

**PEEL PORTS GROUP LIMITED**

**Report and Financial Statements  
For the year ended 31 March 2017**

**REPORT AND FINANCIAL STATEMENTS**

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**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

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

**COMPANY SECRETARY**

C R Marrison Gill

**REGISTERED OFFICE**

Maritime Centre  
Port of Liverpool  
Liverpool  
L21 1LA

**BANKERS**

The Royal Bank of Scotland PLC/  
National Westminster Bank PLC  
22 Castle Street  
Liverpool  
L2 0UP

**AUDITOR**

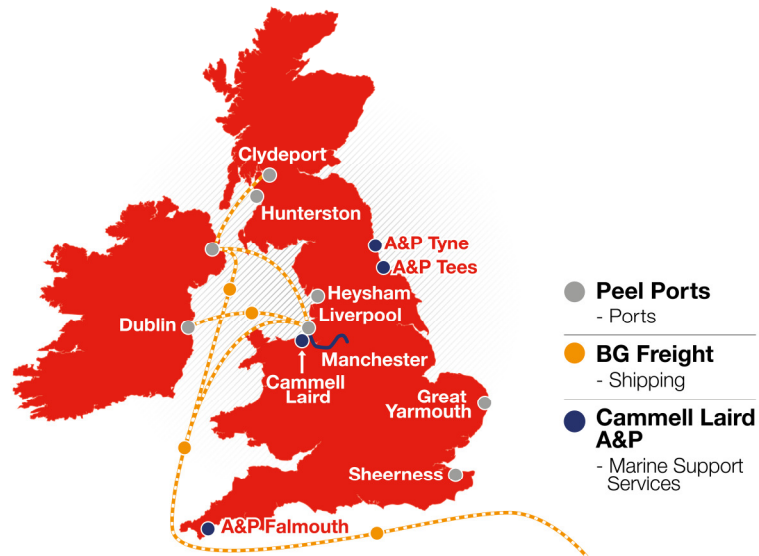
Deloitte LLP  
Statutory Auditor  
Horton House  
Exchange Street East  
Liverpool  
L2 3PG

## 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 Mersey, 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)*

In November 2016, the Group opened for business the first phase of Liverpool2, a new in-river deep-water container terminal. In March 2017, the terminal welcomed its first post-Panamax vessel, the 6,552 TEU HS Paris, which is the largest vessel ever to call at the Port of Liverpool. While Liverpool2 has the capacity to handle vessels up to 20,000 TEU, it is the smaller post-Panamax vessels that are the most likely users of the terminal, with the 4,045 TEU Pohorje calling en route from Antwerp to Le Havre in June 2017.

Although the terminal is open for business, as with any major construction project there is ongoing work to complete minor works and defects that are covered by the construction contractor's completion responsibilities. These are expected to be completed in stages between August and the Autumn of 2017.

Total investment for Phase 1 will be approximately £300m, in addition to further investment in the port infrastructure, part financed by a £150m loan secured from the European Investment Bank and a Regional Growth Fund grant of £35m as contribution to the cost of dredging the approach channel to the Mersey Estuary. By deepening the approach channel of the Mersey to 16 metres, it will allow access for these vessels as well as widening the tidal access window for a range of other river users.

Phase 2 will further increase the capacity of Liverpool2 and has an estimated cost of £50m. This in the main represents investment in additional quayside and landside cranes and some related infrastructure works.

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 both shipping lines, importers and exporters. It is estimated 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 division, 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, these services charter vessels on a short-term basis to meet the needs of customers.

#### *Marine Support Services*

The Group's Marine Support Services division 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:

Continuing operations:	2017 £m	2016 £m	Change	
			£m	%
Turnover	644.0	596.2	47.8	8.0
Gross profit	217.3	199.5	17.8	8.9
EBITDA <sup>1</sup>	219.4	199.5	19.9	10.0
Group operating profit before exceptional items	157.2	141.5	15.7	11.1
Group operating profit	137.7	131.8	5.9	4.5

	%	%
Gross profit margin	33.7	33.5

## Tonnage throughput (millions)\*:

Ports	56.0	57.6	(1.6)	(2.8)
Shipping	4.3	4.3	-	-
<b>Total</b>	<b>60.3</b>	<b>61.9</b>	<b>(1.6)</b>	<b>(2.6)</b>

\*Uses standard tonnage measures for the port industry.

The operating performance for the year ended 31 March 2017 reflects the following:

- EBITDA has increased by 10.0%, from £199.5m to £219.4m with operating profit before exceptional items higher by 11.1%, at £157.2m compared to £141.5m in the prior year. This reflects another robust performance by the Group, demonstrating the benefit of its diversified offering and in part some of the restructuring undertaken to better focus its activities. The current year result also benefits from a full year of trading from Great Yarmouth Port Company Limited ("GYPC"), acquired in December 2015, which has performed strongly.
- There have been improvements from last year across all of the Group's financial reporting key performance indicators, though Tonnage throughput has decreased by 2.6%, primarily due to the continued reduction in coal handling volumes.
- Turnover has increased by 8.0%, from £596.2m to £644.0m, with the ports having performed particularly strongly in challenging markets. In addition to the strong performance at Great Yarmouth Port, the ports results have also benefitted from increased turnover at the Port of Liverpool, the Manchester Ship Canal, Heysham Port and the Port of Sheerness, with Clydeport lower due to the accelerated decline and changes in the UK coal handling market.
- Gross profit margin increased from 33.5% to 33.7% reflecting effective cost management and changes in the mix of work undertaken.

<sup>1</sup> EBITDA is group operating profit before depreciation, amortisation of goodwill, statutory unrealised foreign currency gains and losses and operating exceptional items, and after other finance income arising from the defined benefit pension schemes and dividends received from joint ventures and before minority interest.

## STRATEGIC REPORT (CONTINUED)

### 2. FINANCIAL REVIEW (CONTINUED)

#### 2.1 Operating performance (continued)

- Group operating profit increased by 4.5% from £131.8m to £137.7m, which is after recognising exceptional charges for the year of £19.5m (2016: £9.7m). The loss after tax was £101.3m compared to a prior year profit after tax of £10.8m. This is after taking account of a non-cash charge of £89.9m (2016: £14.4m) relating to the change in the fair value of derivative financial instruments and a non-cash charge of £41.0m (2016: £8.2m) arising from the retranslation of foreign currency loans.
- Operating cash flows were £186.7m, up from £176.4m in the prior year primarily as a result of the increase in EBITDA.
- The Group invested £106.8m (2016: £140.0m) in net capital expenditure. The comparative cash flows also reflect the acquisition of GYPC for total consideration of £53.5m, financed through the issue of new ordinary equity shares totalling £13.5m and the raising of new term loans totalling £40.0m. Other financing activities in the year raised a further £85.0m (2016: £138.7m) of funds. The Group paid interest of £99.5m (2016: £93.8m) and an accrued swap accretion of £37.5m (2016: £nil). Dividends paid to the owners of the parent company totalled £42.9m (2016: £40.7m) and to the non-controlling interests totalled £1.4m (2016: £1.6m).
- The level of business activity for the Group reflects the accelerated decline in the coal handling markets, a full year's trading from GYPC and capitalising on other commercial opportunities. The coal handling market decline had been anticipated in the period leading up to 2020 but this has occurred significantly more quickly than originally expected. The strong results for the year demonstrate the ability of the Group to respond to such factors.
- As noted overleaf, last year's UK referendum vote on EU membership continues to create uncertainty, though the fundamentals of the business are unchanged and the Group is planning for growth.

