

PEEL PORTS GROUP LIMITED

**Report and Financial Statements
For the year ended 31 March 2022**



REPORT AND FINANCIAL STATEMENTS

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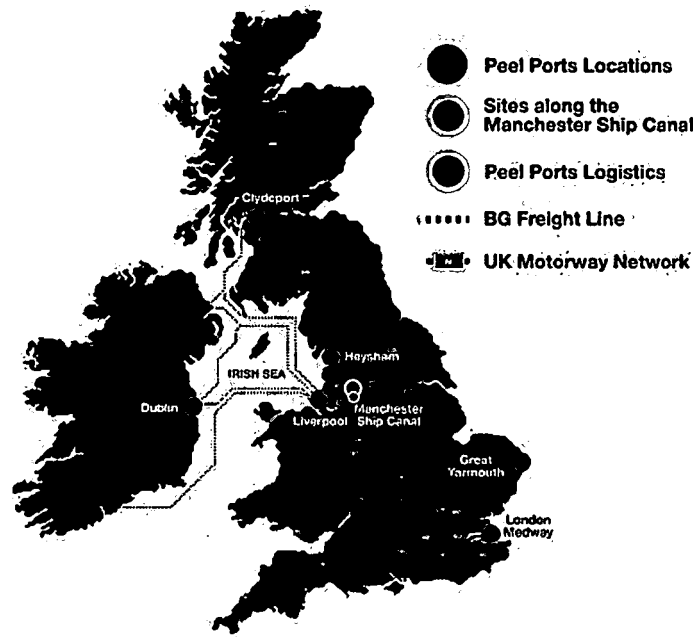
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STRATEGIC REPORT

1. GROUP OVERVIEW AND PRINCIPAL ACTIVITIES

Group overview

The Group operates two business segments, Ports and Shipping. A third segment, Marine Support Services, was operated by the Group until its disposal on 23 July 2020.



Ports

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

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

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

The Group’s assets form a strategic hub centred on the Irish Sea, with locations in Liverpool, Dublin, Glasgow and along the Manchester Ship Canal. Linked by the Group’s short sea shipping services, the Group’s assets provide direct access to the significant hinterland of North West England and the main Roll-on/Roll-off (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.

The Port of Liverpool, the largest port in the Group, is the UK’s third largest port by tonnage and one of its most diversified, handling a wide range of cargos including agribulks (such as grain and animal feed), biomass, bulk liquids, bulk solids (including metals and aggregates), containers and forest products, as well as providing services to RoRo and cruise customers. Facilitating automotive imports and exports is an important part of the service provided by the Port of Sheerness, alongside a wide range of other commodities handled, with the River Medway also being the route for Liquefied Natural Gas (LNG) vessels heading to the National Grid LNG Terminal on the Isle of Grain. Clydeport operates a container terminal and a forest products terminal at Greenock as well as Greenock Ocean Terminal, a dedicated cruise vessel facility. The King George V facility in Glasgow handles a diverse range of commodities, including scrap and the importation of salt. Great Yarmouth is a significant base for the offshore energy industry, while also handling the import of commodities such as aggregates and timber products and the export of agricultural products.

STRATEGIC REPORT (CONTINUED)

1. GROUP OVERVIEW AND PRINCIPAL ACTIVITIES (CONTINUED)

Ports (continued)

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 and shipping. Peel Ports Logistics offers other value-added services such as ships chartering and agency, as well as providing bulk solids cargo handling at its facilities at Runcorn and Ellesmere Port on the Manchester Ship Canal.

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

Liverpool2 is a new in-river deep-water container terminal capable of accommodating the world's largest container vessels, though smaller post-Panamax vessels are the primary users of the terminal. The second and final phase of the construction was completed in the year ended 31 March 2022; this further increased the capacity of Liverpool2 and in the main, represented investment in additional quayside and landside cranes. In January 2020, the Group entered into a joint venture agreement with Terminal Investment Limited S.A.R.L. in respect of the cargo handling operations of the Liverpool2 deep-water container terminal at the Port of Liverpool. The arrangement is intended to enable the business to achieve its ambitious growth plans for Liverpool2. Terminal Investment Limited S.A.R.L. is a major investor in container terminals around the world and is majority owned by Mediterranean Shipping Company (MSC), the world's largest shipping line.

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

The Group's two main terminals in Liverpool are complemented by facilities at Greenock in Scotland and Dublin in Ireland.

The combination of the Liverpool2 terminal with the Group's existing port assets and short sea shipping services in the Irish Sea and the Continent is expected to provide significant advantages to shipping lines, importers and exporters.

Shipping

The Group's port operations are complemented by a shipping line, providing short sea container services between the UK, Ireland and mainland Europe and feeder services between the UK and Ireland. Ports served include Antwerp, Belfast, Brest, Cork, Dublin, Dunkerque, Felixstowe, Grangemouth, Greenock, Hull, Immingham, Liverpool, Montoir, Rotterdam, Southampton, South Shields, Teesport and Zeebrugge. Operating as BG Freight Line, based in Rotterdam, the segment operates a mix of long-term and short-term charter vessels to meet demand.

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:	2022	2021	Change	
	£m	£m	£m	%
Turnover	617.8	504.8	113.0	22.4
Gross profit before exceptional items ¹	260.3	179.8	80.5	44.8
Gross profit	255.3	169.2	86.1	50.9
EBITDA ²	299.7	271.9	27.8	10.2
Group operating profit before exceptional items ¹	206.2	149.7	56.5	37.7
Group operating profit	190.4	129.1	61.3	47.5
	%	%		
Gross profit margin before exceptional items ³	42.1	35.6		
Tonnage throughput (millions)*:				
Ports	60.9	53.1	7.8	14.7
Shipping	5.8	5.6	0.2	3.6
Total	66.7	58.7	8.0	13.6

*Uses standard tonnage measures for the port industry.

¹ The exclusion of exceptional items expenditure of £5.0m (2021: of £10.6m) from the gross profit of £255.3m (2021: £169.2m) and expenditure of £15.8m (2021: of £20.6m) from the Group operating profit of £190.4m (2021: £129.1m) to derive the adjusted gross profit and Group operating profit figures removes items that could distort the understanding of the Group's performance and the comparability between periods.

² EBITDA of £299.7m (2021: £271.9m) is group operating profit of £190.4m (2021: £129.1m) before depreciation of £81.3m (2021: £109.4m), amortisation of goodwill of £11.6m (2021: £10.3m), statutory unrealised foreign currency gains and losses of £0.6m (2021: £0.9m) and exceptional item expenditure of £15.8m (2021: £20.6m), and after other finance income arising from the defined benefit pension schemes of £nil (2021: £nil) and dividends received from joint ventures of £nil (2021: £1.6m) and before minority interest of £nil (2021: £nil). The use of EBITDA as a primary measure of profitability, and its definition, is derived from the Group's banking covenants. EBITDA is also commonly used by peer group companies, though definitions across the sector may differ.

³ Gross profit margin before exceptional items of 42.1% (2021: 35.6%) is calculated by dividing the gross profit before exceptional items of £260.3m (2021: £179.8m) by the turnover of £617.8m (2021: £504.8m).

STRATEGIC REPORT (CONTINUED)

2. FINANCIAL REVIEW (CONTINUED)

2.1 Operating performance (continued)

As explained on page 3, the Group disposed of the Marine Support Services segment on 23 July 2020 and is presented as a discontinued operation in the profit and loss account for the year ended 31 March 2021. The comments in this section are in respect of the continuing operations for both years presented.

The operating performance for the year ended 31 March 2022 reflects the following:

- EBITDA increasing from £271.9m to £299.7m, reflecting another strong performance by the Group in a challenging year despite the continuous disruption to global supply chains caused by the COVID-19 pandemic and the war in Ukraine.
- Turnover and volumes were higher than in the prior year due to significant operational disruption caused by the COVID-19 pandemic in the prior year. The increase in turnover is noticeable in both Ports and Shipping segments, where revenue has increased by 20.4% and 29.0% respectively. Overall, the Group's turnover increased from £504.8m to £617.8m, representing a 22.4% increase.
- Group operating profit before exceptional items is higher by 37.7%, at £206.2m compared to £149.7m in the prior year.
- Tonnage throughput has increased from 58.7mt to 66.7mt, with both the Ports and the Shipping segments handling higher volumes than the previous year.
- Gross profit margin before exceptional items increased from 35.6% to 42.1%, reflecting an improved change in mix in the Ports segment and additional spot market opportunities in the Shipping segment in the year ended 31 March 2022.
- Group operating profit increased by 47.5% from £129.1m to £190.4m, after recognising exceptional item expenditure for the year of £15.8m (2021: £20.6m). The Group's profit after tax from continuing operations was £59.1m, compared to a prior year profit after tax of £116.6m. This is after taking account of non-cash net income of £15.1m (2021: £70.2m) relating to the change in the fair value of derivative financial instruments (in respect of which £39.3m (2021: £6.2m) relates to the accretion on the index-linked swaps) and a loss of £13.5m (2021: gain of £31.2m) arising from the retranslation of foreign currency loans.
- Included within exceptional items in operating profit are £4.0m (2021: £15.7m) of costs arising from restructuring expenses and operational costs arising from the outbreak of COVID-19. Other exceptional costs of £11.8m (2021: £4.9m) relate to the settlement of legal claim and, in the year ended 31 March 2022, aborted project costs.
- Operating cash flows⁴ were £281.0m, up from £252.5m, due to the increase in EBITDA and the reversal of the prior year timing differences relating to movements in working capital.
- The Group invested £122.8m (2021: £124.9m) in net capital expenditure⁵. In addition, deferred consideration of £0.6m from the acquisition of Quality Freight (UK) Limited (now Peel Ports Logistics Limited)⁶ was paid in the year (2021: £2.4m). Financing activities in the year raised £125.4m (2021: £93.2m) of net new funds⁷. The Group paid interest of £118.1m (2021: £110.7m) and £51.7m of accretion on index linked swaps (2021: £14.7m). Dividends paid to the owners of the parent company totalled £88.9m (2021: £38.9m). In the year ended 31 March 2021, the Group received a £1.6m dividend from a joint venture undertaking and a net cash receipt of £3.9m from the disposal of the Marine Support Services segment.
- The strong results for the year demonstrate the Group's ability to continue to respond with agility to risks and opportunities in challenging markets.

