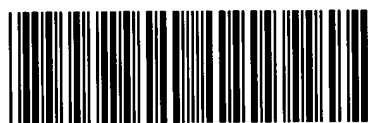


**PEEL PORTS GROUP LIMITED**

**Report and Financial Statements  
For the year ended 31 March 2018**

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**REPORT AND FINANCIAL STATEMENTS**

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**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

T E Allison (Chairman)  
I G L Charnock (Group Chief Financial Officer)  
H M M Mackenzie  
S Underwood  
S Vyas  
J Whittaker  
M Whitworth (Group Chief Executive Officer)

**COMPANY SECRETARY**

F A Khan  
C R Marrison Gill

**REGISTERED OFFICE**

Maritime Centre  
Port of Liverpool  
Liverpool  
L21 1LA

**BANKERS**

National Westminster Bank PLC  
2-8 Church Street  
Liverpool  
L1 3BG

**AUDITOR**

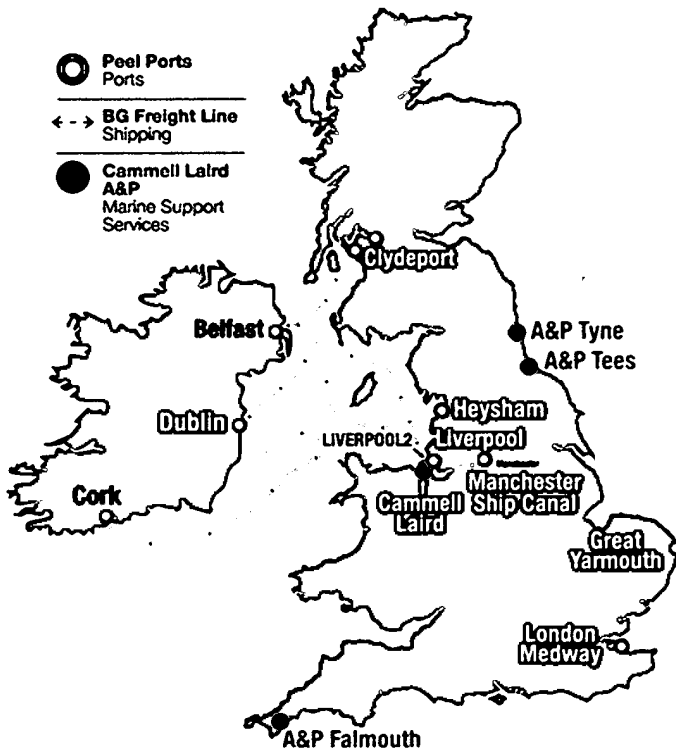
Deloitte LLP  
Statutory Auditor  
Horton House  
Exchange Street East  
Liverpool  
L2 3PG

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 particular port, on a long-term basis.

Port facilities, freight forwarding and cargo handling services are also provided in Dublin 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 meters, 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.

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 started to take 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).

#### *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 28.

## 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:

<b>Continuing operations:</b>	<b>2018</b>	<b>2017</b>	<b>Change</b>	
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>%</b>
<b>Turnover</b>	716.8	644.0	72.8	11.3
<b>Gross profit</b>	228.8	217.3	11.5	5.3
<b>EBITDA<sup>1</sup></b>	230.1	219.4	10.7	4.9
<b>Group operating profit before exceptional items<sup>2</sup></b>	159.3	157.2	2.1	1.3
<b>Group operating profit</b>	<u>156.9</u>	<u>137.7</u>	<u>19.2</u>	<u>13.9</u>
	<b>%</b>	<b>%</b>		
<b>Gross profit margin<sup>3</sup></b>	<u>31.9</u>	<u>33.7</u>		
<b>Tonnage throughput (millions)*:</b>				
Ports	56.8	56.0	0.8	1.4
Shipping	4.7	4.3	0.4	9.3
<b>Total</b>	<u>61.5</u>	<u>60.3</u>	<u>1.2</u>	<u>2.0</u>

\*Uses standard tonnage measures for the port industry.

The operating performance for the year ended 31 March 2018 reflects the following:

- EBITDA increased by 4.9%, from £219.4m to £230.1m with Group operating profit before exceptional items higher by 1.3%, at £159.3m compared to £157.2m in the prior year. This reflects another strong performance by the Group.
- There were year on year improvements across all of the Group's key financial performance indicators. This includes a 2.0% increase in tonnage throughput from 60.3mt to 61.5mt, with both Ports and Shipping segments handling higher volumes than last year.
- Turnover increased by 11.3%, from £644.0m to £716.8m as a result of growth across each of the segments.
- Gross profit margin decreased from 33.7% to 31.9% reflecting changes in the revenue mix with the lower margin Shipping and Marine Support Services segments both increasing their turnover significantly.

<sup>1</sup> EBITDA is group operating profit of £156.9m (2017: £137.7m) before depreciation of £59.7m (2017: £50.7m, excluding exceptional depreciation of £8.4m which is included within the operating exceptional items), amortisation of goodwill of £10.1m (2017: £10.1m), statutory unrealised foreign currency gains and losses of £1.0m (net loss) (2017: £1.0m net loss) and operating exceptional items of £2.4m (2017: £19.5m), and after other finance income arising from the defined benefit pension schemes of £nil (2017: £nil) and dividends received from joint ventures of £nil (2017: £0.4m) 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.

<sup>2</sup> The exclusion of exceptional items of £2.4m (2017: £19.5m) from the Group operating profit of £156.9m (2017: £137.7m) to derive the adjusted Group operating profit figure removes items that could distort the understanding of the Group's performance and the comparability between periods.

<sup>3</sup> Gross profit margin is calculated by dividing the gross profit of £228.8m (2017: £217.3m) by the turnover of £716.8m (2017: £644.0m).

## STRATEGIC REPORT (CONTINUED)

## 2. FINANCIAL REVIEW (CONTINUED)

## 2.1 Operating performance (continued)

- Group operating profit increased by 13.9% from £137.7m to £156.9m, after recognising exceptional charges for the year of £2.4m (2017: £19.5m). The Group's profit after tax was £57.5m, compared to a prior year loss after tax of £101.3m. This is after taking account of a non-cash charge of £21.0m (2017: £89.9m) relating to the change in the fair value of derivative financial instruments and a non-cash credit of £34.4m (2017: charge of £41.0m) arising from the retranslation of foreign currency loans.
- Operating cash flows<sup>4</sup> were £188.8m, up from £186.7m, as the increase in EBITDA was offset in part by timing differences relating to movements in working capital.
- The Group invested £71.7m (2017: £106.8m) in net capital expenditure<sup>5</sup>. Financing activities in the year included the raising of £72.2m (2017: £82.2m) of new funds and the repayment of £30.0m (2017: £nil) of revolving facilities. The Group paid interest of £102.4m (2017: £99.5m). In the prior year, an accrued swap accretion payment of £37.5m was made with the next swap accretion payment falling due in October 2020. Dividends paid to the owners of the parent company totalled £54.0m (2017: £42.9m) and to the non-controlling interests totalled £nil (2017: £1.4m).
- The level of business activity for the Group reflects the higher volumes handled in the Ports and Shipping segments as well as the stage of completion of long term contracts within Marine Support Services. 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, though the fundamentals of the business are unchanged and the Group is planning for further growth.

## 2.2 Other financial developments

Other financial developments include:

- During the year, the Group raised £75.0m (2017: £125.0m) from the issuance of Private Placement Loans, which mature in 2029 (2017: mature in 2027), and repaid £2.8m (2017: £42.8m) of bank facilities and loans. The Group also extended the undrawn Liquidity Facility of £110.0m for a further 12 months to December 2018.
- Subsequent to the year end, the Group acquired the entire issued share capital of Ligna Biomass Holdings Limited and its subsidiary company, Ligna Biomass Limited (together "Ligna"), from the Group's immediate parent company, Peel Ports Holdings (CI) Limited. Ligna contracts with the Group's existing subsidiary company, The Mersey Docks and Harbour Company Limited, for the provision of biomass storage and handling services to Drax Power Limited. Consideration was £38.4m, which approximated to Ligna's net assets at the date of acquisition. Subsequent to the acquisition, the Group repaid Ligna's indebtedness of £65.5m and novated a fixed interest rate swap over a notional debt balance of £59.5m which had a fair value of £2.3m. The transaction was financed by the issue of £38.4m of new share capital in Peel Ports Group Limited to the existing shareholders and proceeds of £100.0m from the issuance of new facilities.
- Also subsequent to the year end, the Group has entered into forward contracts in respect of US dollar charter payments for four new vessels that will be used by the Group's shipping subsidiary, BG Freight Line BV, on a phased delivery basis. These are subject to seven year charters and the Group has put in place hedging contracts over payments with a nominal value of \$127m for the period from June 2018 to June 2025. The charter obligations for all four vessels are included in the Group's other financial commitments with the annual commitment representing approximately 40% of BG Freight Line BV's annual activities.

<sup>4</sup> Cash inflows from operating activities, before adjustment for tax paid of £1.1m (2017: £0.3m).

<sup>5</sup> Net capital expenditure is the sum of payments to acquire tangible fixed assets of £75.7m (2017: £109.5m) less receipts from the sale of tangible fixed assets of £4.0m (2017: £2.7m).