#### 2.2 Other financial developments

Other financial developments include:

- During the year, the Group raised £125.0m from the issuance of Private Placement Loans which mature in 2027. Of the £125.0m raised, £40.0m was used to repay the term loan raised in the prior year to part-finance the acquisition of GYPC, which had a maturity date in December 2017. The Group also extended the £110.0m undrawn Liquidity Facility for a further 12 months to December 2017.
- Subsequent to the year end the Group has raised a further £35.0m in the private placement market.
- Restructuring of certain parts of the Group's operations to respond to the changes in the coal handling market and to activity levels in the Marine Support Services business, and the cessation of certain waste-related activities, have resulted in an exceptional operating charge of £19.5m (2016: £9.7m), the majority of which is non-cash in nature. In the prior year, the Group recognised £3.0m of exceptional operating costs in relation to the settlement of some long outstanding legal claims.
- Net cash investment in capital expenditure totalled £106.8m (2016: £140.0m). At the Port of Liverpool, this included the on-going construction of the Liverpool2 in-river deep-water container terminal and a new vessel traffic marine system allowing for the creation of a centralised control unit for vessel movements. At the Port of Sheerness, the Group invested in the development of car storage facilities, the acquisition of land and the development of the former Thamesteel site. In Scotland, new straddle carriers were acquired for the Greenock Ocean Terminal. At Great Yarmouth, investment has been made in enhancing the port's infrastructure for the provision of offshore wind farm support services.
- Ordinary dividends of £42.9m (2016: £40.7m) were paid during the year. These are set out below:

	2017 £m	2016 £m
Dividends (includes the prior year final declared dividend of £21.4m (2016: £17.5m))	42.9	40.7

A final dividend of £27.0m (2016: £21.4m) has been proposed.

## STRATEGIC REPORT (CONTINUED)

### 2. FINANCIAL REVIEW (CONTINUED)

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

- Net liabilities were £1,671.0m at 31 March 2017 (2016: £1,487.4m). In addition to the loss for the financial year of £101.3m (2016: profit of £10.8m), the net liability position has changed primarily because of an actuarial loss, net of deferred tax, of £38.6m (2016: £3.3m) relating to the Group's defined benefit pension schemes and the payment of ordinary dividends of £42.9m (2016: £40.7m).

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

#### *Liverpool2*

As referred to overleaf, the first phase of Liverpool2, the new deep-water container terminal, became operational towards the end of 2016 and handled its first post-Panamax vessel, the HS Paris, in March 2017. Liverpool2 enables the Port of Liverpool to handle container vessels of post-Panamax capacity (up to 20,000 TEU), with draught up to 16m. The first phase has increased port capacity from 0.9m TEU to 1.5m TEU. The second phase, expected to be operational in 2019, will then increase this to 2.4m TEU.

#### *Wellmarsh*

Construction is progressing 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 final piece of demolition activity, the levelling of a 32m high building which housed the former melt shop has commenced and is expected to be completed in the Summer of 2017. Following this, the site will be 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*

With the decline in the coal handling market, the Group has begun to investigate alternative uses for the port at Hunterston. This 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, has a c500 acres footprint, two rail terminals and is close to Hunterston power station with grid connection, providing for a number of possible alternative uses.

### 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 are dangerous and need to be handled 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.

During the year ended 31 March 2017, the Group appointed a new Group Health and Safety Director and launched a new group-wide initiative, Safety365, to further embed best practices into the way the Group conducts its operations. Alongside this, a behavioural safety programme has been introduced and a new Health and Safety Governance Committee, chaired by the Group Chief Executive Officer.

Looking ahead, the Group has put in place a number of principal objectives with further initiatives planned to support the progress made so far in raising the profile of this critical area. It is expected that the 2017/18 plan 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.



## STRATEGIC REPORT (CONTINUED)

## 4. PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

## 4.1 Operational (continued)

*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 have been recruited to mitigate this risk.

## 4.2 Commercial

*Economic outlook and market pressures*

## UK referendum on EU membership

Last year's UK referendum vote on EU membership, which concluded with a vote to leave the EU, and the ongoing exit negotiations, continue to create uncertainty in the economic outlook for the UK that will take some time to settle. The fundamentals of the Group are robust and this provides a resilient base from which it can respond to such challenges and opportunities as they arise.

## Ports

The regional ports within the Group each form part of a wider transport infrastructure. The key operational risk and uncertainty relates to the dependency upon the economic activity of the businesses and consumers within 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.

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.

## Shipping and Marine Support Services

For the Group's other divisions, there is a greater degree of commercial tendering for contracts which are typically of a shorter duration than those in the Ports division. In these divisions, 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 2 October 2017 and 30 September 2046 ("long-term debt") amount to £1,830.4m (2016: £1,707.0m). 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 2017, within the current facility agreements there were undrawn funds of £114.0m available in addition to cash of £90.8m 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.

## 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. Transaction exposures, including those associated with forecast transactions, are hedged when known. The Group manages its foreign exchange exposure on a net basis, and, if required, uses forward foreign exchange contracts and financial instruments to reduce the exposure. If the hedging activity does not mitigate the exposure, then foreign currency fluctuations may adversely impact 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. At 31 March 2017, the Group balance sheet recorded a pension liability of £135.1m (2016: £95.2m). The liability has increased significantly in the year due to changes in actuarial assumptions, particularly a lower discount rate due to decreases in corporate bond yields. 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.

*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 2017

## **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 £42.9m (2016: £40.7m). Of these, £21.5m (2016: £23.2m) are interim dividends and £21.4m (2016: £17.5m) are final dividends declared in respect of the preceding financial year. A final dividend of £27.0m has been proposed (2016: £21.4m).

### **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.

### **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.

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', with a stylized flourish at the end.

I G L Charnock  
Director

5 July 2017

## **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**

We have audited the financial statements of Peel Ports Group Limited for the year ended 31 March 2017 which comprise the consolidated profit and loss account, the consolidated statement of other comprehensive income, the consolidated and company balance sheets, the consolidated statement of changes in equity, the company statement of changes in equity, the consolidated cash flow statement and the related notes 1 to 28. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland."

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

### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

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

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the Parent Company's affairs as at 31 March 2017 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion, 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.

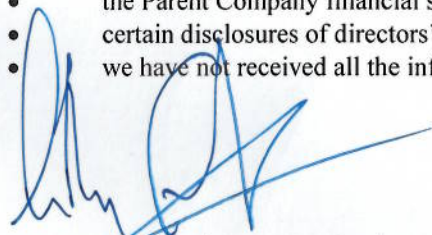
In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and the Directors' Report.

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

### **Matters on which we are required to report by exception**

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

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Anthony Farnworth BA ACA (Senior Statutory Auditor)

for and on behalf of Deloitte LLP

Statutory Auditor

Liverpool, United Kingdom

5 July 2017

**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
**For the year ended 31 March 2017**

	Note	2017 £m	2016 £m
<b>GROUP TURNOVER</b>	5	644.0	596.2
Cost of sales		(426.7)	(396.7)
<b>GROSS PROFIT</b>		217.3	199.5
Other administrative expenses		(60.1)	(58.0)
Exceptional items	8	(19.5)	(9.7)
Administrative expenses		(79.6)	(67.7)
<b>GROUP OPERATING PROFIT</b>	6	137.7	131.8
Share of operating profit of joint ventures	13	0.4	0.2
<b>TOTAL OPERATING PROFIT: GROUP AND SHARE OF JOINT VENTURES</b>		138.1	132.0
Net interest expense	9	(235.8)	(121.6)
<b>(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		(97.7)	10.4
Tax on (loss)/profit on ordinary activities	10	(3.6)	0.4
<b>(LOSS)/PROFIT FOR THE FINANCIAL YEAR</b>		(101.3)	10.8
<b>(LOSS)/PROFIT ATTRIBUTABLE TO:</b>			
- Owners of the parent		(104.7)	8.8
- Non-controlling interest		3.4	2.0
		(101.3)	10.8

The above results are derived from continuing operations.



**CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME**  
**For the year ended 31 March 2017**

	Note	2017 £m	2016 £m
<b>(Loss)/profit for the financial year</b>		<u>(101.3)</u>	<u>10.8</u>
<b><i>Other comprehensive income:</i></b>			
Remeasurement of net defined benefit liability	20	(45.7)	(3.3)
Remeasurement of joint venture undertaking's net defined benefit liability	13	(0.6)	0.4
Currency translation differences		1.2	1.3
Total tax on components of other comprehensive income	10(d)	<u>7.1</u>	<u>-</u>
<b>Other comprehensive income for the year, net of tax</b>		<u>(38.0)</u>	<u>(1.6)</u>
<b>Total comprehensive income for the year</b>		<u><u>(139.3)</u></u>	<u><u>9.2</u></u>
<b>Total comprehensive income attributable to:</b>			
- Owners of the parent		(141.2)	8.7
- Non-controlling interests		<u>1.9</u>	<u>0.5</u>
		<u><u>(139.3)</u></u>	<u><u>9.2</u></u>

## CONSOLIDATED AND COMPANY BALANCE SHEETS

As at 31 March 2017

		Group		Company	
	Note	2017 £m	2016 £m	2017 £m	2016 £m
<b>FIXED ASSETS</b>					
Intangible assets:	11				
- positive goodwill		110.4	122.1	-	-
- negative goodwill		(6.3)	(7.9)	-	-
		104.1	114.2	-	-
Tangible assets	12	1,200.9	1,151.9	-	-
Interests in joint ventures:	13				
- share of gross assets		3.6	4.7	-	-
- share of gross liabilities		(3.5)	(3.9)	-	-
		0.1	0.8	-	-
Other investments	13	1.0	0.9	337.5	337.5
		1,306.1	1,267.8	337.5	337.5
<b>CURRENT ASSETS</b>					
Short-term investments	13	-	0.1	-	-
Stocks	14	3.6	4.4	-	-
Debtors - due within one year	15	166.7	140.7	125.8	125.7
- due after more than one year	15	62.2	20.1	123.0	123.0
Cash at bank and in hand		90.8	111.2	-	-
		323.3	276.5	248.8	248.7
<b>CREDITORS: amounts falling due within one year</b>	16	(338.3)	(359.3)	(109.8)	(109.8)
<b>NET CURRENT (LIABILITIES)/ASSETS</b>		(15.0)	(82.8)	139.0	138.9
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		1,291.1	1,185.0	476.5	476.4
<b>CREDITORS: amounts falling due after more than one year</b>	17	(2,827.0)	(2,577.2)	(123.0)	(123.0)
Post-employment pension liability	20	(135.1)	(95.2)	-	-
<b>NET (LIABILITIES)/ASSETS</b>		(1,671.0)	(1,487.4)	353.5	353.4
<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		(1,525.7)	(1,341.6)	2.5	2.4
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT</b>		(1,680.8)	(1,496.7)	353.5	353.4
Non-controlling interests	27	9.8	9.3	-	-
<b>TOTAL EQUITY</b>		(1,671.0)	(1,487.4)	353.5	353.4

The profit of the Company for the financial year was £43.0m (2016: £41.0m).

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 2017 and signed on its behalf by:



I G L Charnock  
Director

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**For the year ended 31 March 2017**

	<b>Called-up share capital £m</b>	<b>Merger reserve £m</b>	<b>Profit and loss account £m</b>	<b>Total £m</b>	<b>Non-controlling interest £m</b>	<b>Total equity £m</b>
<b>At 1 April 2015</b>	337.5	(506.1)	(1,309.6)	(1,478.2)	10.4	(1,467.8)
Profit for the year	-	-	8.8	8.8	2.0	10.8
Other comprehensive income for the year	-	-	(0.1)	(0.1)	(1.5)	(1.6)
Total comprehensive income for the year	-	-	8.7	8.7	0.5	9.2
Dividends (note 21)	-	-	(40.7)	(40.7)	(1.6)	(42.3)
New ordinary shares issued	13.5	-	-	13.5	-	13.5
Total transactions with owners, recognised directly in equity	13.5	-	(40.7)	(27.2)	(1.6)	(28.8)
<b>Balance as at 31 March 2016</b>	351.0	(506.1)	(1,341.6)	(1,496.7)	9.3	(1,487.4)
(Loss)/profit for the year	-	-	(104.7)	(104.7)	3.4	(101.3)
Other comprehensive income for the year	-	-	(36.5)	(36.5)	(1.5)	(38.0)
Total comprehensive income for the 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>Balance as at 31 March 2017</b>	351.0	(506.1)	(1,525.7)	(1,680.8)	9.8	(1,671.0)

**COMPANY STATEMENT OF CHANGES IN EQUITY**  
**For the year ended 31 March 2017**

	Note	Called-up share capital £m	Profit and loss account £m	Total £m
<b>Balance as at 1 April 2015</b>		337.5	2.1	339.6
Profit for the financial year		-	41.0	41.0
Total comprehensive income for the year		-	41.0	41.0
Dividends	21	-	(40.7)	(40.7)
New ordinary shares issued		13.5	-	13.5
Total transactions with owners, recognised directly in equity		13.5	(40.7)	(27.2)
<b>Balance as at 31 March 2016</b>		351.0	2.4	353.4
Profit for the financial year		-	43.0	43.0
Total comprehensive income for the year		-	43.0	43.0
Dividends	21	-	(42.9)	(42.9)
Total transactions with owners, recognised directly in equity		-	0.1	0.1
<b>Balance as at 31 March 2017</b>		351.0	2.5	353.5

**CONSOLIDATED CASH FLOW STATEMENT**  
**For the year ended 31 March 2017**

	<b>Note</b>	<b>2017 £m</b>	<b>2016 £m</b>
Cash inflow from operating activities	22(a)	186.7	176.4
Taxation paid		(0.3)	(0.2)
<b>Net cash inflow from operating activities</b>		<u>186.4</u>	<u>176.2</u>
Cash flow used in investing activities	22(b)	(106.1)	(190.1)
Cash flow (used in)/generated from financing activities	22(c)	(101.4)	55.0
<b>Net (decrease)/increase in cash and cash equivalents</b>		<u>(21.1)</u>	<u>41.1</u>
Cash and cash equivalents at the beginning of the year		111.2	69.4
Exchange gains on cash and cash equivalents		0.7	0.7
<b>Cash and cash equivalents at the end of the year</b>		<u>90.8</u>	<u>111.2</u>
<b>Cash and cash equivalents consists of:</b>			
Cash at bank and in hand		90.8	111.2
<b>Cash and cash equivalents</b>		<u>90.8</u>	<u>111.2</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

### 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 2017 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 £1,671.0m (2016: £1,487.4m) 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 £909.7m (2016: £857.4m);
- at the balance sheet date, the Group has borrowings of £1,707.4m (2016: £1,584.1m), 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 £2.8m which is due for repayment on 2 October 2017, the Group's loans and loan note instruments have repayment dates between 1 October 2018 and 30 September 2046;
- in the year ended 31 March 2017, turnover increased by £47.8m to £644.0m. 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 £15.7m to £157.2m;
- cash inflows generated in the year, together with utilisation of existing capital expenditure facilities, enabled the Group to finance fixed asset additions of £109.5m (2016: £143.6m) (cash outflow);

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

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

#### Going concern (continued)

- at the balance sheet date the Group held £90.8m (2016: £111.2m) of cash balances and had undrawn loan facilities of £114.0m available.

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

#### 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 2017

### 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

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

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

Interest income is recognised using the effective interest rate method.

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.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

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

**Employee benefits (continued)***(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 Company 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 Company 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 Company'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 'Finance expense'.

**Exceptional items**

The Group classifies certain one-off charges or credits that have a material impact on the Group's financial results as 'exceptional items'. These are disclosed separately to provide further understanding of the financial performance of the Group.

**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.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

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

#### Taxation (continued)

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.

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.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

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

#### **Tangible fixed assets (continued)**

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 its 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 charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the profit and loss account using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise. Accrued finance costs attributable to borrowings where the maturity at the date of issue is less than 12 months are included in accrued charges within current liabilities. For all other borrowings, accrued finance charges and issue costs are added to the carrying value of those borrowings.

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

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

Listed investments are stated at their fair value.

#### **Stocks**

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

#### **Long-term contracts**

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

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

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

#### 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, there 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.

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.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

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

#### 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 ESTIMATION UNCERTAINTY

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### (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*

Turnover 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.