⁴ Cash inflows from operating activities of £281.0m (2021: £252.5m), before adjustment for tax paid of £0.5m (2021: £0.3m).

⁵ Net capital expenditure of £122.8m (2021: £124.9m) is the sum of payments to acquire tangible fixed assets of £127.2m (2021: £145.1m) less receipts from the sale of tangible fixed assets of £4.4m (2021: £20.2m).

⁶ Quality Freight (UK) Limited (now Peel Ports Logistics Limited) was acquired in the year ended 31 March 2020.

⁷ Net new funds raised of £125.4m (2021: £93.2m) represents new private placement loans of £95.0m (2021: £50.0m), repayment of private placement loans of £2.3m (2021: £nil), new institutional loans of £40.0m (2021: £50.0m) and repayment of bank loans of £7.3m (2021: £6.8m). A net repayment of £nil (2021: £60.0m) was made in respect of revolving bank facilities.

STRATEGIC REPORT (CONTINUED)

2. FINANCIAL REVIEW (CONTINUED)

2.1 Operating performance (continued)

- As noted below, there are continued economic uncertainties surrounding the continuing global effects of COVID-19 and the war in Ukraine, though the fundamentals of the business are unchanged and the Group is planning for further growth.

2.2 Other financial developments

Other financial developments include:

- During the year, the Group raised £95.0m (2021: £50.0m) from the issuance of a private placement loan with a maturity of 12 years and £40.0m (2021: £50.0m) from a new institutional loan with a term of 15 years. The Group repaid £9.6m (2021: £6.8m) of bank facilities and private placement loans and made a net repayment of £nil (2021: net repayment of £60.0m) of revolving bank facilities. In addition, the Group also raised £350m USPP notes in March 2022 with funding dates in June and December 2022.
- Net investment in capital expenditure totalled £122.8m (2021: £124.9m)⁸. This included further investment in Liverpool2 to increase the terminal's capacity and construction of new warehouses. Investment in border control infrastructure has also been made at each of the Group's principal ports. The Group has also continued to invest in a business-wide ERP system (see section 3 below). Maintenance projects in the year included the installation of new lock gates at Alfred Inner Gates and the refurbishment of the grain terminal at the Port of Liverpool and replacement of QE2 outer caisson gate at the Manchester Ship Canal.
- Ordinary dividends of £88.9m (2021: £38.9m) were paid during the year. These are set out below:

	2022	2021
	£m	£m
Dividends (includes the prior year final declared dividend of £nil (2021: £nil))	88.9	38.9

A final dividend of £54.5m has been proposed (2021: £44.5m).

2.3 Financial position at the end of the year

- Net liabilities were £1,868.2m as at 31 March 2022 (2021: £1,885.8m). In addition to the profit for the financial year of £59.1m (2021: £143.2m), the net liability position has changed primarily because of an actuarial gain, net of deferred tax, of £47.6m (2021: loss of £37.4m) relating to the Group's defined benefit pension schemes, and the payment of ordinary dividends of £88.9m (2021: £38.9m).

3. OTHER DEVELOPMENTS DURING THE YEAR AND FUTURE DEVELOPMENTS

Shareholder transaction

On 8 March 2022, Infrastructure JVCo (Lime) S.A.R.L disposed of its 37.4% shareholding in Peel Ports Holdings (CI) Limited, the Group's immediate parent company, to AS Infra PP Pty Limited (as trustees for the AS Infra Trust) (7.4%), an existing shareholder, and Lemon 2021 Ltd (30%), an entity jointly owned by Lepiri Investments Holdings B.V. and GIP IV Morse Holdco Limited. As a result of this transaction, Infrastructure JVCo (Lime) S.A.R.L ceased to be a related party and Lemon 2021 Ltd, Lepiri Investments Holdings B.V. and GIP IV Morse Holdco Limited became related parties. Following the transaction, AS Infra PP Pty Limited's shareholding in Peel Ports Holding (CI) Limited increased to 32.4%.

⁸ Net investment in capital expenditure of £122.8m (2021: £124.9m) represents payments to acquire tangible fixed assets of £127.2m (2021: £145.1m) less receipts from sales of tangible fixed assets of £4.4m (2021: £20.2m).

STRATEGIC REPORT (CONTINUED)

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

ERP

The Group continued to make good progress with its ERP implementation project, with several further major SAP releases having been successfully rolled out during the year ended 31 March 2022. Despite the disruption caused by COVID-19, the final cost remained in line with the original investment proposal. The focus has now switched to maximising the value of the Group's investment through utilising the enhanced level of data now available to the business.

Port Infrastructure Fund

In the year ended 31 March 2021, three of the Group's ports, the Port of Liverpool, Heysham Port and Clydeport, were awarded a total of £26.3m from the UK Government's Port Infrastructure Fund to invest in border infrastructure following the UK's departure from the EU. Work on the projects has continued in the year ended 31 March 2022, with completion expected in the year ending 31 March 2023. Of the total amount awarded, £21.2m was received as cash in the year ended 31 March 2022 in respect of works undertaken.

4. PRINCIPAL RISKS AND UNCERTAINTIES

4.1 COVID-19

At the time of preparing this annual report, there is cautious optimism that the worst of the COVID-19 pandemic is now behind us and that there will be a period of greater stability and normality. However, should new variants emerge that result in the reinstatement of measures, then the Group has shown itself capable of responding with agility to both risks and opportunities.

As noted in 2.1⁹, the pandemic provided an unhelpful backdrop to trading in the year ended 31 March 2022, particularly the emergence of the more infectious omicron variant, and required continuing focus on measures to safeguard employees while operating as close to normal as possible. The measures taken in the prior year, the less severe nature of the latest variants and the successful roll out of the UK's vaccine programme meant that Group operations were subject to significantly less disruption than in the previous financial year.

4.2 Ukraine

At the time of preparing this report, the war in Ukraine is continuing following the territorial invasion by Russia. Most governments, including that of the UK, have imposed economic sanctions on Russia and this has placed certain obligations on the Group's ports with respect to vessels that seek to enter their areas of jurisdiction. The Group engages with the Department for Transport and other statutory bodies to ensure that the Group complies with the sanctions. This may result in disruption to the handling of certain commodities, though it is not anticipated this will have a material effect on the Group.

4.3 Operational

Health and safety – landside

The nature of the Group's activities is such that many operational tasks are hazardous, however, it is our view that all hazards can be controlled and all injuries can be prevented. All cargoes passing over the quay need to be handled with care and in accordance with risk assessments and safe systems of work. The Board of Directors is committed to ensuring that the Group complies with all appropriate health and safety requirements and to achieving continuous improvement to the effectiveness of the Group's health and safety management. The safety of its workforce, and anyone who enters the working environment, is an essential part of the Group's overall strategy.

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

The Group's operational approach to health and safety matters is overseen by an Environment, Health and Safety Governance Committee, chaired by the Group Chief Executive Officer. From April 2022, this Committee was joined by Unite the Union's National Officer to further enhance the engagement with employee representatives on health and safety priorities.

⁹ Operating Performance section of the Financial Review

STRATEGIC REPORT (CONTINUED)

4. PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

4.3 Operational (continued)

Health and safety – landside (continued)

The investment that the Group has made in recent years was recognised externally in June 2020, when Port Skills and Safety announced their annual benchmarking results for 2020, ranking Peel Ports in first place for the lowest rate of significant injuries as measured by lost-time incidents. Peel Ports also delivered the highest rate of hazard reporting, which evidences the proactive approach our employees take in order to mitigate risks. The Group has continued to rank highly in subsequent benchmarking surveys.

