	Company 2019 £m
Bank loans	6.8	6.5	-	-
Private placement loans	-	26.8	-	-
Finance leases	0.5	-	-	-
Loans and other borrowings (note 19(b))	7.3	33.3	-	-
Trade creditors	89.3	81.0	-	-
Amounts owed to parent undertakings	104.3	104.3	104.3	104.3
Amounts owed to group undertakings (note 26)	1.6	-	-	-
Other taxes and social security	17.3	9.7	-	-
Other creditors	21.9	6.9	-	-
Accretion on index-linked swaps (note 20)	50.7	-	-	-
Other accruals and deferred income	170.2	154.7	5.5	5.5
Derivative financial instruments (note 20)	33.1	24.5	-	-
	495.7	414.4	109.8	109.8

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020

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

	Group		Company	
	2020	2019	2020	2019
	£m	£m	£m	£m
Bank loans	849.3	951.1	-	-
Private placement loans	1,154.1	887.1	-	-
9% subordinated redeemable loan notes:				
Due to group undertakings	61.6	61.6	61.6	61.6
Due to related undertakings	61.4	61.4	61.4	61.4
Other loans	4.1	4.1	-	-
Finance leases	0.5	-	-	-
Loans and other borrowings (note 19(b))	2,131.0	1,965.3	123.0	123.0
Derivative financial instruments (note 20)	1,084.3	988.5	-	-
Accretion on index-linked swaps (note 20)	-	39.6	-	-
Other accruals and deferred income	16.4	43.5	-	-
Other creditors	0.1	5.6	-	-
	3,231.8	3,042.5	123.0	123.0

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020

19. LOANS AND OTHER BORROWINGS

	Group 2020 £m	Group 2019 £m
(a) Loans and other borrowings		
Bank loans	856.1	957.6
Private placement loans	1,154.1	913.9
9% subordinated redeemable loan notes 2046:		
Due to group undertakings	61.6	61.6
Due to related undertakings	61.4	61.4
Perpetual debenture stocks	2.2	2.2
3% irredeemable loan stock	1.2	1.2
3.625% irredeemable debenture stock	0.7	0.7
Finance leases	1.0	-
	2,138.3	1,998.6

	Group 2020 £m	Group 2019 £m
(b) Maturity of loans and other borrowings as presented in the notes to these financial statements		
Financial liabilities falling due within one year (note 17)	7.3	33.3
Financial liabilities falling due after more than one year (note 18)	2,131.0	1,965.3
	2,138.3	1,998.6
(c) Maturity of loans and borrowings		
In one year or less or on demand	7.3	33.3
In more than one year, but not more than two years	167.0	163.5
In more than two years, but not more than five years	786.9	750.8
In more than five years not by instalments	1,177.1	1,051.0
	2,138.3	1,998.6
Financial liabilities, net of unamortised issue costs and finance charges allocated to future periods	2,138.3	1,998.6
Unamortised issue costs	10.1	11.8

Bank loans and private placement notes[11]

As at 31 March 2020, financial liabilities include bank loans totalling £860.4m (2019: £964.1m), of which £6.8m (2019: £6.4m) is due for repayment within one year and £853.6m (2019: £957.7m), with repayment dates between 1 April 2021 and 13 December 2033, is presented as falling due after more than one year. The bank loans principally bear interest at LIBOR plus varying rates of margin, apart from £50.0m (2019: £50.0m), which bears interest at a fixed rate of 4.0%. Subsequent to the year-end, the Group borrowed a further £50m with a maturity of 2035, bearing interest at a rate of 3.4%.

Financial liabilities include £1,159.9m (2019: £919.2m) relating to the proceeds from the issue of sterling and US dollar denominated private placement notes, of which £nil (2019: £26.8m) is due for repayment within one year and £1,159.9m (2019: £892.3m) is presented as falling due after more than one year.

[11] Financial liability amounts referenced in this section are gross of unamortised issue costs.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020

19. LOANS AND OTHER BORROWINGS (CONTINUED)

Bank loans and private placement notes (continued)

The sterling denominated private placement notes comprise:

- £82.0m (2019: £82.0m) which bear fixed interest rates of between 5.7% and 6.6% and are due for repayment in instalments between 10 December 2021 and 10 December 2037;
- £211.5m (2019: £211.5m) which bear floating interest rates and are due for repayment between 2 January 2025 and 1 October 2029;
- £55.0m (2019: £55.0m) which bear a fixed rate of interest of 4.1% and are due for repayment on 15 December 2027;
- £125.0m (2019: £125.0m) which bear a fixed rate of interest of 3.5% and are due for repayment on 31 January 2027;
- £35.0m (2019: £35.0m) which bear interest at a fixed rate of 2.8% and are due for repayment on 26 June 2029;
- £40.0m (2019: £40.0m) which bear interest at a fixed rate of 2.7% and are due for repayment on 17 July 2029;
- £75.0m (2019: £75.0m) which bear a fixed rate of interest of 2.9% and are due for repayment on 17 September 2028;
- £50.0m (2019: £nil) which bear a fixed rate of interest of 2.5% and are due for repayment on 16 January 2030;
- £100.0m (2019: £nil) which bear a fixed rate of interest of 3.0% and are due for repayment on 18 December 2031; and
- £80.0m (2019: £nil) which bear a fixed rate of interest of 2.8% and are due for repayment on 18 December 2026.

The US dollar denominated notes total $380.0m (2019: $385.0m), bear fixed interest rates of between 3.49% and 5.3% (2019: 4.7% and 5.3%) and are due for repayment between 10 December 2022 and 18 December 2026 (2019: between 10 December 2019 and 10 December 2022). During the year the company entered into $30m of new private placement notes which bear a fixed rate of interest of 3.49% and are due for repayment on 18 December 2026. Private placement notes of $35.0m were repaid during the year.

Upon entering into the US private placement notes, the dollars were immediately swapped into Sterling to eliminate exposure to future exchange rate movements. The fixed Sterling amount was £242.9m (2019: £242.1m). However, under FRS 102, the dollar notes are retranslated into Sterling at the balance sheet date using the spot rate, with changes in value being recognised as a finance cost/credit in the profit and loss account. As at 31 March 2020, the US private placement notes were recorded in the financial statements at £306.6m (2019: £295.8m), a cumulative difference of £63.7m (2019: £53.7m) compared to the fixed Sterling amount. For the year ended 31 March 2020, a retranslation loss of £10.0m (2019: loss of £21.2m) was recorded (note 9).