**STRATEGIC REPORT (CONTINUED)**

**2. FINANCIAL REVIEW (CONTINUED)**

**2.2 Other financial developments (continued)**

- Net investment in capital expenditure totalled £71.7m (2017: £106.8m). This included the construction of the Liverpool2 in-river deep-water container terminal at the Port of Liverpool and the construction of a new linkspan and pontoon at Heysham Port. At the Port of Sheerness, the Group has continued its development of car storage facilities following the lease of the former Thamesteel site last year. In Scotland, projects are underway to develop Ardrossan Harbour and transition Hunterston Port. At Great Yarmouth, investment has continued in enhancing the port’s infrastructure for the provision of offshore wind farm support services.
- Ordinary dividends of £54.0m (2017: £42.9m) were paid during the year. These are set out below:

	2018	2017
	£m	£m
Dividends (includes the prior year final declared dividend of £27.0m (2017: £21.4m))	54.0	42.9

A final dividend of £37.0m (2017: £27.0m) has been proposed.

**2.3 Financial position at the end of the year**

- Net liabilities were £1,652.7m at 31 March 2018 (2017: £1,671.0m). In addition to the profit for the financial year of £57.5m (2017: loss of £101.3m), the net liability position has changed primarily because of an actuarial gain, net of deferred tax, of £14.3m (2017: loss of £38.6m) relating to the Group’s defined benefit pension schemes and the payment of ordinary dividends of £54.0m (2017: £42.9m).

**3. OTHER DEVELOPMENTS DURING THE YEAR AND FUTURE DEVELOPMENTS**

*Wellmarsh*

Construction is nearing completion on the first stage of development at Port of Sheerness’ Wellmarsh site, a key part of that port’s Master Plan, which outlines a 20 year strategy for growth. Wellmarsh lies on the former Thamesteel site which had been derelict for several years, after closing operations in 2013. The site has been developed to support new logistics facilities, which will allow for the handling, storage and distribution of commodities such as automotive, steel and forest products.

*Hunterston*

Work has begun on the clearance of the Hunterston facility in preparation for the alternative use of this site, which until relatively recently was used for the handling of coal. The facility, situated on the west coast of Scotland, has a deep water quay capable of handling Cape sized vessels of up to 240,000 tonnes, a footprint of approximately 500 acres, a marine yard, two rail terminals and is close to Hunterston power station with grid connection, providing for a number of possible alternative uses.

*Heysham development*

The new linkspan at the Port of Heysham was formally opened in May 2018. Alongside the completion of the new M6 link road direct to the Port, this new asset enhances the attractiveness of the port of Heysham to customers travelling to Ireland by facilitating the use of the larger RoRo vessels on the Irish Sea route.

*Insourcing of third party labour*

In March 2018, the Group insourced c320 employees who had previously been engaged at the Port of Liverpool through third party labour providers. Including crane operators, straddle carrier operators, stevedores and other ground staff, the TUPE transfer means that those transferred became direct employees of the Group rather than agency workers.



## STRATEGIC REPORT (CONTINUED)

### 4. PRINCIPAL RISKS AND UNCERTAINTIES

#### 4.1 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 well to the fore in the conduct of our operations.

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 2018, with particular investment in increased training including, in October 2017, the Group's inaugural health and safety conference. Steps have also been taken to address areas where employees or third parties have been injured while in the Group's ports.

Further initiatives are planned with the objective of continuing the progress made so far in raising the profile of this critical area.

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 is intended to maintain Peel Ports' reputation as a 'responsible operator' among 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.

#### 4.2 Commercial

##### *Brexit*

Since the UK's vote to leave the EU, the Group has not yet encountered any material adverse impacts that might be directly attributable to Brexit. However, as negotiations regarding the post-Brexit trading arrangements remain ongoing there will continue to be economic uncertainty, with the potential impact on the UK ports being a particular area of focus. The Group is well diversified both by geography and by commodity and the fundamentals of the Group 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.

## STRATEGIC REPORT (CONTINUED)

## 4. PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

## 4.2 Commercial (continued)

*Dependency of the Group's ports on economic activity (continued)*

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

*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 risks to the activity levels of the Group's container handling operations. The Group has invested significantly in modern technology and practices so that these operations are efficient and attractive to existing and potential customers.

*Shipping and Marine Support Services tendering for contracts*

For the Group's other 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. In these segments, 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.

## 4.3 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 October 2018 and 30 September 2046 ("long-term debt") amount to £1,837.8m (2017: £1,830.4m)<sup>6</sup>. The cash flow risk arising in connection with interest charges is mitigated through the use of interest rate and index-linked swaps. Further details can be found in note 19.

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 2018, within the current facility agreements there were undrawn funds of £144.0m available in addition to cash of £91.4m on the Group's balance sheet.

*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.

*Capital risk*

The Group's financing arrangements are set out in note 18 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 2017 and 2018 and had significant headroom to the set limits.

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<sup>6</sup> Loans and other borrowings of £1,828.4m (2017: £1,817.6m) less perpetual debenture stock of £2.2m (2017: £2.2m), 3% irredeemable loan stock of £1.2m (2017: £1.2m), 3.625% irredeemable debenture stock of £0.7m (2017: £0.7m) and after adding back unamortised debt issue costs of £13.5m (2017: £17.0m).

**STRATEGIC REPORT (CONTINUED)****4. PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)****4.3 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. 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 2018, the Group balance sheet recorded a pension liability of £111.8m (2017: £135.1m). 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 20 of the financial statements. 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. In the year ended 31 March 2018, the Group paid employer contributions to defined benefit pension schemes of £10.5m (2017: £10.3m).

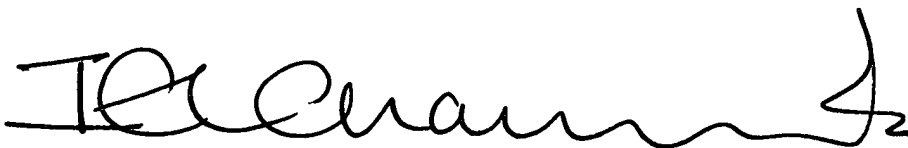
*Going concern*

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.

**4.4 Environmental**

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.

**On behalf of the Board**



**I G L Charnock**  
Director  
5 July 2018

## 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 £54.0m (2017: £42.9m). Of these, £27.0m (2017: £21.5m) are interim dividends and £27.0m (2017: £21.4m) are final dividends declared in respect of the preceding financial year. A final dividend of £37.0m has been proposed (2017: £27.0m).

### 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.

### APPOINTMENT OF COMPANY SECRETARY

On 22 September 2017, Farook Khan was appointed as Company Secretary of the Company, alongside Caroline Marrison Gill.

### EMPLOYEE INVOLVEMENT

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

### 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.

### 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.

**DIRECTORS' REPORT (CONTINUED)**

**AUDITOR AND DISCLOSURE OF INFORMATION TO THE AUDITOR (CONTINUED)**

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**

A handwritten signature in black ink, appearing to read 'I G L Charnock', written in a cursive style.

**I G L Charnock**  
Director  
5 July 2018

## **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:

- give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 March 2018 and of the Group's profit 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 of Peel Ports Group Limited (the 'parent company') and its subsidiaries (the 'Group') which comprise:

- the consolidated profit and loss account;
- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement; and
- the related notes 1 to 29.

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 the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including 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

<b>Key audit matters</b>	The key audit matter that we identified in the current year was revenue recognition.
<b>Materiality</b>	The materiality that we used in the current year for the group audit was £33.0 million, which was determined on the basis of 2% of net liabilities, and a lower materiality of £9.1 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.
<b>Scoping</b>	Audit work to respond to the risks of material misstatement was performed directly by the Group 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.

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PEEL PORTS GROUP LIMITED (CONTINUED)

## 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's or the 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.

<b>Revenue recognition</b>	
<b>Key audit matter description</b>	<p>There are three main revenue streams for the Group; Ports (£356.9m), Shipping (£109.2m) and Marine Support Services (£250.7m).</p> <p>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.</p> <p>Revenue for Marine Support Services relates to the value of contracts from the provision of a range of marine services, including ship repair and marine engineering, to ship owners and operators. 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.</p> <p>Further details are included within the strategic report on pages 2 to 9, and note 5 to the financial statements.</p>
<b>How the scope of our audit responded to the key audit matter</b>	<p>We evaluated the design and implementation of key controls relating to recognition of revenue.</p> <p>We challenged the directors' judgements regarding the point at which revenue is recognised, in particular around any unusual transactions and in a long-term contract. We obtained supporting evidence, such as contracts and agreements with customers to support the value and timing of revenue recognised. We independently corroborated or recalculated as appropriate in order to determine when revenue should be recognised, and to confirm the stage of completion is appropriate.</p>
<b>Key observations</b>	<p>Based on the work performed, we concluded that revenue is appropriately stated.</p>



# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PEEL PORTS GROUP LIMITED (CONTINUED)

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

### Our application of 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
<b>Materiality</b>	£33.0m	£9.1m	£8.6m
<b>Basis for determining materiality</b>	2% of net liabilities	4% of EBITDA	1.5% of total assets
<b>Rationale for the benchmark applied</b>	We determined Group materiality based on net liabilities as this is the most appropriate basis when considering the level of assets and liabilities held.	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.

We agreed with the Board of Directors that we would report to them all audit differences in excess of £455,000 for the group and £430,000 for the parent company, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Board on disclosure matters that we identified when assessing the overall presentation of the financial statements.