#### (ii) Key accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant potential risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

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

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, economic utilisation and the physical condition of the assets.

##### *Defined benefit pension schemes (note 20)*

The Company has obligations to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors including: life expectancy, salary increases, asset valuations, inflation rates and the discount rate derived from yields on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

## 5. TURNOVER

*Analysis of turnover by category:*

	2017 £m	2016 £m
Port	355.7	319.5
Shipping	90.2	87.8
Marine Support Services	198.1	188.9
	<u>644.0</u>	<u>596.2</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.

Turnover does not include the Group's share of turnover arising from joint venture companies amounting to £2.0m (2016: £2.1m). Sales between segments are immaterial and are therefore not separately disclosed.

*Analysis of turnover by geography:*

	2017 £m	2016 £m
United Kingdom	521.5	490.5
Rest of Europe	96.5	90.9
Australia	26.0	14.8
	<u>644.0</u>	<u>596.2</u>

## 6. GROUP OPERATING PROFIT

	2017 £m	2016 £m
Group operating profit is stated after charging/(crediting):		
Depreciation - owned assets (note 12)	59.1	46.9
Amortisation of goodwill (note 11):		
Positive goodwill	11.7	11.7
Negative goodwill	(1.6)	(0.5)
	<u>10.1</u>	<u>11.2</u>
Operating lease charges	37.7	33.0
Foreign currency losses/(gains)	0.2	(0.7)

Included within the depreciation charge for the year is a £8.4m (2016 - £nil) exceptional write down of fixed assets relating to a reassessment as to the value in use of assets relating to the coal handling market. This is included within the exceptional charge for the 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 £0.2m (2016: gains of £0.7m) includes statutory unrealised foreign currency losses of £1.0m (2016: gains of £0.2m) and trading foreign currency gains of £0.8m (2016: £0.5m).

	2017 £m	2016 £m
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	0.1	0.1
	<u>0.1</u>	<u>0.1</u>

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 (2016: £10,000) was borne by a subsidiary undertaking.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

## 7. EMPLOYEES AND DIRECTORS

### *Employees*

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

	2017 Number	2016 Number
Administration	367	372
Operational	1,977	2,086
	<u>2,344</u>	<u>2,458</u>

The staff costs for the above persons were:

	2017 £m	2016 £m
Wages and salaries	92.9	92.4
Social security costs	7.1	10.1
Pension funds service and administrative costs (note 20)	1.3	0.2
Other pension costs - Group defined contribution pension schemes (note 20)	6.4	6.6
Total staff costs	<u>107.7</u>	<u>109.3</u>
Amounts capitalised	(0.4)	(0.5)
Staff costs charged to profit and loss	<u>107.3</u>	<u>108.8</u>

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

### *Directors*

The remuneration of the directors of the Group was as follows:

	2017 £'000	2016 £'000
Emoluments	2,555	2,202
Group contribution to defined contribution pension schemes	-	121
	<u>2,555</u>	<u>2,323</u>

At 31 March 2017 retirement benefits are accruing to one director (2016: one) under a Group defined benefit pension scheme and to two directors under a defined contribution scheme (2016: two).

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:

	2017 £'000	2016 £'000
Emoluments	1,498	1,308
Group contribution to defined contribution pension schemes	-	74

### *Key management personnel*

Key management includes the directors and members of senior management. The compensation paid or payable to key management for employee services is shown below:

	2017 £'000	2016 £'000
Salaries and other short-term benefits	2,555	2,202
Group contribution to defined contribution pension schemes	-	121
	<u>2,555</u>	<u>2,323</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

## 8. EXCEPTIONAL OPERATING COSTS

	2017 £m	2016 £m
Restructuring	11.8	6.7
Cessation of certain waste-related activities	7.7	-
Settlement of legal claims	-	3.0
	<u>19.5</u>	<u>9.7</u>

In the year ended 31 March 2017, exceptional operating costs comprise asset impairment, redundancy and other costs incurred in connection with the streamlining and reorganisation of activities in the Group. Of most significance was the restructuring of the Ports' coal handling facilities due to the accelerated decline in the UK coal industry and in the Marine Support Services division which responded to changes in activity levels during the year as a result of delays in the letting of certain work in the defence sector. The 2016 settlement related to the conclusion of long-standing legal claims.

## 9. NET INTEREST EXPENSE

	2017 £m	2016 £m
<b>a) Interest payable and similar charges:</b>		
Other interest on bank loans and overdrafts	59.8	60.1
Interest on private placement notes	<u>28.9</u>	<u>24.3</u>
Bank loans, overdrafts and private placement notes	88.7	84.4
Amortisation of debt issue costs (note 18)	5.8	5.5
9% subordinated redeemable loan notes:		
Payable to group undertakings	5.5	5.5
Payable to related undertakings	<u>5.5</u>	<u>5.5</u>
	105.5	100.9
Finance costs capitalised	<u>(3.5)</u>	<u>(4.5)</u>
<b>Total interest payable and similar charges</b>	<u>102.0</u>	<u>96.4</u>
<b>b) Interest expense on financial liabilities measured at fair value through profit or loss</b>		
Losses on derivative financial instruments (note 19)	130.6	34.3
Losses on retranslation of foreign currency loans (note 18)	<u>41.0</u>	<u>8.2</u>
<b>Total interest expense on financial liabilities measured at fair value through profit or loss</b>	<u>171.6</u>	<u>42.5</u>
<b>c) Other finance costs</b>		
Net interest expense on post-employment benefits (note 20)	<u>3.2</u>	<u>2.9</u>
<b>d) Interest receivable and similar income</b>		
Interest receivable and similar income	<u>(0.3)</u>	<u>(0.3)</u>
<b>e) Interest income on financial assets measured at fair value through profit or loss</b>		
Gains on derivative financial instruments (note 19)	<u>(40.7)</u>	<u>(19.9)</u>



**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 March 2017**

**9. NET INTEREST EXPENSE (CONTINUED)**

	<b>2017</b>	<b>2016</b>
	<b>£m</b>	<b>£m</b>
<b>Net interest expense</b>		
Total interest payable and similar charges (note 9(a))	102.0	96.4
Interest expense on financial liabilities measured at fair value through profit or loss (note 9(b))	171.6	42.5
Other finance costs (note 9(c))	3.2	2.9
Interest receivable and similar income (note 9(d))	(0.3)	(0.3)
Interest income on financial assets not measured at fair value through profit or loss (note 9(e))	(40.7)	(19.9)
<b>Net interest expense</b>	<b>235.8</b>	<b>121.6</b>

**10. TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES**

a) Analysis of tax charge/(credit) in the year

	<b>2017</b>	<b>2016</b>
	<b>£m</b>	<b>£m</b>
<b>Current tax:</b>		
<i>United Kingdom</i>		
UK corporation tax	-	-
<i>Foreign tax</i>		
Corporation tax	0.9	0.7
<i>Other current tax</i>		
Adjustments in respect of previous years	0.1	0.1
<b>Group current tax charge</b>	<b>1.0</b>	<b>0.8</b>
Share of joint venture current tax	-	-
<b>Total current tax charge</b>	<b>1.0</b>	<b>0.8</b>
<b>Deferred tax:</b>		
Origination and reversal of timing differences - United Kingdom	3.8	(0.7)
Adjustment in respect of prior years	(1.4)	(1.4)
Change of UK tax rate	(0.2)	1.1
Origination and reversal of timing differences – foreign tax	0.4	(0.2)
<b>Total deferred tax charge/(credit)</b>	<b>2.6</b>	<b>(1.2)</b>
<b>Total tax on (loss)/profit on ordinary activities</b>	<b>3.6</b>	<b>(0.4)</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

## 10. TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES (CONTINUED)

### b) Reconciliation of total tax charge/(credit)

The tax assessed for the year is lower (2016: lower) than that arising from applying the standard rate of UK corporation tax of 20% (2016: 20%). The differences are explained below:

	2017 £m	2016 £m
(Loss)/profit on ordinary activities before taxation	(97.7)	10.4
(Loss)/profit on ordinary activities multiplied by the standard rate of UK corporation tax of 20% (2016: 20%).	(19.5)	2.1
Effects of:		
Expenses not deductible for tax purposes	4.5	6.8
Income not subject to tax	(1.3)	(2.1)
Deferred tax not recognised	20.3	(4.9)
Differences in tax rates	2.8	0.6
Adjustments in respect of prior years	(1.4)	(1.3)
Adjustments in respect of foreign tax rates	(1.8)	(1.6)
<b>Total tax charge/(credit)</b>	<b>3.6</b>	<b>(0.4)</b>

### 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 restated to the lower rate of 17% in these financial statements.