For the year ended 31 March 2022, the Group had targeted a Total Recordable Injury Rate (TRIR) of 0.55. TRIR includes lost time incidents, restricted workday incidents and medical treatment incidents. This target was achieved with a final TRIR of 0.53, which is also an improvement against the 0.65 recorded in the previous financial year. The Group will continue to set challenging targets so as to drive a culture of continuous improvement in this area.

The Group has continued to enhance its focus on health and safety in the year ended 31 March 2022, with further investment in staff development, training and safety equipment. A new three-year Environment, Health and Safety strategy was announced in March 2022. The strategy is based on eight themes, including the further development of mental health initiatives. Also, following a successful programme within Peel Ports' container businesses, STC Insiso have been engaged to deliver SuperVision training for team leaders across the Group. Among many other initiatives, Peel Ports has committed to supporting all union safety representatives with NEBOSH certificate training on a voluntary basis.

With respect to equipment, following the enhancement of the Group's "Work at Height" standards, an improved hard hat, commonly known as the Rock Dynamo Plus with an integrated chin strap, was issued. This provides a significantly higher standard of head protection compared to a standard industrial helmet. In January 2022, the EHS element of the Group's SAP deployment went live, which will provide for more integrated reporting of EHS matters. Further initiatives are planned with the objective of continuing the progress made so far in reducing the incidence of injury and ill-health.

Continued and targeted investment in this area will make a significant contribution to:

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

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

Health and safety – marine

Marine incidents, which could include vessels colliding or foundering, have the potential to cause injury or loss of life. The Group has in place several safety processes, including risk assessments, vessel traffic services, pilotage and hydrography to mitigate this risk.

Several of the Group's subsidiary port companies are Statutory Harbour Authorities with some also being designated Competent Harbour Authorities. As a Statutory Harbour Authority, they have a duty to conserve the harbour so that it is fit for use as a port and a duty of reasonable care to see that the harbour is in a fit condition for a vessel to utilise it safely.

In addition, as a Competent Harbour Authority, it has a duty to assess what, if any, pilotage services are required to secure the safety of ships, and to provide services as deemed necessary.

A local port marine safety management system, operated within the wider Group Marine Safety Management System, which is derived from formal risk assessments developed from formal hazard observations, is the principal control measure in place to ensure the entire operation is run at as low a risk as is reasonably practicable. A programme of internal marine safety management system audits, supported by external audits and an independent designated person, are utilised to maintain the integrity of the system. Each port maintains a Marine and Coastguard Agency (MCA) endorsed oil spill response plan with distinctive tiered plans, supported by external contractors at notice, depending on the size of the incident. A regular series of exercises to test readiness underpin these responses. A Group Emergency Plan, supported by Local Port Emergency Plans, lays out the organisation of the emergency response.

STRATEGIC REPORT (CONTINUED)

4. PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

4.3 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 are recruited from time to time to mitigate this risk.

Resilience of operational assets

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

Cyber security

As well as the risk to our physical infrastructure, like most businesses, the Group faces risks associated with a cyber security breach. Threats can vary in their complexity and sophistication and can potentially have a negative impact on organisations of all sizes. Although the Group has successfully avoided any significant disruption from threats to date, a steady increase in the number of phishing scams and malicious software creation, mean that the Group will continue to be at risk of cyber-attack that could compromise the Group's IT environment. Over a number of years, the Group has increased its investment in this area to put in place appropriate resilience and recovery measures as well as a comprehensive employee training programme to raise awareness and defend against malicious attacks. This is reinforced by regular tests to ensure that employees remain vigilant. We employ a range of industry-standard security products, both internally and on our network perimeters. Formal security and IT conditions of use policies are established, which define security standards and acceptable use.

The Group has a dedicated Cyber Security and Information Security team who are responsible for identifying and resolving security incidents, and for advising on group policy with regards to information security. Strong relationships are maintained with the National Cyber Security Centre and the Cyber Compliance Team of the Department for Transport, and the Group is represented on the Maritime Information Exchange, which facilitates the sharing of threats and intelligence amongst members of the UK maritime security industry.

Technology and innovation

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

General Data Protection Regulation ('GDPR')

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

4.4 Commercial

Brexit

The UK left the EU on 1 January 2021. To date, the Group has not encountered any material adverse impacts that might be directly attributable to Brexit. Prior to the date of departure from the EU, the Group had reviewed its operations in readiness for Brexit and obtained Authorised Economic Operator status for each of its principal ports. Available UK Government funding to invest further in port infrastructure, including to facilitate post-Brexit border checks, was awarded to a number of the Group's ports in the year ended 31 March 2021; work is well progressed on those projects with completion expected during the year ending 31 March 2023. However, in April 2022 the UK Government postponed the post-Brexit border checks on goods arriving into the UK from the EU.

STRATEGIC REPORT (CONTINUED)

4. PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

4.4 Commercial (continued)

Dependency of the Group's ports on economic activity

The regional ports within the Group each form part of a wider transport infrastructure. The key operational risks and uncertainties relate to the dependency upon the economic activity of the businesses and consumers within the geographic proximity of the ports. These consumers and businesses generate the trade which flows through the ports and when they are subject to economic cycles or, at the extreme, to failure, there is an unavoidable impact on the ports. In addition, the Group may be exposed to declining volumes in certain sectors, downward pricing pressure or the loss of major contracts. This potential risk is particularly the case as the global economy continues to deal with the effects of the COVID-19 pandemic and the war in Ukraine.

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

Container shipping sector developments

The container shipping line industry can face significant logistical challenges in ensuring the resilience of supply chains, including disruption caused by COVID-19 and other events such as the blocking of the Suez Canal and congestion at certain ports. The Group's Shipping operations manage those risks through agile planning and responses to mitigate their effects including, where necessary, re-routing of services. The Group has invested significantly in modern technology and practices so that its Shipping operations are efficient, reliable and attractive to existing and potential customers.

Tendering for shipping contracts

For the Group's Shipping segment, there is a greater degree of commercial tendering for lower margin contracts which are typically of a shorter duration than those in the Ports segment. The mitigation of this risk comes from developing a strong track record for delivering excellent service, ensuring operational efficiency and maintaining the flexibility to respond quickly to potential upsides and downsides in activity levels.

In addition, the Group's Shipping segment utilises time chartered vessels that typically have less than two years duration, which means that the segment is exposed to charter rate increases and the risk of suitable vessels not being available when they are needed. The risk is mitigated by staggering the duration of charter contracts to achieve gradual renewal in line with the charter market.

4.5 Financial

Liquidity, cash flow and interest risks

The key financial risk arises from the level of long-term debt held by the Group and the interest arising thereon. The Group's loans and loan note instruments with repayment dates between 1 April 2022 and 30 September 2046 ("long-term debt") amount to £2,284.3m (2021: £2,145.5m)¹⁰. The cash flow risk arising in connection with interest charges is mitigated through the use of interest rate and index-linked swaps. Further details can be found in notes 18 and 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 2022, within the current facility agreements, there were undrawn funds of £175.0m available in addition to cash of £108.1m on the Group's balance sheet. In addition, the Group has in place £130.0m of debt service reserve liquidity facilities to cover annual interest costs. Consideration of this in the context of going concern can be found in note 3.

¹⁰ Loans and loan note instruments of £2,284.3m (2021: £2,145.5m) represents total loans and borrowings of £2,281.7m (2021: £2,142.7m) less perpetual debenture stock of £2.2m (2021: £2.2m), 3% irredeemable loan stock of £1.2m (2021: £1.2m), 3.625% irredeemable debenture stock of £0.7m (2021: £0.7m), finance leases of £0.4m (2021: £0.6m) and after adding back unamortised debt issue costs of £7.1m (2021: £7.5m).

STRATEGIC REPORT (CONTINUED)

4. PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

4.5 Financial (continued)

Credit risk

Financial risk also arises from credit extended to customers. This risk is mitigated by using strict credit control procedures, the imposition of appropriate credit limits and obtaining third party credit references. The Group's ports play an essential role in maintaining the UK's (and Global) supply chains, including the supply of essential supplies to organisations such as the National Health Service. It is, therefore, important that the Group is able to secure payments due from customers in order to ensure it can operate effectively and pay suppliers on a timely basis. The Group engages proactively with customers to mitigate the risks arising and takes appropriate action when necessary. The Group has no material concentration of credit risk.

Investment activity is reviewed on a regular basis and cash and cash equivalents are placed with approved counterparties, whose credit ratings are in accordance with internal treasury policies.

The Group monitors the credit rate of derivative counterparties on a regular basis and ensures no positions are entered into with counterparties with credit ratings that are below assigned limits.

Capital risk

The Group's financing arrangements are set out in note 18 to the financial statements. The Group keeps its funding structure under review with the objective of maximising shareholder value and the capacity to meet its operational requirements and to facilitate the execution of its strategy. The Group's external loan covenants impose certain restrictions on the Group relating to capital which are regularly monitored by management. The Group's management carefully monitors the headroom against its covenants and a number of potential actions could be taken in the event that these are necessary. These include, among other things, aggressive management of working capital, deferral of uncommitted capex, deferral of recruitment activity and other cost reduction measures. The Group was in compliance with these covenants during 2021 and 2022. As referred to in note 3 to the financial statements, there is significant headroom in the forecast covenants.