### An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the group and the parent company and their environment, including internal control, and assessing the risks of material misstatement.

We focused our group audit scope on all significant subsidiaries in the group which were all subject to a full scope audit. Audit work for these subsidiaries were audited directly by the group audit engagement team except for BG Freight Line BV. As a consequence of the audit scope determined, we achieved coverage of 100% of revenue, EBITDA, profit before tax and net assets. 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 £2.0m to £18.0m.

# **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PEEL PORTS GROUP LIMITED (CONTINUED)**

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

### **An overview of the scope of our audit (continued)**

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.

### **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 Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **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.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PEEL PORTS GROUP LIMITED (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:

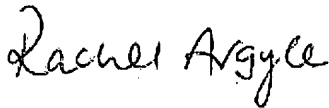
- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not 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.



Rachel Argyle (Senior statutory auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor  
Liverpool, UK  
6 July 2018

**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
**For the year ended 31 March 2018**

	Note	2018 £m	2017 £m
<b>GROUP TURNOVER</b>	5	716.8	644.0
Cost of sales		<u>(488.0)</u>	<u>(426.7)</u>
<b>GROSS PROFIT</b>		228.8	217.3
Other administrative expenses		(69.5)	(60.1)
Exceptional items	8	<u>(2.4)</u>	<u>(19.5)</u>
Administrative expenses		<u>(71.9)</u>	<u>(79.6)</u>
<b>GROUP OPERATING PROFIT</b>	6	156.9	137.7
Share of operating profit of joint ventures	13	<u>0.4</u>	<u>0.4</u>
<b>TOTAL OPERATING PROFIT: GROUP AND SHARE OF JOINT VENTURES</b>		157.3	138.1
Net interest expense	9	<u>(97.3)</u>	<u>(235.8)</u>
<b>PROFIT/(LOSS) BEFORE TAXATION</b>		60.0	(97.7)
Taxation	10	<u>(2.5)</u>	<u>(3.6)</u>
<b>PROFIT/(LOSS) FOR THE FINANCIAL YEAR</b>		<u>57.5</u>	<u>(101.3)</u>
<b>PROFIT/(LOSS) ATTRIBUTABLE TO:</b>			
- Owners of the parent		56.3	(104.7)
- Non-controlling interest		<u>1.2</u>	<u>3.4</u>
		<u>57.5</u>	<u>(101.3)</u>

The above results are derived from continuing operations.

**PEEL PORTS GROUP LIMITED**

**CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME**  
**For the year ended 31 March 2018**

	Note	2018 £m	2017 £m
<b>Profit/(loss) for the financial year</b>		57.5	(101.3)
<i>Other comprehensive income:</i>			
Remeasurement of net defined benefit liability	20	17.3	(45.7)
Remeasurement of joint venture undertaking's net defined benefit liability	13	0.1	(0.6)
Currency translation differences		0.4	1.2
Total tax on components of other comprehensive income	10(d)	(3.0)	7.1
<b>Other comprehensive income for the year, net of tax</b>		14.8	(38.0)
<b>Total comprehensive income for the year</b>		72.3	(139.3)
<b>Total comprehensive income attributable to:</b>			
- Owners of the parent		70.1	(141.2)
- Non-controlling interests		2.2	1.9
		72.3	(139.3)

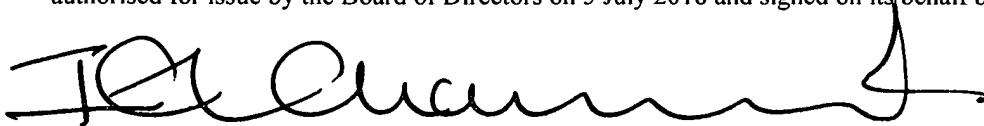
CONSOLIDATED AND COMPANY BALANCE SHEETS

As at 31 March 2018

	Note	Group		Company	
		2018 £m	2017 £m	2018 £m	2017 £m
<b>FIXED ASSETS</b>					
Intangible assets:	11				
- positive goodwill		98.7	110.4	-	-
- negative goodwill		(4.7)	(6.3)	-	-
		94.0	104.1	-	-
Tangible assets	12	1,219.5	1,200.9	-	-
Interests in joint ventures:	13				
- share of gross assets		3.8	3.6	-	-
- share of gross liabilities		(3.2)	(3.5)	-	-
		0.6	0.1	-	-
Other investments	13	0.9	1.0	337.5	337.5
		1,315.0	1,306.1	337.5	337.5
<b>CURRENT ASSETS</b>					
Stocks	14	4.1	3.6	-	-
Debtors - due within one year	15	186.6	166.7	131.8	125.8
- due after more than one year	15	19.8	62.2	123.0	123.0
Cash at bank and in hand		91.4	90.8	-	-
		301.9	323.3	254.8	248.8
<b>CREDITORS: amounts falling due within one year</b>	16	(347.7)	(338.3)	(109.8)	(109.8)
<b>NET CURRENT (LIABILITIES)/ASSETS</b>		(45.8)	(15.0)	145.0	139.0
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		1,269.2	1,291.1	482.5	476.5
<b>CREDITORS: amounts falling due after more than one year</b>	17	(2,810.1)	(2,827.0)	(123.0)	(123.0)
Post-employment pension liability	20	(111.8)	(135.1)	-	-
<b>NET (LIABILITIES)/ASSETS</b>		(1,652.7)	(1,671.0)	359.5	353.5
<b>CAPITAL AND RESERVES</b>					
Called-up share capital	21	351.0	351.0	351.0	351.0
Merger reserve		(506.1)	(506.1)	-	-
Profit and loss account		(1,509.6)	(1,525.7)	8.5	2.5
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT</b>		(1,664.7)	(1,680.8)	359.5	353.5
Non-controlling interests	27	12.0	9.8	-	-
<b>TOTAL EQUITY</b>		(1,652.7)	(1,671.0)	359.5	353.5

The profit of the Company for the financial year was £60.0m (2017: £43.0m).

The financial statements of Peel Ports Group Limited (company registration number 5965116), were approved and authorised for issue by the Board of Directors on 5 July 2018 and signed on its behalf by:



I G L Charnock  
Director

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**For the year ended 31 March 2018**

	Called-up share capital £m	Merger reserve £m	Profit and loss account £m	Total £m	Non- controlling interest £m	Total equity £m
<b>As at 1 April 2016</b>	351.0	(506.1)	(1,341.6)	(1,496.7)	9.3	(1,487.4)
(Loss)/profit for the financial year	-	-	(104.7)	(104.7)	3.4	(101.3)
Other comprehensive income for the financial year	-	-	(36.5)	(36.5)	(1.5)	(38.0)
Total comprehensive income for the financial year	-	-	(141.2)	(141.2)	1.9	(139.3)
Dividends (note 21)	-	-	(42.9)	(42.9)	(1.4)	(44.3)
Total transactions with owners, recognised directly in equity	-	-	(42.9)	(42.9)	(1.4)	(44.3)
<b>As at 31 March 2017</b>	351.0	(506.1)	(1,525.7)	(1,680.8)	9.8	(1,671.0)
Profit for the financial year	-	-	56.3	56.3	1.2	57.5
Other comprehensive income for the financial year	-	-	13.8	13.8	1.0	14.8
Total comprehensive income for the financial year	-	-	70.1	70.1	2.2	72.3
Dividends (note 21)	-	-	(54.0)	(54.0)	-	(54.0)
Total transactions with owners, recognised directly in equity	-	-	(54.0)	(54.0)	-	(54.0)
<b>As at 31 March 2018</b>	351.0	(506.1)	(1,509.6)	(1,664.7)	12.0	(1,652.7)

**COMPANY STATEMENT OF CHANGES IN EQUITY**  
**For the year ended 31 March 2018**

	Note	Called-up share capital £m	Profit and loss account £m	Total £m
<b>As at 1 April 2016</b>		351.0	2.4	353.4
Profit for the financial year		-	43.0	43.0
Total comprehensive income for the financial year		-	43.0	43.0
Dividends	21	-	(42.9)	(42.9)
Total transactions with owners, recognised directly in equity		-	(42.9)	(42.9)
<b>As at 31 March 2017</b>		351.0	2.5	353.5
Profit for the financial year		-	60.0	60.0
Total comprehensive income for the financial year		-	60.0	60.0
Dividends	21	-	(54.0)	(54.0)
Total transactions with owners, recognised directly in equity		-	(54.0)	(54.0)
<b>As at 31 March 2018</b>		351.0	8.5	359.5



**CONSOLIDATED CASH FLOW STATEMENT**  
**For the year ended 31 March 2018**

	Note	2018 £m	2017 £m
Cash inflow from operating activities	22(a)	188.8	186.7
Taxation paid		(1.1)	(0.3)
<b>Net cash inflow from operating activities</b>		<u>187.7</u>	<u>186.4</u>
Cash flow used in investing activities	22(b)	(71.5)	(106.1)
Cash flow used in financing activities	22(c)	(115.9)	(101.4)
<b>Net increase/(decrease) in cash and cash equivalents</b>		0.3	(21.1)
Cash and cash equivalents at the beginning of the year		90.8	111.2
Exchange gains on cash and cash equivalents		0.3	0.7
<b>Cash and cash equivalents at the end of the year</b>		<u>91.4</u>	<u>90.8</u>
<b>Cash and cash equivalents consists of:</b>			
Cash at bank and in hand		<u>91.4</u>	<u>90.8</u>
<b>Cash and cash equivalents</b>		<u>91.4</u>	<u>90.8</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