### d) Deferred tax

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

	2017 £m	2016 £m
Accelerated capital allowances	(11.8)	(16.4)
Short-term timing differences	1.2	1.2
Tax losses	0.1	0.6
Derivative contracts	12.5	18.5
Other fair value adjustments	(3.6)	(4.0)
Post-employment benefits	23.2	17.2
	<b>21.6</b>	<b>17.1</b>

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

The net deferred tax asset expected to reverse in 2018 is £nil. This is primarily due to the deferred tax asset in relation to the derivative contracts, which is not expected to reverse in 2018. 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.

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 March 2017**

**10. TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES (CONTINUED)**

d) Deferred tax (continued)

*Movements in deferred tax*

	Asset £m
At 1 April 2016	17.1
Debited to the profit and loss account (note 10(a))	(2.6)
Credited to other comprehensive income	7.1
At 31 March 2017	<u>21.6</u>

At 31 March 2017, the Group had deferred tax not recognised of £124.7m (2016: £111.5m) 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>			
At 1 April 2016 and 31 March 2017	234.3	(8.4)	225.9
<b>Amortisation</b>			
At 1 April 2016	112.2	(0.5)	111.7
Charge for the year	11.7	(1.6)	10.1
At 31 March 2017	123.9	(2.1)	121.8
<b>Net book value</b>			
At 31 March 2017	<u>110.4</u>	<u>(6.3)</u>	<u>104.1</u>
At 31 March 2016	<u>122.1</u>	<u>(7.9)</u>	<u>114.2</u>

**Company**

The Company has no intangible fixed assets.

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2017**

**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>				
At 1 April 2016	895.5	298.8	294.8	1,489.1
Additions	17.7	8.1	82.6	108.4
Disposals	-	(10.9)	-	(10.9)
Reclassifications	199.9	138.3	(335.8)	2.4
Exchange difference	0.2	1.8	-	2.0
At 31 March 2017	1,113.3	436.1	41.6	1,591.0
<b>Depreciation</b>				
At 1 April 2016	186.7	150.5	-	337.2
Charge for the year	27.5	31.6	-	59.1
Disposals	-	(10.0)	-	(10.0)
Reclassifications	1.8	0.6	-	2.4
Exchange difference	0.1	1.3	-	1.4
At 31 March 2017	216.1	174.0	-	390.1
<b>Net book amount</b>				
At 31 March 2017	897.2	262.1	41.6	1,200.9
At 31 March 2016	708.8	148.3	294.8	1,151.9

Cumulative finance costs capitalised in the cost of tangible fixed assets amount to £13.2m (2016: £9.7m).

Included within the depreciation charge for the year is a £8.4m (2016 - £nil) exceptional write down of fixed assets of the ports' coal handling assets (note 8).

**Non-depreciable land**

Included within tangible fixed assets is freehold and long-leasehold land, which is not subject to depreciation, which amounted to £198.6m (2016 £149.8m).

**Company**

The Company has no tangible fixed assets.

**13. INVESTMENTS**

	<b>Group</b>		<b>Company</b>	
	<b>2017 £m</b>	<b>2016 £m</b>	<b>2017 £m</b>	<b>2016 £m</b>
Subsidiary undertakings (note 13(a))	-	-	337.5	337.5
Joint venture undertakings (note 13(b))	0.1	0.8	-	-
Other investments (note 13(c))	1.0	0.9	-	-
	1.1	1.7	337.5	337.5
Short-term investments (note 13(d))	-	0.1	-	-

Details of investments of the Group in its subsidiary undertakings and joint ventures are given in note 28.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

## 13. INVESTMENTS (CONTINUED)

### a) Subsidiary undertakings

	Company £m
<b>Cost and net book value</b>	
At 1 April 2016 and at 31 March 2017	337.5

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

### b) Joint venture undertakings

	Group £m
At 1 April 2016	0.8
Share of results for the year	0.4
Dividends received	(0.4)
Share of actuarial loss net of deferred tax relating to defined benefit pension scheme	(0.6)
Share of net assets disposed of during the year	(0.1)
At 31 March 2017	0.1

The turnover and net assets of the joint ventures amounted to £4.0m (2016: £4.2m) and £0.2m (2016: £1.6m) respectively, of which the Group's share is 50%.

During the year the Group disposed of its joint venture undertaking in Clydeboyd Fort William Limited.

### c) Other investments

	Group £m
At 1 April 2016	0.9
Change in market value	0.1
At 31 March 2017	1.0

Included within other investments is £0.9m (2016: £0.8m) of listed investments, which are recorded at the closing mid-market price on the London Stock Exchange.

### d) Short-term investments

	Group 2017 £m	2016 £m
Short-term investments	-	0.1

Short-term investments comprise cash held on short-term deposit which acts as collateral for certain floating-rate guaranteed loan notes (note 18). This cash is only available for redemption of those floating-rate guaranteed loan notes. As at 31 March 2017 the value was £nil (2016: £0.1m).

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 March 2017**

**14. STOCKS**

	<b>Group</b>	
	<b>2017</b>	<b>2016</b>
	<b>£m</b>	<b>£m</b>
Raw materials and consumables	3.6	4.4

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

**Company**

The Company has no stocks.

**15. DEBTORS**

	<b>Group</b>		<b>Company</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Amounts falling due within one year:</b>				
Trade debtors	92.7	78.9	-	-
Amounts recoverable on contracts	19.9	21.1	-	-
Amounts owed by subsidiary undertakings	-	-	125.8	125.7
Amounts owed by group undertakings (note 24)	1.5	2.1	-	-
Other debtors	12.3	7.3	-	-
Prepayments and accrued income	17.6	9.8	-	-
Derivative financial instruments (note 19)	1.1	4.4	-	-
Deferred tax asset (note 10)	21.6	17.1	-	-
	166.7	140.7	125.8	125.7
<b>Amounts falling due after more than one year:</b>				
Amounts owed by Group undertakings	-	-	123.0	123.0
Derivative financial instruments (note 19)	62.2	20.1	-	-
	228.9	160.8	248.8	248.7

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**

	<b>Group</b>		<b>Company</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Bank loans	2.8	2.8	-	-
Floating-rate guaranteed loan note instruments	-	0.1	-	-
Loans and other borrowings (note 18(b))	2.8	2.9	-	-
Trade creditors	57.1	42.9	-	-
Amounts owed to parent undertakings	104.3	104.3	104.3	104.3
Amounts owed to group undertakings (note 24)	1.3	1.3	-	-
Corporation tax	0.6	-	-	-
Other taxes and social security	8.1	6.6	-	-
Other creditors	12.8	12.7	-	-
Accruals and deferred income	125.1	128.1	5.5	5.5
Derivative financial instruments (note 19)	26.2	60.5	-	-
	338.3	359.3	109.8	109.8

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 March 2017**

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

	<b>Group</b>		<b>Company</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Bank loans	905.0	944.2	-	-
Private placement loans	782.7	616.6	-	-
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))	1,814.8	1,687.9	123.0	123.0
Derivative financial instruments (note 19)	946.8	821.4	-	-
Accruals and deferred income	52.1	56.0	-	-
Other creditors	13.3	11.9	-	-
	<b>2,827.0</b>	<b>2,577.2</b>	<b>123.0</b>	<b>123.0</b>