Foreign exchange risk

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

Transaction exposures, including those associated with forecast transactions, are hedged when known. The Group manages its foreign exchange exposure on a net basis, and, if required, uses forward foreign exchange contracts and financial instruments to reduce the exposure. For example, the US dollar denominated private placement loans were fixed into sterling at the time of issuance using cross currency swaps. In addition, the new long-term charter commitments within the Group's Shipping segment are subject to forward contracts. If the hedging activity does not mitigate the exposure, then foreign currency fluctuations may adversely affect the results and the financial condition of the Group.

Whilst the aim is to achieve an economic hedge, the Group does not adopt an accounting policy of hedge accounting for these financial statements. The Group reviews its exposure to translation risk arising from its overseas investments on a continual basis and will enter into hedges if considered necessary.

Pensions risk

The Group operates defined benefit pension schemes and is party to a number of industry-wide defined benefit pension schemes. Modest changes to the assumptions used to value each schemes' assets and liabilities can have a significant effect on the asset or liability that the Group records. As at 31 March 2022, the Group balance sheet recorded a pension liability of £49.5m (2021: £103.2m). Changes in actuarial assumptions, in particular the discount rate in response to changes in bond yields, together with employer contributions of £9.3m have seen the liability decrease over the year.

STRATEGIC REPORT (CONTINUED)**4. PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)****4.5 Financial (continued)***Pensions risk (continued)*

The arrangements and the assumptions used are more fully explained in note 20 of the financial statements. It is also explained in note 20 that the assumptions used, and balance sheet positions, as determined by FRS 102 are not representative of the funding position of the defined benefit pension schemes, which are subject to triennial actuarial valuations.

Contribution rates are agreed with the trustees of each of the Group's schemes to enable deficits to be recovered over appropriate periods of time, by reference to the triennial actuarial valuations. The triennial valuation of the Peel Ports Group Final Salary Pension Scheme, as at 5 April 2021, was completed in the year ended 31 March 2022. As a result of the triennial valuation, new recovery plans have been put in place increasing deficit contributions from £4.0m to £8.0m per annum. The Group engages constructively with the Trustees of each of the defined benefit pension schemes that it is party to. In the year ended 31 March 2022, the Group paid total employer contributions to defined benefit pension schemes of £9.3m (2021: £9.9m). The decrease in the total employer contributions paid reflects the disposal of the Marine Support Services segment in July 2020.

The Group engages with the Trustees of the pension schemes to which it is party to in order to discuss measures to derisk the pension scheme arrangements where appropriate and practicable.

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.

4.6 Environmental*Operations*

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

Climate change

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

The UK Government has made a legally binding commitment to achieving a Net Zero Carbon economy by 2050. In November 2021, the Group announced its intention to be a Net Zero company by 2040. To achieve these targets, there will need to be significant changes across the economy and, by extension, the ports that serve it and the Group will need to identify and implement initiatives that support these objectives. For example, in the UK as a whole this is likely to result in the long-term reduction in tonnages of oil related cargoes and a move away from diesel and petrol cars to electric and other forms of low carbon transport. Existing vessels' propulsion systems will need to transition to lower carbon options, an event mitigated within the Group's shipping division in recent years by the entering into of long-term charters for the hire of modern-built and more environmentally friendly vessels. The Group will need to adopt new technologies and deal with currently unforeseen legislative changes, as well as facilitate the green transition through ports in areas such as offshore wind.

The Group's rolling three year plan includes initiatives that will help support the response to risks associated with climate change, including the use of technology and energy efficiency solutions. A member of the Executive Management Board holds the responsibility for environmental matters and leading the Group's green initiatives, which is fully supported by the rest of the Board.

STRATEGIC REPORT (CONTINUED)

4. PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

4.6 Environmental (continued)

Climate change (continued)

The Net Zero commitment is supported by a Climate Change Steering Group that brings together leaders from across the business to oversee the Group’s efforts to prevent or minimise greenhouse gas emissions. Their area of focus includes:

- Educating the business on the facts surrounding climate change;
- Adapting our operations to reduce our carbon footprint;
- Embracing new, low carbon technologies;
- Promoting energy efficiency;
- Seeking opportunities from renewable energy;
- Exploring shoreside power provision for vessels;
- Transitioning from diesel to electric vehicles;
- Using alternative and low-carbon fuels for plant and equipment;
- Considering the embodied carbon of new infrastructure;
- Sustainable procurement and engagement with our supply chain; and
- Quantifying and enhancing carbon sequestration opportunities.

Among the initiatives already taken, the Group is close to having replaced half of its vehicle fleet with electric vehicles, with the remainder anticipated during the year ending 31 March 2023. In addition, the Group is undertaking trials of greener fuels and electric alternatives for operational plant and machinery and investing in sustainable infrastructure, including energy efficient cranes and intelligent lighting, and driving sustainability through our supply chain. The Group expects to continue working on initiatives that will reduce its carbon footprint during the year ending 31 March 2023.

5. STREAMLINED ENERGY AND CARBON REPORTING (‘SECR’)

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

The disclosures below are in respect of each of the Group’s port operations, including those port operations that are reported within subsidiary statutory undertakings that are not required to disclose information on the basis that, individually, they are considered to be “low energy users” for the purposes of the streamlined energy and carbon reporting legislation. No disclosure is required or provided in respect of the Company, as it acts only as a holding company and does not consume energy.

	2022	2021
	MWh	MWh
Energy used to calculate emissions	<u>144,692</u>	<u>129,677</u>
	tCO2	tCO2
Greenhouse gas emissions from:		
- combustion of gas	983	1,042
- combustion of fuel for transport purposes	17,993	14,203
- employees’ business travel where the company is responsible for buying the fuel	-	-
- purchased electricity	<u>15,298</u>	<u>16,321</u>
Total emissions	<u>34,274</u>	<u>31,566</u>

STRATEGIC REPORT (CONTINUED)

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

	2022	2021
	tCO2 per thousand tonnes	tCO2 per thousand tonnes
Intensity ratio ¹¹	0.56	0.59

The year-on-year increase in energy usage and greenhouse gas emissions reflects primarily the recovery from the disruption caused to operations caused by the global COVID-19 pandemic, with the group managing its port operations and associated energy usage and other costs to match increased customer demand. The reduction in the intensity ratio will in part reflect some of the energy efficiency measures set out below, but also changes in the mix of energy consumed as a result of customer demand responding to the pandemic.

Methodology

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

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

Energy efficiency actions

As set out in 4.6 above, the Group's three year plan includes initiatives to extend the use of technology and energy efficiency solutions in order to reduce the Group's carbon footprint.

In the period covered by the report, the Group has continued to promote the awareness of ways in which energy usage and greenhouse gas emissions can be reduced and undertaken a number of steps to progress the decarbonisation of the Group's ports. Port locations have rolled out LED lighting upgrades that facilitate the use of smart technology lighting control systems, replaced half of its vehicle fleets with electric cars, and transitioned most of its plant equipment to greener alternative fuels. Moreover, as part of the roll out of the Group's new ERP system, investment has also been made in business intelligence tools that allow the Group to analyse and better manage its energy consumption.

In November 2021, the Group announced its intention to become a Net Zero company by 2040 by seeking greener alternatives and investing in sustainable infrastructure, details of which can be found in section 4.6 above.

¹¹ The intensity ratio is the total emissions of 34,274 tCO2 (2021: 31,566 tCO2) divided by the 60,900 tonnes (2021: 53,100 tonnes) handled by the Group's UK and Irish port operations.

STRATEGIC REPORT (CONTINUED)

6. SECTION 172 STATEMENT

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

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

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

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

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

As the Board of Directors includes representatives of the Group's three shareholders¹², Australian Super, Lemon 2021 Ltd (a joint venture between APG Infrastructure and Global Infrastructure Partners) and Peel Group, they are more directly able to engage on matters relevant to them. In so doing, the Board is also cognisant of the importance of considering the needs of other stakeholders when making decisions.

The Board will sometimes engage directly with stakeholders on certain issues, but the size and distribution of our stakeholders, and of the Group, means that stakeholder engagement often takes place at an operational level. To support directors and assist them in complying with their duties, management provides feedback on their engagement with relevant stakeholders when matters are put forward for Board consideration.

The Executive Management Board is chaired by the Chief Executive Officer and attended by the Chief Financial Officer, both of whom are also directors of the Company and attend meetings of the Board. The Executive Management Board also comprises senior group management, including the Group Director overseeing Health and Safety and Environmental Matters, as well as the senior management responsible for each of the Ports and Shipping segments. Within the Ports segment, each port cluster group has its own management teams with delegated levels of authority. Engagement with stakeholders may take place at a port cluster level, business segment level or at senior group management level, depending on the nature of the stakeholder relationship and delegated levels of responsibility. This approach is intended to ensure alignment of engagement and decision-making with the long-term strategic objectives of the Group and greater responsiveness to the needs of stakeholders. Through the participation of the Chief Executive Officer and Chief Financial Officer at Shareholder Board and Executive Management Board level, together with reports and attendance at meetings by other members of senior management, the Board is able to exercise oversight and challenge as appropriate.