### 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 twelve months following the date of the signing of the 2018 financial statements, which include detailed cash flow forecasts and working capital availability. These forecasts show that sufficient resources remain available to the business for the next twelve months. In addition, the directors note the following:

- the directors prepare and update detailed annual budgets, two year projections, and five year strategic plans. Together these show that sufficient resources are available to the business and on this basis the directors continue to adopt the going concern assumption;
- at the balance sheet date, the Group has net liabilities of £1,652.7m (2017: £1,671.0m) which are principally attributed to the reorganisation of the Group in 2006 which was accounted for under merger accounting principles and resulted in the creation of a merger relief reserve of £506.1m, and to the fair value of the Group's derivative financial instruments, primarily interest rate, index-linked and cross currency swaps, of £930.6m (2017: £909.7m);
- at the balance sheet date, the Group has borrowings of £1,714.8m (2017: £1,707.5m)<sup>7</sup>, which are subject to covenant restrictions. No breaches have occurred in the historical period or are forecast to occur. After taking account of reasonably possible changes in trading performance, the Group's forecasts and projections indicate that it is expected to continue to comply with covenant requirements for a period of at least 12 months from the date of approval of the financial statements;
- other than £2.2m which is due for repayment on 1 October 2018 and £0.6m due on 2 January 2019, the Group's loans and loan note instruments have repayment dates between 1 October 2019 and 30 September 2046;
- in the year ended 31 March 2018, turnover increased by £72.8m to £716.8m. The Group's diversified service offering and robust customer base meant that, together with targeted strategic restructuring initiatives, Group operating profit before exceptional items also increased by £2.1m to £159.3m;

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<sup>7</sup> Bank loans of £878.4m (2017: £907.8m) and private placement loans of £822.9m (2017: £782.7m) plus unamortised debt issue costs of £13.5m (2017: £17.0m).

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2018**

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

**Going concern (continued)**

- cash inflows generated in the year, together with utilisation of existing capital expenditure facilities, enabled the Group to finance fixed asset additions of £75.7m (2017: £109.5m) (cash outflow);
- at the balance sheet date the Group held £91.4m (2017: £90.8m) of cash balances and had undrawn loan facilities of £144.0m available.

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.

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 400 of the Companies Act 2006, a separate profit and loss account for Peel Ports Group Limited is not presented.

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 March 2018**

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

**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 the 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 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.

*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 is typically 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.

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2018**

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

**Revenue recognition (continued)**

*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.

*(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'.

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 March 2018**

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

**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.

**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 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. Reversals of impairment are recognised when the reasons for the impairment no longer apply.

**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.

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2018**

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

**Tangible fixed assets (continued)**

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.

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.

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2018**

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

**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 includes 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.

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 interest expense.



**NOTES TO THE FINANCIAL STATEMENTS****For the year ended 31 March 2018****3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****Financial instruments (continued)***(ii) Financial liabilities (continued)*

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.

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.

*(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.

*(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:

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 31 March 2018

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

(ii) *Key sources of estimation uncertainty (continued)*

*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 2018 was £59.7m (2017: £59.1m).

The Group is required to evaluate the carrying values of tangible fixed assets for impairment whenever circumstances indicate, in management's judgement, that the carrying value of such assets may not be recoverable. An impairment review requires management to make subjective judgements concerning the cash flows, growth rates and discount rates of the assets under review. In the year ended 31 March 2017, an impairment review resulted in a £8.4m write-down of fixed assets following a reassessment of the value in use of assets relating to the coal handling operations.

*Discount rates and other assumptions used to determine the carrying amount of the Group's defined benefit pension obligation (note 20)*

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%.

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 20.

#### 5. TURNOVER

*Analysis of turnover by category:*

	<b>2018</b>	<b>2017</b>
	<b>£m</b>	<b>£m</b>
Port	356.9	355.7
Shipping	109.2	90.2
Marine Support Services	250.7	198.1
	<u>716.8</u>	<u>644.0</u>

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.

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 £1.8m (2017: £2.0m). Sales between segments are immaterial and are therefore not separately disclosed.

*Analysis of turnover by geography:*

	<b>2018</b>	<b>2017</b>
	<b>£m</b>	<b>£m</b>
United Kingdom	580.4	521.5
Rest of Europe	117.7	96.5
Australia	18.7	26.0
	<u>716.8</u>	<u>644.0</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2018**

**6. GROUP OPERATING PROFIT**

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

	<b>2018</b>	<b>2017</b>
	<b>£m</b>	<b>£m</b>
Depreciation - owned assets (note 12)	59.7	59.1
Amortisation of goodwill (note 11):		
Positive goodwill	11.7	11.7
Negative goodwill	(1.6)	(1.6)
	10.1	10.1
Operating lease charges	46.2	37.7
Foreign currency losses	1.0	0.2

Included within the depreciation charge for the prior year was an £8.4m exceptional write down of fixed assets following a reassessment of the value in use of assets relating to the coal handling market. This was included within the exceptional charge for that year (see note 8).

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 £1.0m (2017: £0.2m) includes statutory unrealised foreign currency losses of £1.0m (2017: £1.0m) and trading foreign currency gains of £nil (2017: £0.8m).

	<b>2018</b>	<b>2017</b>
	<b>£m</b>	<b>£m</b>
Fees payable to the auditor for the audit of the Group's annual financial statements	0.5	0.5
Fees payable to the auditor for non-audit services:		
Taxation services	0.2	0.1

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 (2017: £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:

	<b>2018</b>	<b>2017</b>
	<b>Number</b>	<b>Number</b>
Administration	375	367
Operational	2,086	1,977
	2,461	2,344

In March 2018, the Group insourced 320 employees who had previously been engaged at the Port of Liverpool through third party labour providers. Including crane operators, straddle carrier operators, stevedores and other ground staff, the TUPE transfer means that those transferred became direct employees of the Group rather than agency workers. Due to the timing of the transfer, these do not affect the average monthly number of employees employed by the Group during the year.

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2018**

**7. EMPLOYEES AND DIRECTORS (CONTINUED)**

The staff costs for the above persons were:

	2018 £m	2017 £m
Wages and salaries	100.3	92.9
Social security costs	10.8	10.1
Pension funds service and administrative costs (note 20(a))	1.3	1.3
Other pension costs - Group defined contribution pension schemes (note 20(b))	6.9	6.4
Total staff costs	119.3	110.7
Amounts capitalised	(2.8)	(4.0)
Staff costs charged to profit and loss	116.5	106.7

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

***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:

	2018 £'000	2017 £'000
Emoluments	2,662	2,555
Group contribution to defined contribution pension schemes	10	10
	2,672	2,565

At 31 March 2018, retirement benefits are accruing to one director (2017: one) under a Group defined benefit pension scheme and to one director under a defined contribution scheme (2017: 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:

	2018 £'000	2017 £'000
Emoluments	1,551	1,498
Group contribution to defined contribution pension schemes	10	10

**8. EXCEPTIONAL ITEMS**

	2018 £m	2017 £m
Restructuring	2.4	11.8
Cessation of certain waste-related activities	-	7.7
	2.4	19.5

In the year ended 31 March 2018, exceptional operating costs comprised redundancy and other costs incurred in connection with the streamlining and reorganisation of activities in the Group. In the year ended 31 March 2017, this included an asset impairment relating to the restructuring of the Ports' coal handling facilities due to the accelerated decline in the UK coal industry and the Marine Support Services segment's response to changes in activity levels as a result of delays in the letting of certain work in the defence sector.

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2018**

**9. NET INTEREST EXPENSE**

	<b>2018</b>	<b>2017</b>
	<b>£m</b>	<b>£m</b>
<b>a) Interest payable and similar charges</b>		
Other interest on bank loans and overdrafts	60.3	59.8
Interest on private placement notes	31.2	28.9
	<u>91.5</u>	<u>88.7</u>
Bank loans, overdrafts and private placement notes	91.5	88.7
Amortisation of debt issue costs (note 18)	5.2	5.8
9% subordinated redeemable loan notes:		
Payable to group undertakings	5.5	5.5
Payable to related undertakings	5.5	5.5
	<u>107.7</u>	<u>105.5</u>
Finance costs capitalised	-	(3.5)
	<u>107.7</u>	<u>102.0</u>
<b>b) Interest expense on financial instruments measured at fair value through profit or loss</b>		
Losses on derivative financial instruments (note 19)	57.8	130.6
Losses on retranslation of foreign currency loans (note 18)	-	41.0
	<u>57.8</u>	<u>171.6</u>
<b>c) Other finance costs</b>		
Net interest expense on post-employment benefits (note 20(a))	3.2	3.2
<b>d) Interest receivable and similar income</b>		
Interest receivable and similar income	(0.2)	(0.3)
<b>e) Interest income on financial instruments measured at fair value through profit or loss</b>		
Gains on derivative financial instruments (note 19)	(36.8)	(40.7)
Gains on retranslation of foreign currency loans (note 18)	(34.4)	-
	<u>(71.2)</u>	<u>(40.7)</u>
	<b>2018</b>	<b>2017</b>
	<b>£m</b>	<b>£m</b>
<b>Net interest expense</b>		
Total interest payable and similar charges (note 9(a))	107.7	102.0
Interest expense on financial instruments measured at fair value through profit or loss (note 9(b))	57.8	171.6
Other finance costs (note 9(c))	3.2	3.2
Interest receivable and similar income (note 9(d))	(0.2)	(0.3)
Interest income on financial instruments measured at fair value through profit or loss (note 9(e))	(71.2)	(40.7)
	<u>97.3</u>	<u>235.8</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2018**