**18. LOANS AND OTHER BORROWINGS**

	<b>Group</b>	
	<b>2017</b>	<b>2016</b>
	<b>£m</b>	<b>£m</b>
<b>(a) Loans and other borrowings</b>		
Bank loans	907.8	947.0
Private placement loans	782.7	616.6
9% subordinated redeemable loan notes 2046:		
Due to group undertakings	61.6	61.6
Due to related undertakings	61.4	61.4
Floating-rate guaranteed loan note instruments 2015	-	0.1
Perpetual debenture stocks	2.2	2.2
3% irredeemable loan stock	1.2	1.2
3.625% irredeemable debenture stock	0.7	0.7
	<b>1,817.6</b>	<b>1,690.8</b>
<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	2.9
Financial liabilities falling due after more than one year (note 17)	1,814.8	1,687.9
	<b>1,817.6</b>	<b>1,690.8</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

## 18. LOANS AND OTHER BORROWINGS (CONTINUED)

	Group 2017 £m	2016 £m
<b>(c) Maturity of loans and borrowings</b>		
In one year or less or on demand	2.8	2.9
In more than one year, but not more than two years	159.3	198.3
In more than two years, but not more than five years	479.3	341.9
In more than five years not by instalments	1,176.2	1,147.7
	<hr/> 1,817.6	<hr/> 1,690.8
<b>Financial liabilities, net of unamortised issue costs and finance charges allocated to future periods</b>	<hr/> 1,817.6	<hr/> 1,690.8
<b>Unamortised issue costs</b>	<hr/> 17.0	<hr/> 20.5

### *Bank loans and private placement notes*

At 31 March 2017, financial liabilities include bank loans totalling £924.8m (2016: £967.5m), of which £2.8m (2016: £2.8m) is due for repayment within one year and £922.0m (2016: £964.7m), with repayment dates between 1 October 2018 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 (2016: £50.0m), which bears interest at a fixed rate of 4.03%.

Financial liabilities include £782.7m (2016: £616.6m) relating to the proceeds from the issue of sterling and US dollar denominated private placement notes. The sterling notes comprise £82.0m (2016: £82.0m) which bear fixed interest rates of between 5.68% and 6.55% and which are due for repayment in instalments between 10 December 2021 and 10 December 2037, £211.5m (2016: £211.5m) which bear floating interest rates and which are due for repayment between 2 January 2025 and 1 October 2029, £55.0m (2016: £55.0m) which bear a fixed rate of interest of 4.10% and are due for repayment on 15 December 2027, and £125.0m (2016: £nil) which bear a fixed rate of interest of 3.45% and are due for repayment on 31 January 2027. The US dollar denominated notes total \$385.0m (2016: \$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 2017 a loss of £41.0m was recorded (2016: £8.2m) (note 9).

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

### *Issue costs*

The Group incurred issue costs during the year in connection with the raising of new borrowings amounting to £2.3m (2016: £1.1m). Amortisation of £5.8m (2016: £5.5m) has been charged during the year (note 9).

### *Other loans and borrowings*

In 2006, Peel Ports Group Limited issued 9% subordinated redeemable loan notes to Peel Ports Holdings (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. Peel Ports Holdings (IOM) Limited transferred the loan notes to a subsidiary undertaking, Peel Ports Investments (IOM) Limited, during the previous year.

The floating-rate guaranteed loan note instruments 2015, which amount to £nil (2016: £0.1m), are guaranteed by Bank of Scotland plc. These bear interest based on LIBOR and were redeemable at par on the final maturity date of 30 September 2015.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

## 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 (2016: £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 (2016: £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 (2016: £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*

	<b>Group</b>	
	<b>2017</b>	<b>2016</b>
	<b>£m</b>	<b>£m</b>
Financial assets measured at fair value through profit or loss		
- Derivative financial instruments	63.3	24.5
Financial assets that are debt instruments measured at amortised cost		
- Trade debtors	92.7	78.9
- Other debtors	12.3	7.3
- Amounts owed by group undertakings	1.5	2.1
	106.5	88.3
Financial liabilities measured at fair value through profit or loss		
- Derivative financial instruments	(973.0)	(881.9)
Financial liabilities that are measured at amortised cost		
- Loans and other borrowings	(1,817.6)	(1,690.8)
- Trade creditors	(57.1)	(42.9)
- Accruals (excluding deferred income)	(123.5)	(129.2)
- Other creditors	(26.1)	(24.6)
- Amounts owed to parent undertaking	(104.3)	(104.3)
- Amounts owed to group undertakings	(1.3)	(1.3)
	(2,129.9)	(1,993.1)

### *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 2017, the fair value of the Group's derivative financial instruments was a loss of £909.7m (2016: £857.4m).

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

## 19. FINANCIAL INSTRUMENTS (CONTINUED)

*Disclosures in respect of the Group (continued)**Derivative financial instruments – interest rate swaps*

At 31 March 2017, the Group was party to fixed interest rate swaps over £652.0m (2016: £652.0m) of notional principal, with fixed rates at between 5.1031% and 5.1831% over £612.0m of principal with a maturity date in 2036 (2016: £612.0m) and 0.903% over £40.0m of principal with a maturity date of December 2017 (2016: £40.0m). 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 £410.6m (2016: £385.6m), of which £22.2m (2016: £21.2m) is included in creditors falling due within one year and £388.4m (2016: £364.4m) is included in creditors falling due after more than one year.

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

At 31 March 2017, the Group was also party to index-linked swaps over £352.0m (2016: £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 1.868% and 2.268%. In addition, the terms of the index-linked swaps provide for accretion payments to be made every four years commencing in October 2016, based on the movement in the UK RPI over each four-year period. As at 31 March 2017 the amount accrued was £7.0m (2016: £33.1m). This is included within the fair value of the index-linked swap which was a liability of £562.4m (2016: £494.5m), of which £4.0m (2016: £39.3m) is included in creditors falling due within one year (note 16) and £558.4m (2016: £455.2m) is included in creditors falling due after more than one year (note 17). An accretion payment of £37.5m (2016: £nil) was paid during the year in accordance with the terms of the index-linked swaps.

As explained in note 18, included within the Group's long-term borrowings is \$385.0m (2016: \$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 2017 was an asset of £59.8m (2016: £24.5m), of which £0.9m (2016: £4.4m) is presented as due within one year and £58.9m (2016: £20.1m) is presented as falling due after more than one year.

*Derivative financial instruments – forward contracts*

The Group has entered into forward foreign currency contracts to mitigate the exchange rate risk for certain foreign currency payables. The forward currency contracts are measured at fair value, which is determined using valuation techniques that utilise observable inputs. The key inputs used in valuing the derivatives are the forward exchange rates for the foreign currency. The fair value of the forward-foreign currency contracts is an asset of £3.3m (2016: liability of £1.4m), which is presented as falling due after more than one year (2016: liability of £1.4m presented as falling due after more than one year).

*Derivative financial instruments – fuel hedges*

The Group also has fuel price hedging derivatives in place which are measured at fair value. As at 31 March 2017 the fair value was an asset of £0.2m (2016: liability of £0.4m), which is presented as falling due after more than one year (2016: liability of £0.4m presented as 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 2017 the net charge, as updated to reflect the payments of the accrued index-linked swap accretion, was £89.9m (2016: £14.4m). This is presented as a loss on derivative financial instruments of £130.6m (2016: £34.3m) and a gain of £40.7m (2016: £19.9m) in note 9.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

## 19. FINANCIAL INSTRUMENTS (CONTINUED)

### *Disclosures in respect of the Company*

	Company	
	2017 £m	2016 £m
Financial assets measured at fair value through profit or loss		
- Derivative financial instruments	-	-
Financial assets that are debt instruments measured at amortised cost		
- Amounts owed by group undertakings	248.8	248.7
Financial liabilities measured at fair value through profit or loss		
- Derivative financial instruments	-	-
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 Stakeholder Pension 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 Stakeholder Pension Plan.