The Board considers information from across the organisation to help it understand the impact of the Group's operations, and the interests and views of our key stakeholders. It also reviews strategy, financial and operational performance, as well as information covering areas such as key risks, and legal and regulatory compliance.

¹² The shareholder investments in the Group's immediate parent company (Peel Ports Holdings (CI) Limited) are through immediate investor companies that are referenced in these financial statements, being AS Infra PP Pty Ltd (Australian Super), Lemon 2021 Ltd, an entity jointly owned by Lepiri Investments Holdings B.V. (APG Infrastructure) and GIP IV Morse Holdco Ltd (Global Infrastructure Partners) and Peel Ports Investments (IOM) Limited (Peel Group).

STRATEGIC REPORT (CONTINUED)

6. SECTION 172 STATEMENT (CONTINUED)

The Board are aware that they set the tone for the overall control environment across the whole Group and, therefore, they review and, where appropriate, approve key policies such as anti-bribery and corruption, the policy on modern slavery, the Group's code of conduct and the supplier code of conduct. These policies are designed to ensure that the Group maintains the highest standards of conduct in its business dealings with stakeholders and internally within the Group. The Group's policies are disseminated to all employees when they join the Group and to existing employees through regular communication and training where appropriate. They are also available on the Group's intranet and, where appropriate, on the Group's external website.

Principal decisions taken by the Board

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

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

Principal decisions taken by the Board during the year ended 31 March 2022, and how they have had regard to the interests of stakeholders, include:

Response to COVID-19

The Group has taken measures to respond to the global COVID-19 pandemic. Many of these required decisions to be taken by the Board, some of which were difficult and required trade-offs between competing stakeholder expectations. These were often taken in fast changing circumstances against a backdrop of unprecedented national and global uncertainty. With the benefit of hindsight, as with the response of governments around the world and those of many other companies, other decisions may have been taken or decisions may have been taken at different times. However, the Group's management, and its Board, focused on a number of guiding principles when making those decisions. These included the continuing priority focus on the health and safety of our employees and all of those individuals who work within its facilities and the knowledge that, as an essential part of the UK and Ireland's national supply chains, it was essential that the business continued to operate as close to normal as possible. Through the considerable efforts of the Group's employees and its suppliers, the vital role that Peel Ports plays in keeping commodities moving has continued throughout the pandemic.

Climate Change

The Group announced in November 2021 its objective of becoming a Net Zero company by 2040. Recognising the important role that all companies play in helping Governments to meet national and international climate change commitments, the Board committed the Group to this challenging objective.

Approval of a rolling three year business plan

The Board has approved a new rolling three year business plan, covering the period from 1 April 2022 to 31 March 2025. In addition to setting challenging growth targets, the business plan also incorporates initiatives designed to support other business priorities, including the objective of becoming a Net Zero company by 2040.

STRATEGIC REPORT (CONTINUED)

6. SECTION 172 STATEMENT (CONTINUED)

Principal decisions taken by the Board (continued)

Defined benefit pension schemes

The triennial actuarial valuation of the Peel Ports Group Final Salary Pension Scheme as at 5 April 2021 completed during the year ended 31 March 2022. As part of this process, the Group committed to an increase in its annual deficit repair contributions from £4.0m to £8.0m; the contributions agreed with the Trustee are designed to eliminate the deficit by 30 November 2024

Investment in port infrastructure to support customers

As an infrastructure business, the Group considers very carefully the likely consequences of any major decision it makes in the long-term, with the overall objective of generating and preserving value. The Board reviews and, where appropriate, approves capital projects that exceed a certain monetary threshold in a comprehensive manner, considering the rationale for investment in the context of the long-term cash flows anticipated to be generated by the project, the likely impact upon the Group's relationships with its customers and employees, and the risk profiles of the relevant market, customers and suppliers. The impact that the investment would have on the Group's existing infrastructure assets is also a key consideration.

As set out in section 2.1, the Group has invested a total of £122.8m (2021: £124.9m) in net capital expenditure in the year ended 31 March 2022¹³.

During the year ended 31 March 2022, the Board approved a number of proposals to invest in port assets that directly and indirectly support customers who use those ports. This has included the construction of new warehouses and replacement of lock gates at the Port of Liverpool and the development of part of KGV Dock at Clydeport as a scrap handling facility to support a customer's expansion of its operations. Although subject to board approvals in a prior period, the Group has continued to invest in the Liverpool2 container terminal and the roll out of an ERP system during the year ended 31 March 2022.

When considering such proposals, the Board receives detailed papers that includes the proposal's business case and key financial information, a statement as to the effect that the proposal will have on energy usage, customer expectations and business risks and opportunities. Where a proposal involves significant capital expenditure to support a particular customer, the Board will consider whether it is supported by a long-term commitment from the customer that is aligned with the Group's long-term revenue and growth objectives.

Stakeholders

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

Employees

Our employees are key to our success and we want them to be safe, well trained and successful, individually and as a team. We engage with our employees in a number of ways, including face-to-face briefings, newsletters, an intranet, social media and through engagement with unions. If an employee is not comfortable raising an issue with the Group directly, they can engage indirectly (and anonymously) via an Ethics Hotline, details of which are set out in the Group's Code of Conduct. The Group undertakes regular environment, health and safety "climate surveys" amongst its employees. This feedback from our employees allows the Group to continuously improve and develop, particularly in relation to its health and safety processes and practices. In addition, during the year ended 31 March 2022, the Unite National Officer joined the Group's Environment, Health and Safety Governance Committee in order to further enhance engagement with employees on health and safety priorities.

Key areas of focus include health and well-being, development opportunities, job security, pay and benefits. Pages 7 and 8 set out steps that the Group have taken with respect to ensuring the health and well-being of our employees.

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

¹³ Net capital expenditure of £122.8m (2021: £124.9m) is the sum of payments to acquire tangible fixed assets of £127.2m (2021: £145.1m) less receipts from the sale of tangible fixed assets of £4.4m (2021: £20.2m).

STRATEGIC REPORT (CONTINUED)

6. SECTION 172 STATEMENT (CONTINUED)

Stakeholders (continued)

Employees (continued)

Although the majority of those who provide labour services to the Group are employees, there are many individuals who are engaged through third party labour providers. Such workers are often under our supervision and will be party to many of the same stakeholder engagement considerations as direct employees, including through their inclusion in Health and Safety statistics.

Defined benefit pension schemes

The Group is party to a number of defined benefit pension schemes, including industry-wide schemes such as the Pilots National Pension Fund. We take seriously our commitments to these pension schemes, which serve to provide benefits for current and former employees of the Group. We engage with these pension schemes on a regular basis through trustee meetings and involvement in industry-wide groups such as the Association of Participating Bodies of the Pilots National Pension Fund. Key areas of focus include the funding of the pension schemes and the covenant strength of the companies that provide this funding. As set out above, during the year ended 31 March 2022, the Group agreed a new funding commitment to the Peel Ports Group Final Salary Pension Scheme as part of its triennial actuarial valuation.

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

Customers

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

The Group has responded to the expectations and requirements of its customers through investment in major capital expenditure projects, such as the Liverpool2 container terminal and in respect of preparing the Group's ports for the UK's departure from the European Union.

Suppliers

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

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

More recently, the Group has introduced a Supplier Code of Conduct that suppliers are asked to sign up to. This covers areas such as compliance with laws and regulations, health and safety and working conditions, environmental matters, child labour, forced labour, freedom of association, discrimination, wages and benefits, working hours, bribery, confidentiality, data protection, conflicts of interest and local communities.

Communities

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

STRATEGIC REPORT (CONTINUED)

6. SECTION 172 STATEMENT (CONTINUED)

Stakeholders (continued)

Communities (continued)

Our ports employ a significant number of people from the communities in which they are based. We engage constructively with local community groups and individuals where they may have concerns regarding our operations, so we can be a good neighbour to those who live near our ports. By their nature, ports are busy places with the transit of goods and services in and out. As a responsible operator, it is important that we manage these interactions in a way that minimises the external impacts to our local communities. This is a continual process as we refine and review our working practices and look to keep improving. Unfortunately, in some instances, our activities give rise to concerns and complaints from our local communities. We will always investigate these complaints and look for opportunities to reduce these external impacts. Often a complaint is found to be caused by something that has changed and, in some instances, that change is short-term, such as changes in the dominant wind direction or a particular visitor to a site. In other instances, we may be able to change or adapt our operations to reduce an impact, whilst keeping operations ongoing. For our larger ports, we have engaged in the port Master Planning process and produced port plans. These plans are consulted on with the local stakeholders and help to coordinate medium-term planning. These documents clearly set out our strategic plans for our sites and help to inform port users, employees and local communities as to how they can expect to see the port develop over the following years.