**10. TAXATION**

a) Analysis of tax charge in the year

	2018 £m	2017 £m
<b>Current tax:</b>		
<i>United Kingdom</i>		
UK corporation tax	-	-
<i>Foreign tax</i>		
Corporation tax	0.8	0.9
<i>Other current tax</i>		
Adjustments in respect of previous years	-	0.1
<b>Group current tax charge</b>	<u>0.8</u>	<u>1.0</u>
Share of joint venture current tax	-	-
<b>Total current tax charge</b>	<u>0.8</u>	<u>1.0</u>
<b>Deferred tax:</b>		
Origination and reversal of timing differences - United Kingdom	0.9	3.8
Adjustment in respect of prior years	0.8	(1.4)
Change of UK tax rate	-	(0.2)
Origination and reversal of timing differences – foreign tax	-	0.4
<b>Total deferred tax charge</b>	<u>1.7</u>	<u>2.6</u>
<b>Total tax charge</b>	<u>2.5</u>	<u>3.6</u>

b) Reconciliation of total tax charge

The tax assessed for the year is lower (2017: lower) than that arising from applying the standard rate of UK corporation tax of 19% (2017: 20%). The differences are explained below:

	2018 £m	2017 £m
Profit/(loss) before taxation	<u>60.0</u>	<u>(97.7)</u>
Profit/(loss) before taxation multiplied by the standard rate of UK corporation tax of 19% (2017: 20%).	11.4	(19.5)
Effects of:		
Expenses not deductible for tax purposes	9.1	4.5
Income not subject to tax	(1.0)	(1.3)
Deferred tax not recognised	(13.7)	20.3
Differences in tax rates	(1.7)	2.8
Adjustments in respect of prior years	0.8	(1.4)
Adjustments in respect of foreign tax rates	(2.4)	(1.8)
<b>Total tax charge</b>	<u>2.5</u>	<u>3.6</u>

c) Factors affecting future tax charges

The Government has announced that it intends to reduce the rate of corporation tax to 17%. Finance Act 2016, which was enacted in September 2016, included provisions to reduce the rate of corporation tax to 17% with effect from 1 April 2020. Accordingly, deferred tax balances have been stated at the lower rate of 17% in these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2018**

**10. TAXATION (CONTINUED)**

d) Deferred tax

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

	2018 £m	2017 £m
Accelerated capital allowances	(11.2)	(11.8)
Short-term timing differences	(0.2)	1.2
Tax losses	-	0.1
Derivative contracts	13.2	12.5
Other fair value adjustments	(4.1)	(3.6)
Post-employment benefits	19.2	23.2
	<u>16.9</u>	<u>21.6</u>

The net deferred tax asset is recorded in debtors (note 15).

The net deferred tax asset expected to reverse in 2019 is £nil. This is primarily due to the deferred tax asset in relation to the derivative contracts, which is not expected to reverse in 2019. 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 2017	21.6
Charged to the profit and loss account (note 10(a))	(1.7)
Charged to other comprehensive income	<u>(3.0)</u>
As at 31 March 2018	<u>16.9</u>

At 31 March 2018, the Group had deferred tax not recognised of £111.0m (2017: £124.7m) relating to derivative financial instruments.

**Company**

The Company has no deferred tax balances.

**11. INTANGIBLE FIXED ASSETS**

Group	Positive goodwill £m	Negative goodwill £m	Total £m
<b>Cost</b>			
As at 1 April 2017 and 31 March 2018	<u>234.3</u>	<u>(8.4)</u>	<u>225.9</u>
<b>Amortisation</b>			
As at 1 April 2017	123.9	(2.1)	121.8
Charge for the year	<u>11.7</u>	<u>(1.6)</u>	<u>10.1</u>
As at 31 March 2018	<u>135.6</u>	<u>(3.7)</u>	<u>131.9</u>
<b>Net book value</b>			
As at 31 March 2018	<u>98.7</u>	<u>(4.7)</u>	<u>94.0</u>
As at 31 March 2017	<u>110.4</u>	<u>(6.3)</u>	<u>104.1</u>

**Company**

The Company has no intangible fixed assets.

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2018**

**12. TANGIBLE FIXED ASSETS**

<b>Group</b>	<b>Freehold and long leasehold land and buildings £m</b>	<b>Plant and machinery £m</b>	<b>Capital work in progress £m</b>	<b>Total £m</b>
<b>Cost</b>				
As at 1 April 2017	1,113.3	436.1	41.6	1,591.0
Additions	5.5	7.3	65.0	77.8
Disposals	(1.0)	(27.0)	-	(28.0)
Reclassifications	4.4	7.9	(12.0)	0.3
Exchange difference	0.1	0.7	-	0.8
As at 31 March 2018	<u>1,122.3</u>	<u>425.0</u>	<u>94.6</u>	<u>1,641.9</u>
<b>Depreciation</b>				
As at 1 April 2017	216.1	174.0	-	390.1
Charge for the year	30.4	29.3	-	59.7
Disposals	(1.0)	(27.0)	-	(28.0)
Reclassifications	3.7	(3.4)	-	0.3
Exchange difference	-	0.3	-	0.3
As at 31 March 2018	<u>249.2</u>	<u>173.2</u>	<u>-</u>	<u>422.4</u>
<b>Net book amount</b>				
As at 31 March 2018	<u>873.1</u>	<u>251.8</u>	<u>94.6</u>	<u>1,219.5</u>
As at 31 March 2017	<u>897.2</u>	<u>262.1</u>	<u>41.6</u>	<u>1,200.9</u>

Cumulative finance costs capitalised in the cost of tangible fixed assets amount to £13.2m (2017: £13.2m).

**Non-depreciable land**

Included within tangible fixed assets is freehold and long-leasehold land, which is not subject to depreciation, which amounted to £198.4m (2017: £198.6m).

**Company**

The Company has no tangible fixed assets.

**13. INVESTMENTS**

	<b>Group</b>		<b>Company</b>	
	<b>2018 £m</b>	<b>2017 £m</b>	<b>2018 £m</b>	<b>2017 £m</b>
Subsidiary undertakings (note 13(a))	-	-	337.5	337.5
Joint venture undertakings (note 13(b))	0.6	0.1	-	-
Other investments (note 13(c))	0.9	1.0	-	-
	<u>1.5</u>	<u>1.1</u>	<u>337.5</u>	<u>337.5</u>



**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2018**

**13. INVESTMENTS (CONTINUED)**

a) Subsidiary undertakings

	<b>Company £m</b>
<b>Cost and net book value</b>	
As at 1 April 2017 and as at 31 March 2018	<u>337.5</u>

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

	<b>Group £m</b>
As at 1 April 2017	0.1
Share of results for the year	0.4
Share of actuarial loss net of deferred tax relating to defined benefit pension scheme	<u>0.1</u>
As at 31 March 2018	<u>0.6</u>

The turnover and net assets of the joint ventures amounted to £3.6m (2017: £4.0m) and £1.2m (2017: £0.2m) respectively, of which the Group's share is 50%.

c) Other investments

	<b>Group £m</b>
As at 1 April 2017	1.0
Change in market value	<u>(0.1)</u>
As at 31 March 2018	<u>0.9</u>

Included within other investments is £0.8m (2017: £0.9m) of listed investments, which are recorded at the closing mid-market price on the London Stock Exchange.

**14. STOCKS**

	<b>Group</b>	
	<b>2018</b>	<b>2017</b>
	<b>£m</b>	<b>£m</b>
Raw materials and consumables	<u>4.1</u>	<u>3.6</u>

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 2018**

**15. DEBTORS**

	Group		Company	
	2018 £m	2017 £m	2018 £m	2017 £m
<b>Amounts falling due within one year:</b>				
Trade debtors	110.2	92.7	-	-
Amounts recoverable on contracts	29.9	19.9	-	-
Amounts owed by subsidiary undertakings	-	-	131.8	125.8
Amounts owed by group undertakings (note 24)	1.9	1.5	-	-
Other debtors	10.4	12.3	-	-
Prepayments and accrued income	17.1	17.6	-	-
Derivative financial instruments (note 19)	0.2	1.1	-	-
Deferred tax asset (note 10)	16.9	21.6	-	-
	<u>186.6</u>	<u>166.7</u>	<u>131.8</u>	<u>125.8</u>
<b>Amounts falling due after more than one year:</b>				
Amounts owed by Group undertakings	-	-	123.0	123.0
Derivative financial instruments (note 19)	19.8	62.2	-	-
	<u>206.4</u>	<u>228.9</u>	<u>254.8</u>	<u>248.8</u>

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.