Amounts recognised in profit and loss account are as follows:

	2017 £m	2016 £m
Defined benefit schemes		
- Settlement gain (note 20(a))	-	(0.5)
- Service cost (note 20(a))	0.1	-
- Past service credit/curtailment credits (note 20(a))	-	(0.9)
- Scheme administrative costs (note 20(a))	1.2	1.6
Defined contribution scheme (note 20(b))	6.4	6.6
Total charge in operating profit	7.7	6.8
Defined benefit schemes		
- Net interest expense (note 20(a))	3.2	2.9
Total charge	10.9	9.7

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

## 20. POST-EMPLOYMENT BENEFITS (CONTINUED)

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

	2017 £m	2016 £m
Post-employment benefits deficit	135.1	95.2

## a) Defined benefit pension schemes

*Defined benefit pension schemes operated by the Group*

The Group also 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"). The assets of the schemes are held separately from the assets of the Group and are administered by trustees and managed professionally. Contributions to the schemes are determined by qualified actuaries on the basis of triennial valuations using the projected unit method. 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. Benefits accrued by members as of that date were unaffected by the closure and employees were auto-enrolled into the Peel Ports Group Stakeholder Pension Plan in respect of future service benefits. Following the closure, employer contributions continue to be payable to the Scheme in relation to the existing recovery plan and administrative expenses.

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 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 main assumptions applied 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.

*Atlantic & Peninsula Marine Services Limited ("A&PMS")*

A&PMS operates three defined benefit schemes, each of which is closed to future accrual, which merged into one scheme with three sections during the year ended 31 March 2015. The effective dates of the most recent full triennial actuarial valuations was 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 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 so as to achieve fully funded status by 2026. Additionally, the Group will continue to pay the scheme administrative expenses.

The main assumptions in the actuarial valuations were that long-term investment rates would be between 4.3% and 5.4% pre-retirement and between 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%.

*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.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

## 20. POST-EMPLOYMENT BENEFITS (CONTINUED)

## a) Defined benefit pension schemes (continued)

*Industry-wide defined benefit pension schemes (continued)**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. At 31 March 2017, the Company's share of the deficit was £47.4m (2016: £43.6m), which is included in the amounts recognised in the balance sheet.

The most recent formal actuarial valuation, completed by an independent actuary, is as at 31 December 2013. Adjustments to the valuation as at that date have been made based on the assumptions set out below.

As at that date, the scheme had assets with a market value of £271m, representing 57% of the benefits accruing to members. The main assumptions in the actuarial valuation were that long-term investment rates, and the discount rate, would be 7.2% per annum pre-retirement and 4.4% per annum post-retirement, pensionable salary increases would be 4.0% per annum and price inflation would be 3.5% per annum on a RPI basis and 2.8% on a CPI basis. During the year, the Group made contributions of £3.2m (2016: £3.1m) to the PNPF.

*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 has no active members within the Defined Contribution Section.

*MNOPF Defined Benefit Section (formerly the "New Section")*

During the year, the Group made contributions of £nil (2016: £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. At 31 March 2017, the Group's share of the deficit was £nil (2016: £nil), which is included in the amount recognised in the balance sheet.

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 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. It has been agreed that investment returns on the assets should be sufficient to return the MNOPF Defined Benefit Section to a fully funded level and, therefore, no deficit recovery payment plan was necessary.

*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.

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 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 would be sufficient to return the scheme to a fully funded position.

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.

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2017**

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

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

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

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 requires the Group to contribution £2.1m over the period to December 2020. As at 31 March 2017, the Group had provided for £1.1m (2016: £1.5m), although in certain circumstances depending on market conditions, the Trustees can call for the remaining balance to be paid at short notice.

During the year the Group made contributions of £0.3m (2016: £0.3m) to this scheme in relation to the active members prior to closure to future pension accrual and has recorded those as defined contribution costs within the profit and loss account.

*Local Government Pension Scheme ('LGPS')*

The Group is a member of the LGPS – the Norfolk Pension Fund. This is a multi-employer defined benefit pension scheme that is accounted for on a defined benefits basis. At 31 March 2017, the Group's share of the deficit in this scheme was £1.9m (2016: £1.1m), which is included in the amounts recognised in the balance sheet.

*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 based on the assumptions set out below.

*Assumptions*

	2017	2016
Discount rate	2.5%	3.4%
Price inflation (RPI)	3.2%	3.0%
Price inflation (CPI)	2.2%	2.0%
Rate of increase of:		
- pensionable salaries	3.2%	3.0%
- pensions in payment	3.1%	2.9%
- deferred pensions	3.2%	3.0%

The mortality assumptions used were as follows:

	2017 Years	2016 Years
Longevity at age 65 for current pensioners:		
- Men	22.0	21.9
- Women	24.2	24.0
Longevity at age 65 for future pensioners (currently aged 45):		
- Men	24.2	24.0
- Women	26.4	26.3

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.

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2017**

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

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

*Reconciliation of scheme assets and liabilities:*

	<b>Assets £m</b>	<b>Liabilities £m</b>	<b>Total £m</b>
At 1 April 2016	579.1	(674.3)	(95.2)
Benefits paid	(42.2)	42.2	-
Employer contributions	10.3	-	10.3
Employee contributions	1.2	(1.2)	-
Interest income/(expense)	19.1	(22.3)	(3.2)
Remeasurement losses			
- Actuarial losses	-	(105.1)	(105.1)
- Return on plan assets excluding interest income	59.4	-	59.4
Service cost	(0.1)	-	(0.1)
Scheme administrative expenses	(1.2)	-	(1.2)
At 31 March 2017	<u>625.6</u>	<u>(760.7)</u>	<u>(135.1)</u>

The net remeasurement of the defined benefit liability for the year ended 31 March 2017, recorded in other comprehensive income, is a loss of £45.7m (2016: £3.3m).

*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>2017 £m</b>	<b>2016 £m</b>
Scheme administrative expenses	1.2	1.6
Service cost	0.1	-
Past service/curtailment credit	-	(0.9)
Settlement gain	-	(0.5)
Recognised within operating expenses	<u>1.3</u>	<u>0.2</u>
Interest cost	<u>3.2</u>	<u>2.9</u>
	<u>4.5</u>	<u>3.1</u>

No amounts (2016: £nil) were capitalised into the cost of assets.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

## 20. POST-EMPLOYMENT BENEFITS (CONTINUED)

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

*The fair value of the plan assets were:*

	2017 £m	2016 £m
Equities	106.0	78.7
Hedge funds	128.8	134.4
Fixed-interest gilts	13.8	12.6
Index-linked gilts	0.6	0.5
Corporate bonds	265.1	244.6
Liability-driven investments	62.6	58.5
Pooled investment vehicle	17.5	16.6
Insured schemes	19.0	19.5
Annuities	4.4	4.4
Property	0.8	0.8
Cash	7.0	8.5
Total	625.6	579.1

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

*The return on the plan assets was:*

	2017 £m	2016 £m
Interest income	19.1	19.1
Return on plan assets less interest income	59.4	(31.1)
Total gains/(losses)	78.5	(12.0)

### 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.

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

	2017 £m	2016 £m
Current year contributions (note 7)	6.4	6.6



**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 March 2017**

**21. CALLED-UP SHARE CAPITAL**

	<b>Group and Company</b>	
	<b>2017</b>	<b>2016</b>
	<b>£m</b>	<b>£m</b>
351,042,966 allotted and fully paid £1 ordinary shares	351.0	351.0

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

***Equity dividends***

	<b>2017</b>	<b>2016</b>
	<b>£m</b>	<b>£m</b>
Final ordinary dividends paid	21.4	17.5
Interim ordinary dividends paid	21.5	23.2
	42.9	40.7

A final 2017 ordinary dividend of £27.0m has been proposed by the shareholders after 31 March 2017 and, therefore, this has not been reflected as a dividend payable in these financial statements. A final 2016 ordinary dividend of £21.4m was proposed by the shareholders after 31 March 2016 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