We also support local charities and community projects.

Environment

The environment has been considered to be strongly related to communities and they are often considered together, although we are ever more conscious that the environment also impacts our customers and suppliers and is of increasing importance to our employees as well. The Group is committed to developing its business to meet the needs of its customers in a sustainable way, with initiatives such as reducing our carbon footprint through better energy management and recycling schemes. The annual Group Environment Plan sets out a number of initiatives to manage the effect that the business has on the environment, including the development of port air quality strategies, sustainable procurement policies and resource management policies as well as initiatives around waste management, storage of fuels and chemicals, drainage, conservation of nature, wildlife and habitats, and the beneficial use of dredge material. In addition, during the year ended 31 March 2022, the Group committed to becoming a Net Zero company by 2040.

One of our biggest opportunities to reduce our environmental impact is to look at our procurement and capital investment programmes. What we buy has a direct relationship on what we consume and ultimately generate as waste. By influencing our purchasing decisions, we can potentially change our buying habits and reduce our environmental impact. Looking at the whole-life costs of a purchase we can look past the upfront purchase price and consider both the running and disposal costs of the purchase. We may also look to favour or rule out certain purchases due to their environmental credentials. This will apply to all purchases and contracts we engage in (including leasing).

Our capital investment programme is where we are investing for the long-term in our sites. The decisions we make during the capital investment process impacts our operations for years to come. It is therefore important that we take the opportunity to design in efficiencies (best available technologies, controls etc.) from the start of a project. By reviewing and adapting our current processes we can ensure that we look at and have the opportunity to design in both sustainable development principles and consideration of the environmental impacts of our operations.

The Group also engages with key environmental stakeholders such as the Environmental Agency, the Department for Environment, Food and Rural Affairs and the Marine Management Organisation. Engaging with these stakeholders is important to ensure that planning and licenses are granted and that we are able to meet legislative requirements.

Government, local authorities and regulators

We engage with the government, local authorities and regulators through a range of industry consultations and meetings to communicate our views to policy makers relevant to our business. When planning development projects, we work closely with local authorities to ensure that an appropriate solution is delivered for our customers within planning requirements. Key areas of focus are compliance with laws and regulations and health and safety. Of particular note in the year ended 31 March 2022 has been our continuing engagement with the Department for Transport and other bodies in support of the UK's border security following the UK's exit from the European Union on 1 January 2021. The Board is updated on legal and regulatory developments and takes these into account when considering future actions.

STRATEGIC REPORT (CONTINUED)

6. SECTION 172 STATEMENT (CONTINUED)

Stakeholders (continued)

Financial investors


Through the group's wholly-owned subsidiary companies, Peel Ports PP Finance Limited and Peel Ports Limited, the Group raises debt and undertakes related hedging with a wide range of counterparties. This includes private placement borrowing, which is undertaken by Peel Ports PP Finance Limited, and bank borrowing, which is undertaken by Peel Ports Limited.

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

Shareholders

As owners of our Group we rely on the support of shareholders and their opinions are important to us. Our shareholders appoint representatives to sit on the Board. Where matters to be discussed are in respect of shareholder reserved matters, those relating to the conduct of the shareholders' agreement, these are discussed at meetings of the Board of Directors of the Group's immediate parent undertaking, Peel Ports Holdings (CI) Limited, in respect of which the shareholders are each represented among the directors and in which company each invests directly. The Group Chief Executive Officer and Group Chief Financial Officer, both of whom are directors of Peel Ports Group Limited, attend meetings of the Peel Ports Holdings (CI) Limited Board, but they are not directors of that company. Discussions with shareholders cover a wide range of topics including environment, health and safety ('EHS'), financial performance, strategy, outlook and governance.

On behalf of the Board



M Whitworth
Director
8 July 2022

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 £88.9m (2021: £38.9m).

DIRECTORS

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

T E Allison (previously Chairman, representing Peel Group)
M Byrne (representing AustralianSuper)
I C V Caumette (resigned 8 March 2022) (representing DWS)
I G L Charnock (resigned 1 April 2022) (previously Chief Financial Officer)
P M Iley (appointed 8 March 2022) (representing Lemon 2021 Limited – Global Infrastructure Partners)
M J Llewellyn (representing AustralianSuper)
H M M Mackenzie (resigned 8 March 2022) (representing Peel Group)
I McLaren (appointed 30 May 2022) (Chief Financial Officer)
R C Smith (appointed 8 March 2022) (representing Lemon 2021 Limited – Global Infrastructure Partners)
S Underwood (representing Peel Group)
C Veritiero (appointed 1 April 2022) (Chief Executive Officer)
S Vyas (resigned 8 March 2022) (representing DWS)
J A Walsh (appointed 8 March 2022) (representing AustralianSuper)
J Whittaker (representing Peel Group)
J P Whittaker (resigned 1 April 2022) (representing Peel Group)
M Whitworth (Chairman, previously Chief Executive Officer)
J J van Wulfften Palthe (appointed 8 March 2022) (representing Lemon 2021 Limited – APG Infrastructure)

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

DISABLED PERSONS

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

EMPLOYEE ENGAGEMENT

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

STATEMENT ON BUSINESS RELATIONSHIPS

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

STREAMLINED ENERGY AND CARBON REPORTING

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

DIRECTORS' REPORT (CONTINUED)

AUDITOR AND DISCLOSURE OF INFORMATION TO THE AUDITOR

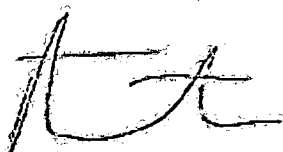
Each person who is a director of the Company at the date of approval of this report confirms that:

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

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

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

On behalf of the Board

A handwritten signature in black ink, appearing to be 'M Whitworth', written in a cursive style.

M Whitworth
Director
8 July 2022

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the strategic report, directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

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

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

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

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2022 and of the Group's profit for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Peel Ports Group Limited (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 March 2022 which comprise the consolidated profit and loss account, the consolidated statement of comprehensive income, the consolidated and company balance sheets, the consolidated and company statements of changes in equity, the consolidated cash flow statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Other information

The directors are responsible for the other information. The other information comprises the information included in the report and financial statements other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Other Companies Act 2006 reporting

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

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

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

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:


- Agreement of financial statement disclosures to underlying supporting documentation;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to the valuation of derivatives, valuation of defined benefit pension schemes, provisions and revenue recognition;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations, manual journals to revenue, manual journals to cash or including specific keywords;
- Testing a sample of one-off revenue transactions to ensure revenue has been recognised appropriately on these contracts;
- Testing a sample of revenue around the year end to ensure revenue has been recognised in the correct period;
- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Review of minutes of Board meetings throughout the period; and
- Obtaining an understanding of the control environment in monitoring compliance with laws and regulations

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:

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Stuart Wood (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
3 Hardman Street
Spinningfields
Manchester
M3 3AT
United Kingdom

8 July 2022

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

PEEL PORTS GROUP LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT
For the year ended 31 March 2022

	Note	2022 £m Continuing operations and Total	2021 £m Continuing operations	2021 £m Discontinued operations	2021 £m Total
GROUP TURNOVER	5	617.8	504.8	89.7	594.5
Other cost of sales		(357.5)	(325.0)	(76.8)	(401.8)
Exceptional items	8	(5.0)	(10.6)	-	(10.6)
Cost of sales		(362.5)	(335.6)	(76.8)	(412.4)
GROSS PROFIT		255.3	169.2	12.9	182.1
Other administrative expenses		(54.1)	(30.1)	(10.8)	(40.9)
Exceptional items	8	(10.8)	(10.0)	-	(10.0)
Administrative expenses		(64.9)	(40.1)	(10.8)	(50.9)
GROUP OPERATING PROFIT	6	190.4	129.1	2.1	131.2
Share of operating profit of joint ventures	13	-	0.6	-	0.6
TOTAL OPERATING PROFIT: GROUP AND SHARE OF JOINT VENTURES		190.4	129.7	2.1	131.8
Profit on disposal of discontinued operations	8	-	-	25.0	25.0
Net interest expense	9	(123.8)	(15.4)	-	(15.4)
PROFIT BEFORE TAXATION		66.6	114.3	27.1	141.4
Taxation	10	(7.5)	2.3	(0.5)	1.8
PROFIT FOR THE FINANCIAL YEAR		59.1	116.6	26.6	143.2
PROFIT ATTRIBUTABLE TO:					
- Owners of the parent		59.1			142.8
- Non-controlling interest		-			0.4
		59.1			143.2

The Consolidated Profit and Loss Account for the year ended 31 March 2021 presents the Marine Support Services segment as a discontinued operation following its disposal on 23 July 2020. All other operations are continuing in the year ended 31 March 2021 and all operations are continuing in the year ended 31 March 2022.