The bank loans and private placement notes are secured by a combination of fixed charges, floating charges and assignments by way of security over all, or substantially all of the assets of certain group undertakings.

Issue costs

The Group incurred issue costs during the year in connection with the raising of new borrowings amounting to £2.3m (2019: £2.9m). Amortisation of £4.0m (2019: £6.8m) has been charged during the year (note 9). Included with the amortisation for the year ended 31 March 2019 is £2.2m of issue costs that were amortised following the acquisition of Ligna Biomass Holdings Limited, when debt acquired in that that transaction was settled.

Other loans and borrowings

Other loans and borrowings include 9% subordinated redeemable loan notes issued to Peel Ports Investments (IOM) Limited (£61.6m) and to Infrastructure JVCo (Lime) S.a.r.l. (£61.4m) at par. The loan notes have a final repayment date of 30 September 2046 and interest is payable bi-annually in arrears.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020

19. LOANS AND OTHER BORROWINGS (CONTINUED)

Other loans and borrowings (continued)

The 3% irredeemable loan stock issued by Clydeport Operations Limited, which amounts to £1.2m (2019: £1.2m), 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 of £2.2m (2019: £2.2m) are secured by floating charges over the undertaking of The Manchester Ship Canal Company Limited and bear interest at rates between 3.5% and 4.0%.

The 3.625% irredeemable debenture stock of £0.7m (2019: £0.7m) is secured by a fixed charge over certain securities and a floating charge over Peel Ports (IDS) Limited, a wholly owned subsidiary.

During the year ended 31 March 2020, the Group acquired £1.4m of obligations under finance leases as part of the acquisition of Quality Freight (UK) Limited. As at 31 March 2020, £1.0m remained, of which £0.5m is presented as falling due within one year and £0.5m is presented as falling due after more than one year.

20. FINANCIAL INSTRUMENTS

Disclosures in respect of the Group

	Group	
	2020	**2019**
	£m	**£m**
Financial assets measured at fair value through profit or loss		
- Derivative financial instruments	85.1	52.6
Financial assets that are debt instruments measured at amortised cost		
- Trade debtors	105.9	138.0
- Other debtors	13.3	10.8
- Amounts owed by group undertakings	3.0	1.8
- Amounts owed by joint venture undertakings	4.6	-
	126.8	150.6
Financial liabilities measured at fair value through profit or loss		
- Derivative financial instruments	(1,117.4)	(1,013.0)
Financial liabilities that are measured at amortised cost		
- Loans and other borrowings	(2,138.3)	(1,998.6)
- Trade creditors	(89.3)	(81.0)
- Accretion on index-linked swaps	(50.7)	(39.6)
- Other accruals (excluding deferred income)	(116.5)	(135.0)
- Other creditors	(22.0)	(12.5)
- Amounts owed to group undertakings	(1.6)	-
- Amounts owed to parent undertaking	(104.3)	(104.3)
	(2,522.7)	(2,371.0)

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020

20. FINANCIAL INSTRUMENTS (CONTINUED)

Disclosures in respect of the Group (continued)

Derivative financial instruments

The Group enters into derivative financial instruments to hedge against certain risks, such as interest rate and exchange rate volatility, which is explained further below. Although the instruments represent hedge arrangements, the Group does not apply hedge accounting and, therefore, movements in the fair value of such instruments are recognised in the profit and loss account.

The Group's interest rate and index-linked swaps were restructured as part of the refinancing in the year ended 31 March 2013. 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.

As at 31 March 2020, the fair value of the Group's derivative financial instruments was a liability of £1,083.0m (2019: £1,000.0m), which includes £50.7m (2019: £39.6m) in respect of the accretion on index-linked swaps.

	Group	
	2020	2019
	£m	£m
Fair values of derivative financial instruments		
Interest rate swaps	(556.8)	(456.7)
Index-linked swaps	(559.0)	(556.3)
Cross-currency swaps	76.6	48.8
Forward contracts	8.5	3.8
Fuel hedge	(1.6)	-
	(1,032.3)	(960.4)
Accretion on index-linked swaps	(50.7)	(39.6)
	(1,083.0)	(1,000.0)
Presentation of fair values		
Derivative financial instruments		
Debtors falling due within one year (note 16)	3.3	8.3
Debtors falling due after more than one year (note 16)	81.8	44.3
Creditors falling due within one year (note 17)	(33.1)	(24.5)
Creditors falling due after more than one year (note 18)	(1,084.3)	(988.5)
	(1,032.3)	(960.4)
Accretion on index-linked swaps		
Creditors falling due within one year (note 17)	(50.7)	-
Creditors falling due after more than one year (note 18)	-	(39.6)
	(50.7)	(39.6)
	(1,083.0)	(1,000.00)

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020

20. FINANCIAL INSTRUMENTS (CONTINUED)

Disclosures in respect of the Group (continued)

Derivative financial instruments – interest rate swaps

As at 31 March 2020, the Group was party to fixed interest rate swaps over £677.7m (2019: £682.2m) of notional principal, with fixed rates between 5.0% and 5.6% over £612.0m (2019: £612.0m) of principal with maturity dates between 2036 and 2041, and fixed rates between 1.7% and 2.3% over £65.7m (2019: £70.2m) of principal with maturity dates between 2023 and 2025. These instruments hedge the Group's exposure to interest rate movements on the Group's bank loans. The fair value calculated in respect of the swaps was a liability of £556.8m (2019: £456.7m), of which £23.2m (2019: £21.0m) is included in creditors falling due within one year and £533.6m (2019: £435.7m) is included in creditors falling due after more than one year.

Derivative financial instruments – index-linked swaps

As at 31 March 2020, the Group was also party to index-linked swaps over £352.0m (2019: £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 swaps mature in 2036. The initial rate of interest was between 1.9% and 2.8%. In addition, the terms of the index-linked swaps provide for accretion payments to be made every four years commencing in October 2016, based on the movement in the UKRPI over each four-year period. There were no accretion payments in the year ended 31 March 2020 (2019: none). The next accretion payment is scheduled to be paid in October 2020. As at 31 March 2020, the amount accrued for accretion payments, and presented in creditors falling due within one year, is £50.7m (2019: £39.6m presented in creditors falling due after more than one year). The fair value of the index-linked swaps, which at 31 March 2020 was a liability of £559.0m (2019: £556.3m), of which £8.6m (2019: £3.5m) is included in creditors falling due within one year and £550.4m (2019: £552.8m) is included in creditors falling due after more than one year.