**16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	Group		Company	
	2018 £m	2017 £m	2018 £m	2017 £m
Bank loans	2.8	2.8	-	-
Loans and other borrowings (note 18(b))	2.8	2.8	-	-
Trade creditors	68.7	57.1	-	-
Amounts owed to parent undertakings	104.3	104.3	104.3	104.3
Amounts owed to group undertakings (note 24)	1.8	1.3	-	-
Corporation tax	0.1	0.6	-	-
Other taxes and social security	8.4	8.1	-	-
Other creditors	15.7	12.8	-	-
Accruals and deferred income	120.7	125.1	5.5	5.5
Derivative financial instruments (note 19)	25.2	26.2	-	-
	<u>347.7</u>	<u>338.3</u>	<u>109.8</u>	<u>109.8</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2018**

**17. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	Group		Company	
	2018 £m	2017 £m	2018 £m	2017 £m
Bank loans	875.6	905.0	-	-
Private placement loans	822.9	782.7	-	-
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	-	-
Loans and other borrowings (note 18(b))	1,825.6	1,814.8	123.0	123.0
Derivative financial instruments (note 19)	925.4	946.8	-	-
Accruals and deferred income	50.2	52.1	-	-
Other creditors	8.9	13.3	-	-
	<u>2,810.1</u>	<u>2,827.0</u>	<u>123.0</u>	<u>123.0</u>

**18. LOANS AND OTHER BORROWINGS**

	Group	
	2018 £m	2017 £m
<b>(a) Loans and other borrowings</b>		
Bank loans	878.4	907.8
Private placement loans	822.9	782.7
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
	<u>1,828.4</u>	<u>1,817.6</u>
<b>(b) Maturity of loans and other borrowings as presented in the notes to these financial statements</b>		
Financial liabilities falling due within one year (note 16)	2.8	2.8
Financial liabilities falling due after more than one year (note 17)	<u>1,825.6</u>	<u>1,814.8</u>
	<u>1,828.4</u>	<u>1,817.6</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2018**

**18. LOANS AND OTHER BORROWINGS (CONTINUED)**

	Group	
	2018	2017
	£m	£m
<b>(c) Maturity of loans and borrowings</b>		
In one year or less or on demand	2.8	2.8
In more than one year, but not more than two years	268.0	159.3
In more than two years, but not more than five years	581.1	479.3
In more than five years not by instalments	976.5	1,176.2
	1,828.4	1,817.6
<b>Financial liabilities, net of unamortised issue costs and finance charges allocated to future periods</b>	1,828.4	1,817.6
<b>Unamortised issue costs</b>	13.5	17.0

*Bank loans and private placement notes*

At 31 March 2018, financial liabilities include bank loans totalling £891.9m (2017: £924.8m), of which £2.8m (2017: £2.8m) is due for repayment within one year and £889.1m (2017: £922.0m), with repayment dates between 1 October 2019 and 13 December 2033, 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 (2017: £50.0m), which bears interest at a fixed rate of 4.03%.

Financial liabilities include £822.9m (2017: £782.7m) relating to the proceeds from the issue of sterling and US dollar denominated private placement notes. The sterling notes comprise £82.0m (2017: £82.0m) which bear fixed interest rates of between 5.68% and 6.55% and are due for repayment in instalments between 10 December 2021 and 10 December 2037, £211.5m (2017: £211.5m) which bear floating interest rates and are due for repayment between 2 January 2025 and 1 October 2029, £55.0m (2017: £55.0m) which bear a fixed rate of interest of 4.10% and are due for repayment on 15 December 2027, £125.0m (2017: £125.0m) which bear a fixed rate of interest of 3.45% and are due for repayment on 31 January 2027, £35.0m (2017: £nil) which bear interest at a fixed rate of 2.80% and are due for repayment on 26 June 2029 and £40.0m (2017: £nil) which bear interest at a fixed rate of 2.67% and are due for repayment on 17 July 2029. The US dollar denominated notes total \$385.0m (2017: \$385.0m), bear fixed interest rates of between 4.67% and 5.25% and are due for repayment between 10 December 2019 and 10 December 2022.

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 £242.1m. 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. For the year ended 31 March 2018, a gain of £34.4m (2017: loss of £41.0m) 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 £1.7m (2017: £2.3m). Amortisation of £5.2m (2017: £5.8m) has been charged during the year (note 9).

*Other loans and borrowings*

Other loans and borrowings includes 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 2018**

**18. 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 (2017: £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 (2017: £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%.

The 3.625% irredeemable debenture stock of £0.7m (2017: £0.7m) is secured by a fixed charge over certain securities and a floating charge over Peel Ports (IDS) Limited, a wholly owned subsidiary.

**19. FINANCIAL INSTRUMENTS**

*Disclosures in respect of the Group*

	Group	
	2018	2017
	£m	£m
Financial assets measured at fair value through profit or loss		
- Derivative financial instruments	20.0	63.3
Financial assets that are debt instruments measured at amortised cost		
- Trade debtors	110.2	92.7
- Other debtors	10.4	12.3
- Amounts owed by group undertakings	1.9	1.5
	122.5	106.5
Financial liabilities measured at fair value through profit or loss		
- Derivative financial instruments	(950.6)	(973.0)
Financial liabilities that are measured at amortised cost		
- Loans and other borrowings	(1,828.4)	(1,817.6)
- Trade creditors	(68.7)	(57.1)
- Accruals (excluding deferred income)	(119.1)	(123.5)
- Other creditors	(24.6)	(26.1)
- Amounts owed to parent undertaking	(104.3)	(104.3)
- Amounts owed to group undertakings	(1.8)	(1.3)
	(2,146.9)	(2,129.9)

*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 2018, the fair value of the Group's derivative financial instruments was a liability of £930.6m (2017: £909.7m).

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2018**

**19. FINANCIAL INSTRUMENTS (CONTINUED)**

*Disclosures in respect of the Group (continued)*

*Derivative financial instruments (continued)*

	Group	
	2018	2017
	£m	£m
<b>Fair values of derivative financial instruments</b>		
Interest rate swaps	(392.7)	(410.6)
Index-linked swaps	(556.3)	(562.4)
Cross-currency swaps	18.2	59.8
Forward contracts	-	3.3
Fuel hedge	0.2	0.2
	(930.6)	(909.7)
	(930.6)	(909.7)
<b>Presentation of fair values</b>		
Debtors falling due within one year (note 15)	0.2	1.1
Debtors falling due after more than one year (note 15)	19.8	62.2
Creditors falling due within one year (note 16)	(25.2)	(26.2)
Creditors falling due after more than one year (note 17)	(925.4)	(946.8)
	(930.6)	(909.7)
	(930.6)	(909.7)

*Derivative financial instruments – interest rate swaps*

At 31 March 2018, the Group was party to fixed interest rate swaps over £612.0m (2017: £612.0m) of notional principal, with fixed rates at between 5.18% and 5.59% and with a maturity date in 2036. A fixed interest rate swap over £40.0m of notional principal, with a fixed rate at 0.90%, matured in December 2017. These instruments hedge the Group's exposure to interest rate movements on the Group's bank and private placement loans. The fair value calculated in respect of the swaps was a liability of £392.7m (2017: £410.6m), of which £20.6m (2017: £22.2m) is included in creditors falling due within one year and £372.1m (2017: £388.4m) is included in creditors falling due after more than one year.

*Derivative financial instruments – index-linked and cross-currency swaps*

At 31 March 2018, the Group was also party to index-linked swaps over £352.0m (2017: £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 1.87% and 2.62%. 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. During the year ended 31 March 2017, the Group made accretion payments of £37.5m, which are included in interest payable and similar charges for that year (see note 9). There were no accretion payments in the year ended 31 March 2018. The next accretion payment is scheduled to be paid in October 2020. As at 31 March 2018, the amount that would have been accrued under previous UK GAAP is £26.4m (2017: £7.0m). The value of the accretion is now included within the fair value of the index-linked swaps, which at 31 March 2018 was a liability of £556.3m (2017: £562.4m), of which £3.0m (2017: £4.0m) is included in creditors falling due within one year and £553.3m (2017: £558.4m) is included in creditors falling due after more than one year.

As explained in note 18, included within the Group's long-term borrowings is \$385.0m (2017: \$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 2018 was an asset of £18.2m (2017: £59.8m), of which a liability of £1.6m (2017: asset of £0.9m) is presented as due within one year and an asset of £19.8m (2017: £58.9m) is presented as falling due after more than one year.

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2018**

**19. FINANCIAL INSTRUMENTS (CONTINUED)**

*Disclosures in respect of the Group (continued)*

*Derivative financial instruments – forward contracts*

A foreign currency contract, which the Group had previously entered into in order to mitigate the exchange rate risk for certain foreign currency payables, matured during the year. The forward currency contract was measured at fair value, which was determined using valuation techniques that utilise observable inputs. At 31 March 2017, the fair value of the forward foreign currency contract was an asset of £3.3m.

Subsequent to the year end, the Group has entered into forward contracts with a nominal amount of \$127m in respect of US dollar payments by the Shipping segment for the charter of vessels.

*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 2018 the fair value was an asset of £0.2m (2017: £0.2m), which is presented as falling due within one year (2017: falling due after more than one year).

*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 2018 the net charge, as updated to reflect any payments of accrued index-linked swap accretion, was £21.0m (2017: £89.9m). This is presented as a loss on derivative financial instruments of £57.8m (2017: £130.6m) and a gain of £36.8m (2017: £40.7m) in note 9.

*Disclosures in respect of the Company*

	Company	
	2018	2017
	£m	£m
Financial assets that are debt instruments measured at amortised cost		
- Amounts owed by group undertakings	254.8	248.8
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)

**20. 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 enrolls employees who met the eligibility criteria and who are not members of a qualifying pension scheme into the Peel Ports Group Retirement Savings Plan.