PEEL PORTS GROUP LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March 2022

	Note	2022 £m	2021 £m
Profit for the financial year		59.1	143.2
<i>Other comprehensive income/(expense):</i>			
Remeasurement of net defined benefit liability	20(a)	47.9	(46.0)
Currency translation differences		(0.2)	(2.2)
Total tax on components of other comprehensive income	10(d)	(0.3)	8.6
Other comprehensive income/(expense) for the year, net of tax		47.4	(39.6)
Total comprehensive income for the year		106.5	103.6
Total comprehensive income attributable to:			
- Owners of the parent		106.5	104.6
- Non-controlling interests		-	(1.0)
		106.5	103.6

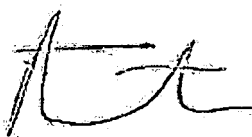
PEEL PORTS GROUP LIMITED

CONSOLIDATED AND COMPANY BALANCE SHEETS
As at 31 March 2022

	Note	Group		Company	
		2022 £m	2021 £m	2022 £m	2021 £m
FIXED ASSETS					
Intangible assets:	11				
- positive goodwill		46.3	58.3	-	-
- negative goodwill		-	(0.4)	-	-
		46.3	57.9	-	-
Tangible assets	12	1,429.1	1,374.4	-	-
Other investments	13	0.7	0.7	337.5	337.5
		1,476.1	1,433.0	337.5	337.5
CURRENT ASSETS					
Stocks	14	8.3	6.4	-	-
Debtors - due within one year	15	202.7	162.7	251.3	215.0
- due after more than one year	15	6.2	45.4	123.0	123.0
Cash at bank and in hand		108.1	87.8	-	-
		325.3	302.3	374.3	338.0
CREDITORS: amounts falling due within one year	16	(616.8)	(382.8)	(161.0)	(109.8)
NET CURRENT (LIABILITIES)/ASSETS		(291.5)	(80.5)	213.3	228.2
TOTAL ASSETS LESS CURRENT LIABILITIES		1,184.6	1,352.5	550.8	565.7
CREDITORS: amounts falling due after more than one year	17	(3,003.3)	(3,135.1)	(123.0)	(123.0)
Post-employment pension liability	20(a)	(49.5)	(103.2)	-	-
NET (LIABILITIES)/ASSETS		(1,868.2)	(1,885.8)	427.8	442.7
CAPITAL AND RESERVES					
Called-up share capital	21	389.4	389.4	389.4	389.4
Merger reserve		(506.1)	(506.1)	-	-
Profit and loss account		(1,751.5)	(1,769.1)	38.4	53.3
TOTAL EQUITY		(1,868.2)	(1,885.8)	427.8	442.7

The profit of the Company for the financial year was £74.0m (2021: £38.9m).

The financial statements of Peel Ports Group Limited (company registration number 5965116), were approved and authorised for issue by the Board of Directors on 8 July 2022 and signed on its behalf by:



M Whitworth
Director

PEEL PORTS GROUP LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 March 2022

	Called-up share capital £m	Merger reserve £m	Profit and loss account £m	Total £m	Non- controlling interest £m	Total equity £m
As at 1 April 2020	389.4	(506.1)	(1,834.8)	(1,951.5)	5.3	(1,946.2)
Profit for the financial year	-	-	142.8	142.8	0.4	143.2
Other comprehensive expense for the financial year	-	-	(38.2)	(38.2)	(1.4)	(39.6)
Total comprehensive income/(expense) for the financial year	-	-	104.6	104.6	(1.0)	103.6
Dividends (note 21)	-	-	(38.9)	(38.9)	-	(38.9)
Total transactions with owners, recognised directly in equity	-	-	(38.9)	(38.9)	-	(38.9)
Disposal of discontinued operations (note 28)	-	-	-	-	(4.3)	(4.3)
As at 31 March 2021	<u>389.4</u>	<u>(506.1)</u>	<u>(1,769.1)</u>	<u>(1,885.8)</u>	<u>-</u>	<u>(1,885.8)</u>
Profit for the financial year	-	-	59.1	59.1	-	59.1
Other comprehensive income for the financial year	-	-	47.4	47.4	-	47.4
Total comprehensive income for the financial year	-	-	106.5	106.5	-	106.5
Dividends (note 21)	-	-	(88.9)	(88.9)	-	(88.9)
Total transactions with owners, recognised directly in equity	-	-	(88.9)	(88.9)	-	(88.9)
As at 31 March 2022	<u>389.4</u>	<u>(506.1)</u>	<u>(1,751.5)</u>	<u>(1,868.2)</u>	<u>-</u>	<u>(1,868.2)</u>

PEEL PORTS GROUP LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY
For the year ended 31 March 2022

	Note	Called-up share capital £m	Profit and loss account £m	Total £m
As at 1 April 2020		389.4	53.3	442.7
Profit for the financial year		-	38.9	38.9
Total comprehensive income for the financial year		-	38.9	38.9
Dividends	21	-	(38.9)	(38.9)
Total transactions with owners, recognised directly in equity		-	(38.9)	(38.9)
As at 31 March 2021		389.4	53.3	442.7
Profit for the financial year		-	74.0	74.0
Total comprehensive income for the financial year		-	74.0	74.0
Dividends	21	-	(88.9)	(88.9)
Total transactions with owners, recognised directly in equity		-	(88.9)	(88.9)
As at 31 March 2022		389.4	38.4	427.8

PEEL PORTS GROUP LIMITED

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 March 2022

	Note	2022 £m	2021 £m
Cash inflow from operating activities	22(a)	281.0	252.5
Taxation paid		<u>(0.5)</u>	<u>(0.3)</u>
Net cash inflow from operating activities		280.5	252.2
Cash flow used in investing activities	22(b)	(123.3)	(121.7)
Cash flow used in financing activities	22(c)	<u>(136.6)</u>	<u>(133.3)</u>
Net increase/(decrease) in cash and cash equivalents		20.6	(2.8)
Cash and cash equivalents at the beginning of the year	23	87.8	91.1
Exchange losses on cash and cash equivalents	23	<u>(0.3)</u>	<u>(0.5)</u>
Cash and cash equivalents at the end of the year		<u>108.1</u>	<u>87.8</u>
Cash and cash equivalents consist of:			
Cash at bank and in hand	23	<u>108.1</u>	<u>87.8</u>
Cash and cash equivalents		<u>108.1</u>	<u>87.8</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

1. GENERAL INFORMATION

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

2. STATEMENT OF COMPLIANCE

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of preparation

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

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

Going concern

In considering the appropriateness of the going concern basis of preparation, the directors have considered forecasts for the next 12 months following the date of the signing of the 2022 financial statements, which include detailed cash flow forecasts and working capital availability. These forecasts show that sufficient resources remain available to the business for the next 12 months. In addition, the directors note the following:

- the directors prepare and update detailed annual budgets and two year projections that support the going concern assessment. For the period extending at least 12 months from the date of signing of these accounts, the Group has modelled different scenarios in the absence of further mitigating actions that show that the Group has sufficient headroom to withstand significant downward pressure on results from reduced volumes or customer opportunities not being converted, both in terms of available liquidity and the Group's covenant ratios. If the actual results are significantly worse than forecast, the group has the option of pursuing further mitigating measures that are under its own control to cut costs and preserve cash. These include reductions in variable staff and other variable costs to match reduced activity, a decreased level of capital expenditure or the deferment/cancellation of shareholder distributions;
- at the balance sheet date, the Group has net liabilities of £1,868.2m (2021: £1,885.8m) which are principally attributed to two factors. Firstly, the reorganisation of the Group in 2006 which was accounted for under merger accounting principles and resulted in the creation of a merger relief reserve of £506.1m. Secondly, the fair value of the Group's derivative financial instruments, primarily interest rate and index-linked cross currency swaps, which have a net liability of £931.3m (2021: £998.1m);
- as at 31 March 2022, the Group had borrowings of £2,161.3m (2021: £2,022.5m), which are subject to covenant restrictions¹⁴. No breaches have occurred in the historical period or are forecast to occur. After taking account of potential changes in trading performance, the Group's forecasts and projections indicate that it is expected to continue to comply with covenant requirements for a period of at least 12 months from the date of approval of the financial statements;

¹⁴ Borrowings subject to covenant restrictions of £2,161.3m (2021: £2,022.5m) comprise bank loans of £872.7m (2021: £840.6m) and private placement loans of £1,281.5m (2021: £1,174.4m) and after adding back unamortised issue costs of £7.1m (2021: £7.5m).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Going concern (continued)