Derivative financial instruments –cross-currency swaps

As explained in note 19, included within the Group's long-term borrowings is $380.0m (2019: $385.0m) of US dollar denominated private placement notes in respect of which the Group holds cross-currency swaps. 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, and to fix the sterling amount of the final repayment on maturity. The fair value of these swaps at 31 March 2020 was an asset of £76.6m (2019: £48.8m), of which an asset of £1.3m (2019: asset of £6.9m) is presented as due within one year and an asset of £75.3m (2019: £41.9m) is presented as falling due after more than one year.

Derivative financial instruments – forward contracts

As at 31 March 2020, the Group had entered into forward currency contracts over a notional principal of $94.7m to mitigate the exchange rate risk for certain foreign currency payables. The forward currency contracts are measured at fair value, which is determined using valuation techniques that utilise observable inputs. The key inputs used in valuing the derivatives are the forward exchange rates for the foreign currency. The fair value of the forward foreign currency contracts is an asset of £8.5m (2019: £3.8m), of which £2.0m (2019: £1.4m) is presented as falling due within one year and £6.5m (2019: £2.4m) is presented as falling due after more than one year.

Derivative financial instruments – fuel hedges

The Group also has fuel price hedging derivatives in place, which are measured at fair value. As at 31 March 2020, the fair value of these contracts was a liability of £1.6m (2019: £nil), of which £1.3m (2019: £nil) is presented as falling due within one year and £0.3m (2019: £nil) is presented as following due after more than one year.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020

20. FINANCIAL INSTRUMENTS (CONTINUED)

Disclosures in respect of the Group (continued)

Derivative financial instruments – profit and loss charges

Movements in the fair value of the financial derivative instruments are recognised in the profit and loss account. For the year ended 31 March 2020 the net charge was £83.0m (2019: £67.1m). This is presented as a loss on derivative financial instruments of £104.5m (2019: £90.7m) and a gain of £32.6m (2019: £36.8m) in note 9. Accretion on index-linked swaps of £11.1m (2019: £13.2m) was recognised in the profit and loss account and separately presented under interest payable and similar charges in note 9.

Disclosures in respect of the Company

	Company	
	2020	**2019**
	£m	**£m**
Financial assets that are debt instruments measured at amortised cost		
- Amounts owed by group undertakings	338.0	335.1
Financial liabilities that are measured at amortised cost		
- Amounts owed to group undertakings	(104.3)	(104.3)
- Accruals	(5.5)	(5.5)
	(109.8)	(109.8)

21. POST-EMPLOYMENT BENEFITS

The Group operates a number of defined benefit pension schemes based on final pensionable pay, the largest of which is the Peel Ports Final Salary Pension Scheme (the "Scheme"). These schemes are closed to future accrual. The Company is also a participating employer in a number of multi-employer industry-wide defined benefit pension schemes, the largest of which is the Pilots National Pension Fund ("PNPF").

The Group also operates a number of defined contribution (otherwise known as money purchase) pension schemes in the United Kingdom and the Republic of Ireland. The largest of these schemes is the Peel Ports Group Retirement Savings Plan, which operates in the United Kingdom. To meet the Government's workplace savings legislation, the Group automatically enrols employees who met the eligibility criteria and who are not members of a qualifying pension scheme into the Peel Ports Group Retirement Savings Plan.

Amounts recognised in profit and loss account are as follows:

	2020	2019
	£m	**£m**
Defined benefit schemes		
- Service cost (note 21(a))	0.3	0.2
- Past service cost (note 21(a))	-	5.8
- Scheme administrative costs (note 21(a))	1.8	1.2
Defined contribution scheme (note 21(b))	8.1	7.2
Total charge in operating profit	10.2	14.4
Defined benefit schemes		
- Net interest expense (note 21(a))	2.2	2.7
Total charge	12.4	17.1

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020

21. POST-EMPLOYMENT BENEFITS (CONTINUED)

Amounts recognised in the balance sheet in respect of the defined benefit pension scheme is as follows:

	2020 £m	2019 £m
Post-employment pension liability	76.3	106.8

GMP equalisation

A UK High Court judgement was made on 26 October 2018 in respect of the gender equalisation of guaranteed minimum pensions ("GMPs") for occupational pension schemes. The estimated impact of this on scheme liabilities has been included within the comparative liability above and the corresponding charge has been recorded as an exceptional past service cost in the profit and loss account in the year ended 31 March 2019.

a) Defined benefit pension schemes

Administration and valuations

Defined benefit pension schemes, which pay benefits based on final pensionable pay, are administered by trustees and managed professionally. By law, the trustees' primary responsibility is to protect the interests of the members of the respective pension schemes and the assets of each of the schemes are held separately from the assets of the Group.

Defined benefit pension schemes are subject to triennial valuations using the projected unit credit method. These valuations, performed by qualified actuaries who are independent of the Group, are used to determine the level of contributions that the trustees, taking into account actuarial advice, require of the Group. The Group is committed to meeting its responsibilities to each of the defined benefit pension schemes to which it is party.

In addition to the triennial valuations, each defined benefit scheme is also valued annually for the purposes of these financial statements. These valuations are prepared in accordance with accounting standards (FRS 102), which require that all companies assume their pension fund grows at a standard rate reflecting a relatively low level of risk. Although this can aid comparability between companies, it means that these valuations are not representative of the funding position of each of the schemes.

The trustees, taking into account the relative strength of the Group's companies and independent investment advice from pension experts, will set actuarial assumptions which reflect the investment strategy for each scheme rather than a prescribed approach as required for accounting disclosures. This can lead to a difference between the ongoing funding deficit based on the "technical provisions" and the accounting deficit. Generally, because of the maturity of the Group's pension schemes and the investments that the trustees hold, the accounting deficit is higher than the technical provisions deficit.