	<b>2017</b>	<b>2016</b>
	<b>£m</b>	<b>£m</b>
<b>Continuing activities</b>		
(Loss)/profit for the year	(101.3)	10.8
Tax on (loss)/profit on ordinary activities	3.6	(0.4)
Net interest expense	235.7	121.6
Share of operating profit of joint ventures	(0.3)	(0.2)
Group operating profit	137.7	131.8
Depreciation and amortisation	69.2	58.1
Profit on disposal of fixed assets	(1.4)	(2.8)
Decrease/(increase) in stocks	0.8	(0.5)
(Increase)/decrease in debtors	(19.9)	4.3
Increase/(decrease) in creditors	9.5	(4.8)
Difference between pension charge and cash contributions	(9.2)	(9.7)
<b>Cash inflow from continuing operational activities</b>	<b>186.7</b>	<b>176.4</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2017**

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

b) Cash outflow from investing activities

	<b>2017 £m</b>	<b>2016 £m</b>
Purchase of subsidiary (net of cash acquired)	-	(51.2)
Disposal of subsidiary (net of cash disposed)	-	0.8
Payments to acquire tangible fixed assets	(109.5)	(143.6)
Receipts from sales of tangible fixed assets	2.7	3.6
Interest received	0.3	0.3
Dividends received from joint venture undertaking	0.4	-
	<u>(106.1)</u>	<u>(190.1)</u>

c) Cash (outflow)/inflow from financing activities

	<b>2017 £m</b>	<b>2016 £m</b>
Dividends paid to owners of the parent	(42.9)	(40.7)
Dividends paid to non-controlling interests	(1.4)	(1.6)
New equity shares issued (note 21)	-	13.5
New bank and institutional loans	-	115.0
Net (repayment)/drawdown of existing bank facilities	(2.8)	8.7
New private placement loans	125.0	55.0
Repayment of bank loans	(40.0)	-
Issue costs paid	(2.3)	(1.1)
Interest paid	(99.5)	(93.8)
Accretion on derivative financial instruments paid	(37.5)	-
	<u>(101.4)</u>	<u>55.0</u>

**23. CAPITAL COMMITMENTS**

	<b>2017 £m</b>	<b>2016 £m</b>
Capital expenditure contracted for but not provided for in these financial statements	<u>22.4</u>	<u>34.7</u>

**24. RELATED PARTY TRANSACTIONS**

*Joint ventures*

<b>Related Party</b>	<b>Transaction</b>	<b>2017 £m</b>	<b>2016 £m</b>
Estuary Services Limited	Sales and expenses recharged	0.3	0.3
	Purchases	<u>(1.2)</u>	<u>(1.1)</u>

As at 31 March 2017 and 31 March 2016 there are no balances owed by/(to) the joint venture undertakings.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

## 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	2017 £m	2016 £m
Peel Holdings (IOM) Limited	Expenses reimbursed	(0.1)	(0.1)
Peel Holdings Land & Property Group Limited	Sales and expenses recharged	2.9	3.3
	Purchases, rent and expenses reimbursed	(5.4)	(4.7)

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

	2017 £m	2016 £m
Peel Holdings Land & Property Group Limited		
Amounts owed by the related party	1.5	2.1
Amounts owed to the related party	(1.3)	(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 7. 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 (2016: £2.8m) payable to Infrastructure JVCo (Lime) S.a.r.l. and £2.8m payable to Peel Ports Investments (IOM) Limited (2016: £2.8m).

## 25. OTHER FINANCIAL COMMITMENTS

At 31 March 2017 the Group had the following minimum lease payments under non-cancellable operating leases for each of the following periods:

	2017 £m	2016 £m
Within one year	29.1	25.0
Within two to five years	57.7	48.8
After five years:		
Ellesmere Port – see below	1,011.6	1,069.8
Other leases	329.5	266.9
	1,341.1	1,336.7
	1,427.9	1,410.5

Included within non-cancellable operating lease commitments is £1,359.2m (2016: £1,378.2m) in respect of long life land leases. This includes £1,011.6m (2016: £1,069.8m) in respect of a 999-year lease over the Group's Ellesmere Port site, in respect of which there are 956 years remaining.

### Company

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

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

### 26. CONTROLLING PARTIES

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

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

	£m
At 1 April 2016	9.3
Total comprehensive income attributable to non-controlling interests	1.9
Dividends paid to non-controlling interests	(1.4)
At 31 March 2017	<u>9.8</u>

### 28. SUBSIDIARY UNDERTAKINGS AND JOINT VENTURES

#### Principal subsidiary undertakings

The principal subsidiary undertakings consolidated at 31 March 2017 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.

Subsidiary	Principal activity
A&P Falmouth Limited* (1)	Marine Support Services
A&P Tees Limited* (1)	Marine Support Services
A&P Tyne Limited* (1)	Marine Support Services
Atlantic & Peninsula Pty Limited* (Aus) (2)	Marine Support Services
Birkenhead Port Limited (3)	Regional Port Operator
B.G. Freight Line B.V. (N) (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 (I) (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 asterix:

\*75% owned

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

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

### Other subsidiary undertakings

The Group's other subsidiary undertakings consolidated at 31 March 2017 were as follows, categorised by principal activity. 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.

### Trading companies

Subsidiary	Principal activity
Ardrossan Harbour Company Limited (6)	Regional Port Operator
A&P Shipbuilders Limited* (1)	Property ownership
Atlantic Engineering & Laboratories Limited* (2)	Engineering Services
B.G. Freight Line Limited (I) (7)	Shipping
Coastal Container Line Limited (10)	Shipping
Dublin Container and Transport Services Limited (I) (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* (2)	Peel Ports Intermediate Holdco Limited (3)
B.G. Freight Line Holding B.V. (N) (4)	Peel Ports Land & Property Investments Limited (3)
Clydeport Limited (6)	Peel Ports Investments Limited (3)
Imari Limited (I) (7)	Peel Ports Operations Limited (3)
Maritime Centre Limited (3)	Peel Ports UK Financeco Limited (3)
Medway Ports Limited (3)	

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

## 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 (CI) (8)
A&P Birkenhead Properties Limited* (1)	Coastal Line Container Terminal Limited (I) (10)
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 (CI) (8)
A&PPP 2006 Limited (3)	Hydropower Services Limited* (1)
A&P Southampton Limited* (1)	IPG-UK Nuclear Alliance Limited* (5)
A&P Tyne Properties Limited (3)	Irwell Newco Limited (CI) (8)
A&P Wallsend Limited* (1)	James Scott & Co (Dublin) Limited (I) (7)
B.G. Freight Line (Agency) B.V. (N) (4)	Peel Ports Finance Limited (CI) (8)
B.G. Freight Line Shipping B.V. (N) (4)	Peel Ports Freight Limited (3)
Birkenhead East Float (North Vittoria) Newco Ltd (CI) (8)	Peel Ports Land & Property Investments (No. 2) Ltd (3)
Birkenhead East Float (South Vittoria) Newco Ltd (CI) (8)	Peel Ports Trustees Limited (3)
Birkenhead East Float Newco Limited (CI) (8)	Port Falmouth Limited (3)
Birkenhead West Float No 1 Newco Limited (CI) (8)	Portia World Travel Limited (3)
Birkenhead West Float No 2 Newco Limited (CI) (8)	Runcorn Newco Limited (CI) (8)
Birkenhead West Float No 3 Newco Limited (CI) (8)	Seaforth Stevedoring Limited (3)
Birkenhead West Float No 4 Newco Limited (CI) (8)	Seawing Landguard International Limited (3)
Birkenhead West Float No 5 Newco Limited (CI) (8)	TR Shipping Services Limited (10)
Birkenhead West Float No 6 Newco Limited (CI) (8)	

### **Joint venture undertakings**

The joint venture undertakings at 31 March 2017 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
Servicios de Operacion y Mantenimiento S.A. (A) (3)	Non-trading

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

### **Key**

A – incorporated in Argentina

Aus – incorporated in Australia

CI – incorporated in Cayman Islands

I – incorporated in Ireland

N – incorporated in the Netherlands

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 March 2017**

**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, 3089 KK, Rotterdam, The Netherlands
5	Cammell Laird Shipyard, Campbeltown Road, Birkenhead, 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, Royston House, 34 Upper Queen Street, Belfast, BT1 6FD, UK