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2018**

**20. POST-EMPLOYMENT BENEFITS (CONTINUED)**

Amounts recognised in profit and loss account are as follows:

	<b>2018</b>	<b>2017</b>
	<b>£m</b>	<b>£m</b>
Defined benefit schemes		
- Service cost (note 20(a))	0.1	0.1
- Scheme administrative costs (note 20(a))	1.2	1.2
Defined contribution scheme (note 20(b))	6.9	6.4
	<hr/>	<hr/>
Total charge in operating profit	8.2	7.7
Defined benefit schemes		
- Net interest expense (note 20(a))	3.2	3.2
	<hr/>	<hr/>
Total charge	11.4	10.9

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

	<b>2018</b>	<b>2017</b>
	<b>£m</b>	<b>£m</b>
Post-employment pension liability	111.8	135.1

**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 has less than 80 active members, the majority of whom are self-employed pilots. The Group is also a member of 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 20 active members in the NPF.



## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 31 March 2018

#### 20. 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. 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 plan in place for the Scheme.

The most recent full triennial actuarial valuations for each of the five sections of the PPFSPS were as at 5 April 2015. As at the latest actuarial valuation, the value of the assets within each section of the scheme, which together totalled £465.6m, was sufficient to cover between 85% and 98% 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 £36m.

The main assumptions applied in the 2015 triennial valuation were that long-term investment rates would be 4.91-5.92% per annum pre-retirement and 1.61-2.94% per annum post-retirement, pensionable salary increases would be 1.91-2.92% per annum, the majority of the pensions in payment would increase at RPI up to a maximum of 5%, and price inflation would be 2.41-3.42% per annum on a RPI basis and 1.91-2.92% on a CPI basis. The ranges reflect the different scheme section liability maturities.

The recovery plan agreed with the Trustee commits the Group to continue to make annual deficit recovery payments of £2.8m per 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.

The triennial valuation as at 5 April 2018 is expected to be completed by the end of 2018.

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

The scheme closed to future accrual in 2009. Following the closure, employer contributions continue to be payable in relation to the recovery plan in place for the Scheme.

The most recent full triennial actuarial valuations for each of the three sections of the A&PGPS were as at 31 March 2015. As at that date, the value of the assets within each section of the scheme, which together totalled £92.0m, was sufficient to cover between 70% and 105% of the benefits that had been accrued to members. The total deficit across all three sections was £26m.

The main assumptions in the 2015 triennial valuation were that long-term investment rates would be between 4.3% and 5.4% pre-retirement and 2.7% post-retirement and that price inflation would be 3.4% on a RPI basis and 2.9% on a CPI basis. Pensions in payment were assumed to increase at between 2.3% and 3.7%.

The recovery plan agreed with the Trustee commits the Group to make annual deficit recovery payments of £3.0m 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.

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 31 March 2018

#### 20. POST-EMPLOYMENT BENEFITS (CONTINUED)

##### a) Defined benefit pension schemes (continued)

###### *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 2015. As at that date, the value of the assets, which totalled £4.4m. The scheme had a surplus of 126%.

###### *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.

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. During the year, the Group made contributions of £3.4m (2017: £3.2m) to the PNPF, an amount that is expected to increase in line with annual inflation on an RPI basis.

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.

The recovery plan is designed to address the funding position so as to achieve fully funded status by 2028.

At 31 March 2018, the Group's share of the deficit, on an FRS 102 accounting standards basis, was £45.6m (2017: £47.4m), which is included in the amounts recognised in the balance sheet.

###### *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 (2017: £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 2015, when the Section had assets of £2,898m, representing 90% of the benefits accrued to members as at that date. The total deficit was £329m. The main assumptions in the actuarial valuation of the Defined Benefit Section were that long-term investment rates would be 4.8% pre-retirement and 2.6% post-retirement, pensions in payment would increase by 2.9% and price inflation would be 3.1% per annum on a RPI basis and 2.1% on a CPI basis. Investment returns on the assets are expected to be sufficient to return the MNOPF Defined Benefit Section to a fully funded level by 2025 and, therefore, no deficit recovery payment plan was necessary.

At 31 March 2018, the Group's share of the deficit on an FRS 102 accounting standards basis was £nil (2017: £nil), which is included in the amount recognised in the balance sheet.

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2018**

**20. POST-EMPLOYMENT BENEFITS (CONTINUED)**

**a) Defined benefit pension schemes (continued)**

*Industry-wide defined benefit pension schemes (continued)*

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

The scheme rules of the FRDWPF do not provide for the allocation of assets and liabilities to the participating employers, and therefore the Group accounts for this scheme as a defined contribution pension arrangement. The FRDWPF closed to future benefit accrual with effect from 31 August 2013. The Group's share of the scheme has been assessed by the trustee and actuary to be 22% (2017: 22%).

As at 5 April 2016, the date of the most recent valuation carried out by an independent actuary, the scheme had assets with a market value of £750m, representing 99% of the benefits accrued to members. The total deficit was £11m. The main assumptions in the actuarial valuation were that the discount rate would be 2.24% per annum, pensions in payment and deferred pensions would increase at 3.52% per annum, and price inflation would be 3.0% per annum. In relation to the small deficit arising as a result of the actuarial valuation, it was determined that investment returns alone were sufficient to return the scheme to a fully funded position by 2018.

As a result of the investment performance since then the FRDWPF has achieved fully funded status and at the end of 2017 the Trustee secured a buy-in with Pension Insurance Corporation ("PIC") and are now progressing towards full buy out of the pension liabilities.

The final payment of £0.2m in relation to service augmentations agreed as part of the closure to future accrual in 2013 was paid in April 2016.

In 2014, a contribution agreement was formally agreed by all parties to the FRDWPF, as part of a plan to secure the long-term future of the plan through a buy-out. This required the Group to contribute £2.1m over the period to December 2020. As at 31 March 2018, the Group had provided for £1.1m (2017: £1.1m).

As a result of the FRDWPF securing a buy-in with PIC, the Trustee suspended the contribution agreement in September 2017 and so since then no further contributions have been payable. The Group made contributions of £0.3m in the year ended 31 March 2017. Subject to progression towards full buy out, expected during 2019, further payments may fall due.

*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 0.2% (2017: 0.2%).

The most recent formal valuation, completed by an independent actuary, is as at 31 March 2016. As at that date, the NPF had assets with a market value of £2.9bn, representing 80% of the benefits accruing to members. The total deficit was £710m.

The main assumptions in the actuarial valuations were that the discount rate would be 3.8%, benefit increases on a CPI basis would be 2.2% and pensionable salary increases would be 2.5%. During the year, the Group made contributions of £0.2m (2017: £0.2m), 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.

At 31 March 2018, the Group's share of the deficit in this scheme on an FRS 102 accounting standards basis was £1.6m (2017: £1.9m), which is included in the amounts recognised in the balance sheet.

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2018**

**20. 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*

	2018	2017
Discount rate	2.5%	2.5%
Price inflation (RPI)	3.2%	3.2%
Price inflation (CPI)	2.2%	2.2%
Rate of increase of:		
- pensionable salaries	3.2%	3.2%
- pensions in payment	3.0%	3.1%
- deferred pensions	3.2%	3.2%

The mortality assumptions used were as follows:

	2018 Years	2017 Years
Longevity at age 65 for current pensioners:		
- Men	22.1	22.0
- Women	24.3	24.2
Longevity at age 65 for future pensioners (currently aged 45):		
- Men	24.3	24.2
- Women	26.6	26.4

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.

*Reconciliation of scheme assets and liabilities*

	Assets £m	Liabilities £m	Total £m
As at 1 April 2017	625.6	(760.7)	(135.1)
Benefits paid	(49.0)	49.0	-
Employer contributions	10.5	-	10.5
Employee contributions	1.5	(1.5)	-
Interest income/(expense)	14.9	(18.1)	(3.2)
Remeasurement gains			
- Actuarial gains	-	13.3	13.3
- Return on plan assets excluding interest income	4.0	-	4.0
Service cost	-	(0.1)	(0.1)
Scheme administrative expenses	(1.2)	-	(1.2)
As at 31 March 2018	606.3	(718.1)	(111.8)

The net remeasurement of the defined benefit liability for the year ended 31 March 2018, recorded in other comprehensive income, is a gain of £17.3m (2017: loss of £45.7m).

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2018**

**20. 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)*

*Total cost recognised as an expense*

	<b>2018</b>	<b>2017</b>
	<b>£m</b>	<b>£m</b>
Scheme administrative expenses	1.2	1.2
Service cost	0.1	0.1
Recognised within operating expenses (note 7)	<u>1.3</u>	<u>1.3</u>
Net interest expense (note 9(c))	<u>3.2</u>	<u>3.2</u>
	<u>4.5</u>	<u>4.5</u>

No amounts (2017: £nil) were capitalised into the cost of assets.