The majority of the defined benefit pension schemes of which the Group is a participating body are closed to future accrual. Of the two that are still open to future accrual (both of which are multi-employer industry schemes) only the Pilots National Pension Fund is open to new members, though there are eligibility restrictions. The Group's participating bodies have less than 80 active members in the PNPF, the majority of whom are self-employed pilots. The Group also participates in the Norfolk Pension Fund ("NPF"), part of the Local Government Pension Scheme, following the 2015 acquisition of Great Yarmouth Port Company Limited. Although open to future accrual, the Group's participation in the NPF does not permit new members to join. There are less than 15 active members in the NPF.

On 1 June 2018, Great Yarmouth Port Company Limited ("GYPC"), a wholly owned subsidiary, entered into a Flexible Apportionment Arrangement with Great Yarmouth Port Authority ("GYPA") that saw GYPC assume GYPA's share of net liabilities in, and responsibilities to, the NPF and PNPF. The Group had previously indemnified GYPA in respect of its funding commitments for these funds, which was provided for in these financial statements prior to 1 June 2018. This was accounted for as an acquisition during the year ended 31 March 2019.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020

21. POST-EMPLOYMENT BENEFITS (CONTINUED)

a) Defined benefit pension schemes (continued)

Administration and valuations (continued)

The investment strategy of each of the defined benefit pension schemes of which the Group is a member is set by the trustees of those schemes after taking independent advice and consulting with the relevant employers. The trustees will aim to achieve the investment objectives of the respective schemes through investing to varying degrees in a diversified mix of growth assets which, over the long term, would be expected to grow in value by more than low risk assets such as cash and gilts. Where appropriate, trustees will also invest in "Liability-driven investments" ("LDIs") that either hedge against interest rate or inflation risks. As interest rates fall or inflation increases the liabilities of the schemes will increase in value. LDIs that hedge against interest rate risk increase in value as interest rates decrease. LDIs that hedge against inflation risk increase in value as inflation increases. The trustees will also invest in hedge funds that may also hold financial derivatives designed to hedge the respective scheme's interest rate or inflation risks. The trustees will manage the risks associated with the different investment strategies by regular monitoring of investment managers and the overall strategy and results.

Defined benefit pension schemes operated by the Group

The Group operates a number of defined benefit pension schemes, the largest of which is the Peel Ports Final Salary Pension Scheme (the "Scheme"). In addition, there are unfunded pensions payable to certain retired employees, who are not members of the above schemes.

Peel Ports Final Salary Pension Scheme ("PPFSPS")

The Scheme closed to future accrual with effect from 31 December 2013. Following the closure, employer contributions continue to be payable in relation to the recovery plans in place for certain sections of the Scheme.

The most recent full triennial actuarial valuations for each of the five sections of the PPFSPS were as at 5 April 2018. As at the latest actuarial valuation, the value of the assets within each section of the scheme, which together totalled £419.5m, was sufficient to cover between 86% and 100% of the benefits that had been accrued to members, after allowing for expected future increases in earnings. The total deficit across all five sections was £26m.

The main assumptions applied in the 2018 triennial valuation were that the pre-retirement discount rate would be calculated as RPI plus 2.0% per annum, the post-retirement discount rate would be calculated using a fixed interest gilt yield curve plus 0.5% per annum and that RPI would be determined from the gilt market implied break-even inflation, based on Bank of England published data. CPI inflation is RPI minus 0.5%. For liability maturities ranging from 5 to 25 years, this would approximate to a range of 5.04%-5.53% for the post-retirement discount rate, 1.09%-1.88% for the pre-retirement discount rate and 3.04%-3.53% for RPI.

The recovery plan agreed with the Trustee commits the Group to continue to make annual deficit recovery payments each year. The recovery plan is designed to address the respective funding positions of each section so as to achieve fully funded status by 2023. Additionally, the Group will continue to pay the scheme administrative expenses of the PPFSPS. During the year, the Group made contributions of £4.7m (2019: £3.6m), which the Group will continue to pay on an annual basis until the results of the next triennial actuarial valuation are known. The triennial valuation as at 5 April 2021 is expected to be completed by the end of 2021.

A&P Group Pension Scheme ("A&PGPS")

The scheme closed to future accrual in 2009. Following the closure, employer contributions have continued to be payable in relation to the recovery plan in place for each section of the Scheme.

The most recent full triennial actuarial valuations for each of the three sections of the A&PGPS were as at 31 March 2018. As at that date, the value of the assets within each section of the scheme, which together totalled £103.0m, was sufficient to cover between 75% and 115% of the benefits that had been accrued to members. The total deficit across all three sections was £17m.

The main assumptions in the 2018 triennial valuation were that, across the three sections, the pre-retirement discount rate would range between 3.75% and 4.9%, the post-retirement discount rate would be between 2.0% and 2.2% and that RPI would be 3.4%. CPI has been determined to be RPI minus 0.5%.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020

21. POST-EMPLOYMENT BENEFITS (CONTINUED)

a) Defined benefit pension schemes (continued)

Defined benefit pension schemes operated by the Group (continued)

The recovery plan agreed with the Trustee commits the Group to make annual deficit recovery payments and is designed to address the respective funding positions of each section in order to achieve fully funded status by 2026. Additionally, the Group will continue to pay the scheme administrative expenses. During the year, the Group made contributions of £3.3m (2019: £3.0m), which the Group will continue to pay on an annual basis until the results of the next triennial actuarial valuation are known. The triennial valuation as at 31 March 2021 is expected to be completed by early 2022.

Coastal Containers Group Pension and Life Assurance Scheme ("CCGPALS")

The scheme closed to future accrual in 2014.

The most recent full triennial valuation for the CCGPLAS was as at 6 July 2018. As at that date, the value of the assets, totalled £4.1m. The scheme had a surplus of 117%. The main assumptions in the actual valuation were that the pre-retirement discount rate would be 2.2%, the post-retirement discount rate would be 2.1%, RPI and CPI would be 3.0% and 2.3% respectively, and that pension earnings will increase by 3.0%. The triennial valuation as at 6 July 2021 is expected to be completed by the summer of 2022.

Industry-wide defined benefit pension 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 the Group's share of those schemes 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. The trustee assessed and indicated the Group's share of the deficit as at 31 December 2010 to be 21.3%. There has been no change to the allocated share since that date, although following a Flexible Apportionment Arrangement in June 2018, the Group's share has now increased to 22.0%.

The most recent formal actuarial valuation, completed by an independent actuary, is as at 31 December 2016.

As at that date, the scheme had assets with a market value of £327m, representing 66% of the benefits accruing to members. The total deficit was £165m. The main assumptions in the actuarial valuation were that long-term investment rates, and the discount rate, would be 6.3% per annum pre-retirement and 2.8% per annum post-retirement, pensionable salary increases would be 3.0% per annum and price inflation would be 3.0% per annum on a RPI basis and 2.0% on a CPI basis. The recovery plan is designed to address the funding position so as to achieve fully funded status by 2028. During the year, the Group made contributions of £3.6m (2019: £3.5m) to the PNPF, an amount that is expected to increase in line with annual inflation on an RPI basis. The triennial valuation as at 31 December 2019 is expected to be completed by early 2021.

The Group is a participating body in the PNPF through its engagement of both self-employed and employed pilots. Although pilots may be self-employed, a High Court case in 2012 concluded in 2012 that Competent Harbour Authorities that use self-employed pilots would be required to contribute to the scheme deficit. Predominantly all of the pilots used by the Group who are active members of the PNPF are self-employed. They are typically members of a co-operative organisation that contracts with Group companies to provide pilotage services. Accordingly, contributions due in respect of ongoing service are paid by the pilots themselves and/or by the organisations of which they are a member.

At 31 March 2020, the Group's share of the deficit, on an FRS 102 accounting standards basis, was £36.1m (2019: £41.5m), which is included in the amounts recognised in the balance sheet.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020

21. POST-EMPLOYMENT BENEFITS (CONTINUED)

a) Defined benefit pension schemes (continued)

Industry-wide defined benefit pension schemes (continued)

Merchant Navy Officers Pension Fund ("MNOPF")

The scheme closed to future accrual with effect from 31 March 2016 with a Defined Contribution Section being introduced for future pension accrual. The Group's share of the scheme has been assessed by the trustee and actuary to be 0.14%. The Group has no active members within the Defined Contribution Section.

During the year, the Group made contributions of £nil (2019: £nil) to the Defined Benefit Section in relation to the past-service deficit. The Group's share of the MNOPF Defined Benefit Section's scheme assets and liabilities is accounted for on a defined benefits basis.

The most recent triennial valuation of the Defined Benefit Section was carried out at 31 March 2018, when the Section had assets of £3,278m, representing 98% of the benefits accrued to members as at that date. The total deficit was £73m. The main assumptions were that the discounts would be based on gilts plus 1.0% to 2020, trending linearly down to gilts plus 0.25% from 2025, RPI would be 3.3% and CPI would be 2.3%. Investment returns on the assets are expected to be sufficient to return the MNOPF Defined Benefit Section to a fully funded level by 2023 and, therefore, no deficit recovery payment plan was necessary. The triennial valuation as at 31 March 2021 is expected to be completed by early 2022.

As at 31 March 2020, the Group's share of the deficit on an FRS 102 accounting standards basis was £nil (2019: £nil), which is included in the amount recognised in the balance sheet.

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

The scheme rules of the FRDWPF did not provide for the allocation of assets and liabilities to the participating employers, and therefore the Group had accounted for this scheme, in respect of which the Group's share was assessed to be 22%, as a defined contribution pension arrangement.

As at 31 March 2019, the fund's liabilities had been fully bought out and as such the fund thereafter had no members and no liabilities. Following completion of the final audit of the fund's 2020 report and financial statements, the fund was formally wound up in the year ended 31 March 2020.

Local Government Pension Scheme ('LGPS')

The Group is a member of the Norfolk Pension Fund ("NPF") which is part of the LGPS. This is a multi-employer defined benefit pension scheme that is accounted for on a defined benefits basis.

The fund is administered by Norfolk County Council in accordance with the Local Government Pension Scheme Regulations 1987 (as amended). The Group's share of the LGPS has been calculated by the actuary as being 0.4% (2019: 0.4%).

The most recent formal valuation, completed by an independent actuary, is as at 31 March 2019. As at that date, the NPF had assets with a market value of £3.8bn, representing 99% of the benefits accruing to members. The total deficit was £28m.

The main assumptions in the actuarial valuations were that the investment return would be 4.2%, benefit increases on a CPI basis would be 2.3% and pensionable salary increases would be 3.0%. During the year, the Group made contributions of £0.4m (2019: £0.5m), which the Group will continue to pay on annual basis until the results of the next triennial actuarial valuation are known. The contributions have been set by the actuary in order to achieve a fully funded status by 2033. The triennial valuation as at 31 March 2022 is expected to be completed by the summer of 2023.

As at 31 March 2020, the Group's share of the deficit in this scheme on an FRS 102 accounting standards basis was £1.2m (2019: £2.2m), which is included in the amounts recognised in the balance sheet.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020

21. POST-EMPLOYMENT BENEFITS (CONTINUED)

a) Defined benefit pension schemes (continued)

Disclosures in respect of both the defined benefit pension scheme operated by the Group and the Group's participation in multi-employer industry-wide schemes

Adjustments to the actuarial valuations as at the dates described in the preceding section have been made for FRS 102 accounting standards purposes based on the assumptions set out below.

Assumptions

	2020	2019
Discount rate	2.3%	2.4%
Price inflation (RPI)	2.6%	3.3%
Price inflation (CPI)	1.7%	2.3%
Rate of increase of:		
- pensionable salaries	2.6%	3.3%
- pensions in payment	2.6%	3.2%
- deferred pensions	1.7%	3.3%

The mortality assumptions used were as follows:

	2020 Years	2019 Years
Longevity at age 65 for current pensioners:		
- Men	21.5	21.4
- Women	23.5	23.4
Longevity at age 65 for future pensioners (currently aged 45):		
- Men	23.3	23.2
- Women	25.3	25.2

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%	-7%/+7%
Inflation	+/- 0.5%	+3%/-3%
Rate of increase in pensionable salaries	+/- 0.5%	+1%/-1%
Mortality	+1 year	+5%

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020

21. POST-EMPLOYMENT BENEFITS (CONTINUED)

a) Defined benefit pension schemes (continued)

Disclosures in respect of both the defined benefit pension scheme operated by the Group and the Group's participation in multi-employer industry-wide schemes (continued)