*Fair value of the plan assets*

	<b>2018</b>	<b>2017</b>
	<b>£m</b>	<b>£m</b>
Equities	92.9	106.0
Hedge funds	120.2	128.8
Fixed-interest gilts	14.3	13.8
Index-linked gilts	0.5	0.6
Corporate bonds	262.7	265.1
Liability-driven investments	65.7	62.6
Pooled investment vehicle	18.3	17.5
Insured schemes	18.7	19.0
Annuities	3.9	4.4
Property	0.9	0.8
Cash	8.2	7.0
Total	<u>606.3</u>	<u>625.6</u>

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

*The return on the plan assets was:*

	<b>2018</b>	<b>2017</b>
	<b>£m</b>	<b>£m</b>
Interest income	14.9	19.1
Return on plan assets less interest income	<u>4.0</u>	<u>59.4</u>
Total gains	<u>18.9</u>	<u>78.5</u>

**b) Defined contribution schemes**

The Company provides a defined contribution scheme, the Peel Ports Group Stakeholder Pension Plan, for its employees. 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 enrolls employees who met the eligibility criteria and are not members of a qualifying pension scheme into the Peel Ports Group Stakeholder Pension Plan.

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2018**

**20. POST-EMPLOYMENT BENEFITS (CONTINUED)**

**b) Defined contribution schemes (continued)**

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

	2018 £m	2017 £m
Current year contributions (note 7)	6.9	6.4

**21. CALLED-UP SHARE CAPITAL**

	Group and Company	
	2018 £m	2017 £m
351,042,966 allotted and fully paid £1 ordinary shares	351.0	351.0

Subsequent to the year end, 38,431,002 new £1 ordinary shares were allotted to and fully paid by the existing shareholders (see note 29).

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

***Equity dividends***

	2018 £m	2017 £m
Final ordinary dividends paid	27.0	21.4
Interim ordinary dividends paid	27.0	21.5
	54.0	42.9

A final 2018 ordinary dividend of £37.0m has been proposed by the shareholders after 31 March 2018 and, therefore, this has not been reflected as a dividend payable in these financial statements. A final 2017 ordinary dividend of £27.0m was proposed by the shareholders after 31 March 2017 and was, therefore, not reflected as a dividend payable in the financial statements of that year.

**22. NOTES TO THE GROUP CASH FLOW STATEMENT**

**a) Reconciliation of profit to net cash inflow from operating activities**

	2018 £m	2017 £m
<b>Continuing activities</b>		
Profit/(loss) for the year	57.5	(101.3)
Taxation	2.5	3.6
Net interest expense	97.3	235.8
Share of operating profit of joint ventures	(0.4)	(0.4)
Group operating profit	156.9	137.7
Depreciation and amortisation	69.8	69.2
Profit on disposal of fixed assets	(4.0)	(1.4)
(Increase)/decrease in stocks	(0.5)	0.8
Increase in debtors	(21.1)	(19.8)
(Decrease)/increase in creditors	(3.3)	9.4
Difference between pension charge and cash contributions	(9.0)	(9.2)
<b>Cash inflow from continuing operational activities</b>	188.8	186.7

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2018**

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

b) Cash flow used in investing activities

	<b>2018</b>	<b>2017</b>
	<b>£m</b>	<b>£m</b>
Payments to acquire tangible fixed assets	(75.7)	(109.5)
Receipts from sales of tangible fixed assets	4.0	2.7
Interest received	0.2	0.3
Dividends received from joint venture undertaking	-	0.4
	<u>(71.5)</u>	<u>(106.1)</u>

c) Cash flow used in financing activities

	<b>2018</b>	<b>2017</b>
	<b>£m</b>	<b>£m</b>
Dividends paid to owners of the parent	(54.0)	(42.9)
Dividends paid to non-controlling interests	-	(1.4)
Net repayment of revolving bank facilities	(30.0)	-
New private placement loans	75.0	125.0
Repayment of bank loans	(2.8)	(42.8)
Issue costs paid	(1.7)	(2.3)
Interest paid	(102.4)	(99.5)
Accretion on derivative financial instruments paid	-	(37.5)
	<u>(115.9)</u>	<u>(101.4)</u>

**23. CAPITAL COMMITMENTS**

	<b>2018</b>	<b>2017</b>
	<b>£m</b>	<b>£m</b>
Capital expenditure contracted for but not provided for	<u>13.7</u>	<u>22.4</u>

**24. RELATED PARTY TRANSACTIONS**

*Joint ventures*

<b>Related Party</b>	<b>Transaction</b>	<b>2018</b>	<b>2017</b>
		<b>£m</b>	<b>£m</b>
Estuary Services Limited	Sales and expenses recharged	0.3	0.3
	Purchases	<u>(1.1)</u>	<u>(1.2)</u>

As at 31 March 2018 and 31 March 2017 there are no balances owed by/(to) the joint venture undertakings.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

24. RELATED PARTY TRANSACTIONS (CONTINUED)

*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	2018 £m	2017 £m
Peel Holdings (IOM) Limited	Expenses reimbursed	(0.1)	(0.1)
Peel Holdings Land & Property Group Limited	Sales and expenses recharged	2.0	2.9
	Purchases, rent and expenses reimbursed	(4.5)	(5.4)

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

	2018 £m	2017 £m
Peel Holdings Land & Property Group Limited		
Amounts owed by the related party	1.9	1.5
Amounts owed to the related party	(1.8)	(1.3)

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 21.

Included in accruals and deferred income in note 16 is accrued interest of £2.8m (2017: £2.8m) payable to Infrastructure JVCo (Lime) S.a.r.l. and £2.8m payable to Peel Ports Investments (IOM) Limited (2017: £2.8m).

25. OTHER FINANCIAL COMMITMENTS

At 31 March 2018 the Group had the following minimum lease payments under non-cancellable operating leases for each of the following periods:

	2018 £m	2017 £m
Within one year	35.9	29.1
Within two to five years	113.6	57.7
After five years:		
Ellesmere Port – see below	1,009.9	1,011.6
Other leases	366.8	329.5
	<u>1,376.7</u>	<u>1,341.1</u>
	<u>1,526.2</u>	<u>1,427.9</u>

Included within non-cancellable operating lease commitments is £1,350.7m (2017: £1,359.2m) in respect of long life land leases. This includes £1,009.9m (2017: £1,011.6m) in respect of a 999-year lease over the Group's Ellesmere Port site, in respect of which there are 955 years remaining.

The increase in non-cancellable operating lease commitments in the year ended 31 March 2018 is primarily related to the entering into of new seven year vessel charter hires by the Group's Shipping segment.

**Company**

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



**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 March 2018**

**26. 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 immediate parent undertaking, Peel Ports Investments (IOM) Limited, the Company considers the Billown 1997 Settlement trust to be the ultimate controlling party.

**27. NON-CONTROLLING INTERESTS**

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

	<b>£m</b>
As at 1 April 2017	9.8
Total comprehensive income attributable to non-controlling interests	<u>2.2</u>
As at 31 March 2018	<u><u>12.0</u></u>

**28. SUBSIDIARY UNDERTAKINGS AND JOINT VENTURES**

**Principal subsidiary undertakings**

The principal subsidiary undertakings consolidated as at 31 March 2018 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.

<b>Subsidiary</b>	<b>Principal activity</b>
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
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
The Manchester Ship Canal Company Limited (3)	Regional Port Operator
The Mersey Docks and Harbour Company Limited (3)	Regional Port Operator

All the subsidiaries listed above and below are 100% owned other than those denoted with an asterisk:

\*75% owned

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 March 2018**

**28. SUBSIDIARY UNDERTAKINGS AND JOINT VENTURES (CONTINUED)**

**Other subsidiary undertakings**

The Group's other subsidiary undertakings consolidated at 31 March 2018 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**

<b>Subsidiary</b>	<b>Principal activity</b>
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

**Intermediate holding companies**

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

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

Subsequent to the year end, the Group acquired the entire issued share capital of Ligna Biomass Holdings Limited and Ligna Biomass Limited from its immediate parent company, Peel Ports Holdings (CI) Limited (see note 29).

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2018**

**28. SUBSIDIARY UNDERTAKINGS AND JOINT VENTURES (CONTINUED)**

*Dormant or non-trading companies*

Each of the following companies is either dormant or does not trade.

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

**Joint venture undertakings**

The joint venture undertakings at 31 March 2018 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.

<b>Joint venture</b>	<b>Principal activity</b>
Clarke Chapman Portia Port Services Limited (3)	Non-trading
Estuary Services Limited (3)	Port Facilities

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

**NOTES TO THE FINANCIAL STATEMENTS**  
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**28. SUBSIDIARY UNDERTAKINGS AND JOINT VENTURES (CONTINUED)**

**Registered offices**

<b>Reference</b>	<b>Address</b>
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, Campbelltown 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 Abbots Quay, Monks Ferry, Birkenhead, CH41 5LH, UK
10	c/o Elliott Duffy Garrett, 40 Linenhall Street, Belfast, BT2 8BA, UK

**29. POST BALANCE SHEET EVENT**

On 15 May 2018, the Group acquired the entire issued share capital of Ligna Biomass Holdings Limited and its subsidiary company, Ligna Biomass Limited (together "Ligna"), from the Group's immediate parent company, Peel Ports Holdings (CI) Limited. Ligna contracts with the Group's existing subsidiary company, The Mersey Docks and Harbour Company Limited, for the provision of biomass storage and handling services to Drax Power Limited. Consideration was £38.4m, which approximated to Ligna's net assets at the date of acquisition. Subsequent to the acquisition, the Group repaid Ligna's indebtedness of £65.5m and novated a fixed interest rate swap over a notional debt balance of £64.3m with a fair value £2.3m. The transaction was financed by the issue of £38.4m of new share capital in Peel Ports Group Limited to the existing shareholders and proceeds of £100.0m from the issuance of new facilities.