Net pension liability

	2020 £m	2019 £m
Fair value of scheme assets	599.8	608.0
Present value of funded obligations	(671.4)	(714.5)
	(71.6)	(106.5)
Present value of unfunded obligations	(0.3)	(0.3)
	(71.9)	(106.8)
Restriction of surplus in PPFSPS	(4.4)	-
Post-employment pension liability	(76.3)	(106.8)

Reconciliation of scheme assets and liabilities

	Assets £m	Liabilities £m	Total £m
As at 1 April 2019	608.0	(714.8)	(106.8)
Benefits paid	(38.4)	38.4	-
Employer contributions	12.0	-	12.0
Employee contributions	1.5	(1.5)	-
Service cost	-	(0.3)	(0.3)
Scheme administrative expenses	(1.8)	-	(1.8)
Interest income/(expense)	14.1	(16.3)	(2.2)
Remeasurement gains			
- Actuarial gains	-	22.8	22.8
- Return on plan assets excluding interest income	4.4	-	4.4
As at 31 March 2020	599.8	(671.7)	(71.9)

The net remeasurement of the defined benefit liability for the year ended 31 March 2020, recorded in other comprehensive income, is a gain of £22.8m (2019: £4.4m), after an adjustment relating to the restriction of surpluses of £4.4m (2019: £nil).

Total cost recognised as an expense

	2020 £m	2019 £m
Scheme administrative expenses	1.8	1.2
Service cost	0.3	0.2
Past service cost	-	5.8
Recognised within operating expenses (note 7)	2.1	7.2
Net interest expense (note 9(c))	2.2	2.7
	4.3	9.9

No amounts (2019: £nil) were capitalised into the cost of assets.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020

21. POST-EMPLOYMENT BENEFITS (CONTINUED)

b) Defined benefit pension schemes (continued)

Disclosures in respect of both the defined benefit pension scheme operated by the Group and the Group's participation in multi-employer industry-wide schemes (continued)

Fair value of the plan assets

	2020 £m	2019 £m
Equities	63.4	99.9
Hedge funds	81.2	99.6
Fixed-interest gilts	8.0	14.7
Index-linked gilts	0.5	0.5
Corporate bonds	120.3	270.4
Liability-driven investments	109.1	59.7
Diversified growth funds	40.8	18.5
Insurance policies	35.1	15.8
Annuities	3.4	3.8
Property	1.9	1.6
Cash	136.1	23.5
Total	599.8	608.0

The plan assets do not include any of the Company's or Group's financial instruments.

The return on the plan assets was:

	2020 £m	2019 £m
Interest income	14.1	15.1
Return on plan assets less interest income	4.4	0.8
Total gains	18.5	15.9

b) Defined contribution schemes

The Company provides a number of defined contribution schemes for its employees, with the largest being the Peel Ports Group Retirement Savings Plan. The assets of the schemes are held separately from the assets of the Company and are administered and managed professionally by an insurance company. Benefits are provided based on actual contributions paid and investment performance. Company contributions to this pension scheme typically match those paid by employees, up to a maximum of 10% of pensionable salaries. To meet the Government's workplace savings legislation, the Group automatically enrols employees who met the eligibility criteria and are not members of a qualifying pension scheme into the Peel Ports Group Retirement Savings Plan.

The amount recognised as an expense for the defined contribution scheme was:

	2020 £m	2019 £m
Current year contributions (note 7)	8.1	7.2

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020

22. CALLED-UP SHARE CAPITAL

	Group and Company	
	2020	**2019**
	£m	**£m**
389,473,990 allotted and fully paid £1 ordinary shares	389.4	389.4

There are no restrictions on the distribution of dividends and the repayment of capital.

Equity dividends

	2020	**2019**
	£m	**£m**
Final ordinary dividends paid	44.5	36.9
Interim ordinary dividends paid	45.6	37.0
	90.1	73.9

No final ordinary dividend has been proposed by the shareholders after 31 March 2020. A final 2019 ordinary dividend of £44.5m was proposed by the shareholders after 31 March 2019 and was, therefore, not reflected as a dividend payable in the financial statements of that year.

23. NOTES TO THE GROUP CASH FLOW STATEMENT

a) Reconciliation of loss to net cash inflow from operating activities

	2020	**2019**
	£m	**£m**
Continuing activities		
Loss for the year	(102.1)	(87.3)
Taxation	2.6	1.2
Net interest expense	212.3	207.0
Share of operating profit of joint ventures	(0.1)	(0.2)
Group operating profit	112.7	120.7
Depreciation, amortisation and impairment	116.0	102.0
Profit on disposal of fixed assets	(13.4)	(2.0)
Increase in stocks	(1.9)	(0.3)
Decrease/(increase) in debtors	9.2	(17.3)
(Decrease)/increase in creditors	(9.5)	8.1
Difference between pension charge and cash contributions	(9.9)	(3.5)
Cash inflow from continuing operational activities	203.2	207.7

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020

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

b) Cash flow used in investing activities

	2020 £m	2019 £m
Payments to acquire tangible fixed assets	(128.9)	(102.2)
Receipts from sales of tangible fixed assets	4.1	2.7
Payments to acquire subsidiary undertaking	(7.3)	(38.4)
Cash acquired on acquisition of subsidiary undertaking	1.5	8.1
Interest received	-	0.4
	(130.6)	(129.4)

c) Cash flow used in financing activities

	2020 £m	2019 £m
Issue of ordinary shares	-	38.4
Dividends paid to owners of the parent	(90.1)	(73.9)
Dividends paid to non-controlling interests	(1.0)	-
Net drawdown/(repayment) of revolving bank facilities	55.0	(25.0)
New private placement loans	252.9	75.0
Repayment of private placement loans	(22.0)	-
New bank loans	150.0	100.0
Repayment of bank loans	(308.9)	(68.3)
Loans to joint venture undertakings	(2.5)	-
Payments in respect of finance leases	(0.4)	-
Issue costs paid	(2.3)	(2.8)
Interest paid	(109.9)	(108.9)
	(79.2)	(65.6)

24. ANALYSIS OF MOVEMENT IN GROUP NET DEBT

	As at 1 April 2019 £m	Cash flow £m	Other non-cash changes £m	Foreign exchange £m	As at 31 March 2020 £m
Cash at bank	101.3	(10.5)	-	0.3	91.1
Bank loans	(957.6)	104.8	(3.3)	-	(856.1)
Private placement loans	(913.9)	(229.5)	(0.7)	(10.0)	(1,154.1)
9% subordinated loan stock:					
Due to group undertakings	(61.6)	-	-	-	(61.6)
Due to related undertakings	(61.4)	-	-	-	(61.4)
Perpetual debenture stock	(2.2)	-	-	-	(2.2)
3% irredeemable loan stock	(1.2)	-	-	-	(1.2)
3.625% irredeemable loan stock	(0.7)	-	-	-	(0.7)
Finance leases	-	0.4	(1.4)	-	(1.0)
Debt	(1,998.6)	(124.3)	(5.4)	(10.0)	(2,138.3)
Net debt	(1,897.3)	(134.8)	(5.4)	(9.7)	(2,047.2)

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020

25. CAPITAL COMMITMENTS

	2020 £m	2019 £m
Capital expenditure contracted for but not provided for	61.1	56.2

26. RELATED PARTY TRANSACTIONS

Joint ventures

Related Party	Transaction	2020 £m	2019 £m
Estuary Services Limited	Sales and expenses recharged	0.8	0.3
	Purchases	(0.2)	(1.1)

As at 31 March 2020 and 31 March 2019 there are no balances owed by/(to) the above joint venture undertakings.

The Mersey Docks and Harbour Company (L2) Limited and MDHC Container Services Limited	Sales and expenses recharged	4.9	-

As disclosed in note 30, the Group entered into a joint venture agreement with Terminal Investment Limited S.A.R.L. in respect of these companies in January 2020.

As at 31 March 2020, the amount due from the above joint venture undertakings was £4.6m (2019: £nil). This includes a loan balance of £2.5m that bears interest at the Bank of England base rate plus 3% and is repayable in full on 15 January 2030.

Entities in the Peel Holdings Group Limited group of companies

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

Related Party	Transaction	2020 £m	2019 £m
Peel Holdings (IOM) Limited	Sales and expenses recharged	2.3	-
	Purchases	(0.9)	-
Peel Holdings Land & Property Group Limited	Sales and expenses recharged	2.4	1.3
	Purchases, rent and expenses reimbursed	(4.5)	(4.8)

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

	2020 £m	2019 £m
Peel Holdings Land & Property Group Limited		
Amounts owed by the related party	3.0	1.8
Amounts owed to the related party	1.6	-

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020

26. RELATED PARTY TRANSACTIONS (CONTINUED)

During the year ended 31 March 2020, the Group acquired land from Braehead Park Estates Limited, a subsidiary of Intu plc and a related party, at King George V Dock in Glasgow, for £6.1m. No amounts were outstanding at 31 March 2020.

Details of interest payable to the shareholders in the Group's immediate parent company (Peel Ports Holdings (CI) Limited), Peel Ports Investments (IOM) Limited and Infrastructure JVCo (Lime) S.a.r.l. are disclosed in note 9. Details of equity dividends paid to the shareholder are shown in the Directors' Report and note 22.

Included in accruals and deferred income in note 17 is accrued interest of £2.8m (2019: £2.8m) payable to Infrastructure JVCo (Lime) S.a.r.l. and £2.8m payable to Peel Ports Investments (IOM) Limited (2019: £2.8m).

27. OTHER FINANCIAL COMMITMENTS

At 31 March 2020, the Group had the following minimum lease payments under non-cancellable operating leases for each of the following periods:

	2020 £m	2019 £m
Within one year	38.5	37.6
Within two to five years	111.0	108.1
After five years:		
Ellesmere Port – see below	1,007.7	1,008.8
Other leases	324.3	339.2
	1,332.0	1,348.0
	1,481.5	1,493.7

Included within non-cancellable operating lease commitments after five years is £1,329.0m (2019: £1,333.6m) in respect of long life land leases. This includes £1,007.7m (2019: £1,008.8m) in respect of a 999 year lease over the Group's Ellesmere Port site, in respect of which there are 954 years remaining.

Company

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

28. CONTROLLING PARTIES

The directors regard Tokenhouse Limited as the ultimate holding company and Peel Ports Holdings (CI) Limited as the immediate parent company.

Tokenhouse Limited, which is incorporated in the Isle of Man, 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 parent undertaking, Peel Ports Holdings (IOM) Limited, the Company considers the Billown 1997 Settlement trust to be the ultimate controlling party.

29. NON-CONTROLLING INTERESTS

The movement in non-controlling (minority) interests was as follows:

	£m
As at 1 April 2019	6.6
Total comprehensive income attributable to non-controlling interests	(0.3)
Dividends paid	(1.0)
As at 31 March 2020	5.3

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020

30. SUBSIDIARY UNDERTAKINGS AND JOINT VENTURES

The Group holds investments in the ordinary share capital of the subsidiary undertakings listed below. All of the subsidiaries are 100% owned other than those denoted with an asterisk, which are 75% owned.

Principal subsidiary undertakings

The principal subsidiary undertakings consolidated as at 31 March 2020 were as follows. Number references in parentheses relate to the registered address of each company, which are set out at the end of this note.

Subsidiary	Principal activity
A&P Falmouth Limited* (1)	Marine Support Services
A&P Tees Limited* (1)	Marine Support Services
A&P Tyne Limited* (1)	Marine Support Services
Atlantic & Peninsula Australia Pty Limited* (2)	Marine Support Services
Birkenhead Port Limited (3)	Regional Port Operator
B.G. Freight Line B.V. (4)	Shipping
Cammell Laird Shiprepairers & Shipbuilders Limited* (5)	Marine Support Services
Clydeport Operations Limited (6)	Regional Port Operator
Great Yarmouth Port Company Limited (3)	Regional Port Operator
Heysham Port Limited (3)	Regional Port Operator
Ligna Biomass Limited (3)	Biomass Facility Operator
Marine Terminals Limited (7)	Stevedoring
Peel Ports Limited (3)	Treasury Company
Peel Ports PP Finance Limited (8)	Treasury Company
Port of Sheerness Limited (3)	Regional Port Operator
Quality Freight (UK) Limited	General Cargo Services Provider
The Manchester Ship Canal Company Limited (3)	Regional Port Operator
The Mersey Docks and Harbour Company Limited (3)	Regional Port Operator
The Mersey Docks and Harbour Company (RSCT) Limited (3)	Container Terminal Operator

Other subsidiary undertakings

The Group's other subsidiary undertakings consolidated at 31 March 2020 were as follows, categorised by principal activity. Number references in parentheses relate to the registered address of each company, which are set out at the end of this note.

Trading companies

Subsidiary	Principal activity
Ardrossan Harbour Company Limited (6)	Regional Port Operator
A&P Shipbuilders Limited* (1)	Property ownership
Atlantic Engineering & Laboratories Limited* (9)	Engineering Services
B.G. Freight Line Limited (7)	Shipping
Coastal Container Line Limited (10)	Shipping
Dublin Container and Transport Services Limited (7)	Container Services
Marine Designs Limited* (1)	Marine Support Services
Neway Industrial and Environmental Services Limited* (5)	Cleaning Services
Peel Ports (IDS) Limited (3)	Investment Holding
Seaforth Power Limited (3)	Electricity Supply to the Port of Liverpool
The Falmouth Docks and Engineering Company* (1)	Marine Support Services

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020

30. SUBSIDIARY UNDERTAKINGS AND JOINT VENTURES (CONTINUED)

Intermediate holding companies

Each of the following companies act as intermediate holding companies within the Group.

A&P GH 2006 Limited* (1)
A&P Group Limited* (1)
A&P Ship Repairers Limited* (1)
Atlantic & Peninsula Marine Services Limited* (9)
B.G. Freight Line Holding B.V. (4)
Clydeport Limited (6)
Imari Limited (7)
Ligna Biomass Holdings Limited (3)
Maritime Centre Limited (3)
Medway Ports Limited (3)
Merlin Ports Limited (3)
Peel Holdings (Ports) Limited (3)
Peel Ports Containers Limited (3)
Peel Ports Holdings Limited (3)
Peel Ports Intermediate Holdco Limited (3)
Peel Ports Land & Property Investments Limited (3)
Peel Ports Investments Limited (3)
Peel Ports Operations Limited (3)
Peel Ports UK Financeco Limited (3)

Dormant or non-trading companies

Each of the following companies was either dormant or did not trade as at the balance sheet date.

A&PA Property Limited (3)
A&P Birkenhead Properties Limited* (1)
A&P Defence Limited* (1)
A&P Dry Docks Limited (3)
A&P Ports & Properties Limited (3)
A&PPP 2006 Limited (3)
A&P Southampton Limited* (1)
A&P Tyne Properties Limited (3)
A&P Wallsend Limited* (1)
B.G. Freight Line (Agency) B.V. (4)
B.G. Freight Line Shipping B.V. (4)
Birkenhead East Float (North Vittoria) Newco Ltd (8)
Birkenhead East Float (South Vittoria) Newco Ltd (8)
Birkenhead East Float Newco Limited (8)
Birkenhead West Float No 1 Newco Limited (8)
Birkenhead West Float No 2 Newco Limited (8)
Birkenhead West Float No 3 Newco Limited (8)
Birkenhead West Float No 4 Newco Limited (8)
Birkenhead West Float No 5 Newco Limited (8)
Birkenhead West Float No 6 Newco Limited (8)
Birkenhead West Float No 7 Newco Limited (8)
Coastal Line Container Terminal Limited (7)
De Facto 1693 Limited (3)
Eastport UK Cargo Handling Limited (3)
Ellesmere Newco Limited (8)
Hydropower Services Limited* (1)
Irwell Newco Limited (8)
James Scott & Co (Dublin) Limited (7)
Peel Ports Finance Limited (8)
Peel Ports Freight Limited (3)
Peel Ports Land & Property Investments (No. 2) Ltd (3)
Peel Ports Trustees Limited (3)
Port Falmouth Limited (3)
Portia World Travel Limited (3)
Runcorn Newco Limited (8)
Scott Lithgow Shiprepairers & Shipbuilders Limited* (5)
Seaforth Stevedoring Limited (3)
Seawing Landguard International Limited (3)
TR Shipping Services Limited (10)

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020

30. SUBSIDIARY UNDERTAKINGS AND JOINT VENTURES (CONTINUED)

Joint venture undertakings

The joint venture undertakings at 31 March 2020 were as follows. The country of incorporation of each company is the United Kingdom, unless otherwise denoted. Number references in parentheses relate to the registered address of each company, which are set out at the end of this note.

In January 2020, the Group entered into a joint venture agreement with Terminal Investment Limited S.A.R.L. in respect of the cargo handling operations of the Liverpool2 deep-water container terminal at the Port of Liverpool. The agreement is in respect of the joint venture companies The Mersey Docks and Harbour Company (L2) Limited and MDHC Container Services Limited.

Joint venture	Principal activity
Clarke Chapman Portia Port Services Limited (3)	Non-trading
Estuary Services Limited (3)	Port Facilities
The Mersey Docks and Harbour Company (L2) Limited (3)	Container Terminal Operator
MDHC Container Services Limited (3)	Labour Provider

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

Registered offices

Reference	Address
1	c/o A&P Tyne Limited, Wagonway Road, Hebburn, Tyne & Wear, NE31 1SP, UK
2	c/o William Buck, Level 29, 66 Goulburn Street, Sydney, NSW 2000, Australia
3	Maritime Centre, Port of Liverpool, Liverpool, L21 1LA, UK
4	Den Hamweg 30, 3089KK, Rotterdam, The Netherlands
5	Cammell Laird Shipyard, Campbeltown Road, Birkenhead, Wirral, CH41 9BP, UK
6	16 Robertson Street, Glasgow, G2 8DS, UK
7	South Bank Quay, Pigeon House Road, Ringsend, Dublin 4, Ireland
8	c/o Maples Corporate Services Ltd, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands
9	5 Abbotts Quay, Monks Ferry, Birkenhead, CH41 5LH, UK
10	c/o Elliott Duffy Garrett, 40 Linenhall Street, Belfast, BT2 8BA, UK

31. SUBSEQUENT EVENTS

The Group is progressing the disposal of the Marine Support Services segment, with completion expected by the end of July 2020. Proceeds from the sale are expected to be in excess of the carrying value of the net assets of the segment.