- presented as falling due within one year in the financial statements is £268.4m of US private placement notes that are due for repayment in December 2022. Reflecting the benefit of the derivative financial instrument that fixes the value of the US Dollar debt into Sterling, the actual repayment amount in Sterling in December 2022 will be £220.0m. The Group completed the raising of a £350m private placement facility in March 2022 that will be drawn down in June and December 2022. The December 2022 drawdown will be used to repay the debt that falls due for repayment in that month;
- in addition to the above repayment, there is £10.0m¹⁵ of other bank loans that are due for repayment in the year ending 31 March 2023 and a further £2.3m due for repayment in the six months ending 30 September 2023; all other loans and loan note instruments have repayment dates between 1 October 2023 and 30 September 2046;
- in the year ended 31 March 2022, turnover from continuing operations increased by £113.0m to £617.8m, group operating profit before exceptional costs increased by £56.5m to £206.2m despite the disruption to supply chains caused by the COVID-19 global pandemic and the war in the Ukraine. This reflected a strong focus on cost management and the continuing benefit of having a diversified service offering and robust customer base;
- cash inflows generated in the year, together with utilisation of existing capital expenditure facilities, enabled the Group to finance net tangible fixed asset additions of £122.8m (2021: £124.9m) (cash outflow);¹⁶
- as at the balance sheet date, the Group held £108.1m (2021: £87.8m) of cash balances and had undrawn loan facilities of £175.0m available; a further £130.0m of liquidity facility is available for the payment of interest. During the year ended 31 March 2022, the Group raised £135.0m from new loans and private placement notes with maturities ranging from 12 to 15 years. As noted above, the Group also raised an additional £350m of private placement notes that will be drawn in June and December 2022;
- there is confidence that the Group has the resources and flexibility to respond timely to events as they occur; the Group's robust business model is underpinned by long-term customers with a high percentage of secure, and typically RPI-linked, revenue and management has demonstrated its ability to take appropriate steps to mitigate as far as possible the downside scenarios presented by the disruption to global supply chains caused by the COVID-19 pandemic and the war in the Ukraine;
- management have concluded that the Group should generate sufficient EBITDA and cash to continue as a going concern and avoid breaching its loan covenants. Liquidity risk is principally managed by maintaining cash and borrowing facilities at a level that is forecast to provide reasonable headroom in excess of the expected future needs of the Group.

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

Exemptions for qualifying entities under FRS 102

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

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

¹⁵ After debt issue costs of £0.3m, this is presented as £9.7m falling due within one year in note 16.

¹⁶ Net capital expenditure of £122.8m (2021: £124.9m) is the sum of payments to acquire tangible fixed assets of £127.2m (2021: £145.1m) less receipts from the sale of tangible fixed assets of £4.4m (2021: £20.2m).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Foreign currencies

(i) Functional and presentation currency

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

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

(ii) Transactions and balances

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

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

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

(iii) Translation

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

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

Ports

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

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

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

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

Shipping

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

Marine Support Services

The Marine Support Services segment was disposed of on 23 July 2020 and is shown as a discontinued operation in these financial statements. Prior to disposal, and for the periods recorded in these financial statements, the policy below has been applied.

Revenue in Marine Support Services can be long-term contractual in nature. Profit is recognised on such contracts if the final outcome can be assessed with reasonable certainty by including in the profit and loss account turnover and related costs as contract activity progresses. Revenue is calculated by reference to the value of work performed to date as a proportion of the total contract value. Projected losses are fully provided for at the point at which the forecast costs of delivering the contract exceed forecast revenues.

Other income

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

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

Employee benefits

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

(i) Short-term benefits

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

(ii) Defined contribution pension plans

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employee benefits (continued)

(iii) Defined benefit pension plans

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

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

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

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

Surpluses arising at a balance sheet date are recognised as assets only to the extent that it is considered probable that economic benefit will flow to the Group, whether through a refund or a reduction in future contributions. Where that is not considered to be the case, those surpluses are restricted.

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 decrease in pension liability arising from employee service during the period; and
- b) The cost of plan introductions, benefit changes, curtailments and settlements.

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

Exceptional items

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

Taxation

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

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

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

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold; and
- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (continued)

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

Tangible fixed assets

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Finance costs

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

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

Leased assets

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

Investments – Company

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

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

Listed investments are stated at their fair value.

Stocks

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

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.

Other government grants which represent revenue grants are recognised in profit or loss on a systematic basis over the periods in which the entity recognises expenses for the related costs for which the grants are intended to compensate.

Cash and cash equivalents

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

Financial instruments

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

(i) Financial assets

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

(i) Financial assets (continued)

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

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

(ii) Financial liabilities

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

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

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

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

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

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

As has been noted elsewhere in this annual report, continuous effects of the COVID-19 global pandemic and the war in Ukraine have caused unprecedented disruption to economies around the world and this has created significant uncertainty for all companies. Consideration has been given as to how this might impact the critical accounting judgements and estimates with the most likely significant affect being in respect of the valuation of defined benefit pension scheme assets and liabilities and of derivative financial instruments. Volatility in investment markets as a result of economic uncertainty can affect both the valuation of pension scheme assets and the assessment of liabilities.

(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:

The Group has deferred tax not recognised of £145.5m (2021: £103.3m) relating to derivative financial instruments and has gross tax losses of £18.4m (2021: £96.1m) available to carry forward. Although these are available to offset future taxable profits, judgement is required as to whether to recognise a deferred tax on the balance sheet. This assessment considers whether it is probable that they will be utilised in the foreseeable future and takes into account considerations such as the likely availability of capital allowances arising from the Group's ongoing significant capital investment levels.

(ii) Key sources of estimation uncertainty

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

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

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, economic utilisation and the physical condition of the assets. The depreciation charge for the year ended 31 March 2022 was £81.3m (2021: £110.2m).

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

The Group's defined benefit pension obligation is discounted at a rate set by reference to market yields at the end of the reporting period on high quality corporate bonds. Significant judgement is required when setting the criteria for bonds to be included in the population from which the yield curve is derived. The most significant criteria considered for the selection of bonds include the issue size of the corporate bonds, quality of the bonds and the identification of outliers which are excluded. As an indication of the sensitivity of the resulting liability to changes in the discount rate, it is estimated that a 0.5% decrease in the rate applied would increase the liability approximately 7%.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2022

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

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

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

In addition, the Group has to make assumptions regarding a number of other factors including life expectancy, salary increases and inflation rates. The Group takes actuarial advice when determining the appropriate assumptions to use.

Where an accounting surplus arises at a balance sheet date, the Group considers whether it is probable that economic benefit will flow to the Group, whether through a refund or through reduced future contributions. Where this is not considered probable, the surplus is restricted. In the year ended 31 March 2022, £8.4m of surplus has been restricted (2021: £nil).

Further information on the Group's defined benefit pension arrangements can be found in note 20.

Interest rates, inflation rates, exchange rates, discount rates and other assumptions used to determine the fair value of the Group's derivative financial instruments (note 19)

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

Further information on the Group's derivative financial instruments can be found in note 19.

5. TURNOVER

Analysis of turnover by segment:

	2022 £m	2021 £m
Continuing operations		
Ports	465.4	386.7
Shipping	152.4	118.1
	<u>617.8</u>	<u>504.8</u>
<i>Discontinued operations</i>		
Marine Support Services	-	89.7
	<u>617.8</u>	<u>594.5</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.

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

Turnover does not include the Group's share of turnover arising from joint venture companies amounting to £29.8m (2021: £19.1m) (note 13(b)). Sales between segments are immaterial and are therefore not separately disclosed.

Analysis of turnover by geography:

	2022 £m	2021 £m
United Kingdom	454.8	455.4
Rest of Europe	163.0	127.0
Australia	-	12.1
	<u>617.8</u>	<u>594.5</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2022

5. TURNOVER (CONTINUED)

<i>Analysis of turnover by geography (continuing operations):</i>	2022	2021
	£m	£m
United Kingdom	454.8	378.7
Rest of Europe	163.0	126.1
	<u>617.8</u>	<u>504.8</u>

6. GROUP OPERATING PROFIT

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

	2022	2021
	£m	£m
Amortisation of goodwill (note 11):		
Positive goodwill	12.0	11.4
Negative goodwill	(0.4)	(1.1)
Net goodwill amortisation	11.6	10.3
Depreciation (note 12)		
Depreciation - owned assets	80.9	109.8
Depreciation – leased assets	0.4	0.4
Total depreciation	81.3	110.2
Operating lease charges	63.4	50.5
Foreign currency (gains)/losses	<u>(0.2)</u>	<u>0.3</u>

Foreign currency gains of £0.2m (2021: losses of £0.3m) include statutory unrealised foreign currency losses of £0.6m (2021: £0.9m) and trading foreign currency gains of £0.8m (2021: £0.6m).

Amortisation charged to operating profit in both years presented is included within continuing operations. Total depreciation and statutory unrealised foreign currency losses charged to operating profit in respect of continuing operations was £81.3m and £0.6m respectively in the year ended 31 March 2022 (2021: £109.4m and £0.9m respectively).

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

	2022	2021
	£m	£m
Fees payable to the auditor for the audit of the Group's annual financial statements	<u>0.6</u>	<u>0.6</u>

There are no non-audit fees payable to the auditor in each of the financial years presented.

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 (2021: £10,000) was borne by a subsidiary undertaking.

PEEL PORTS GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2022

7. EMPLOYEES AND DIRECTORS

Employees

The average monthly number of persons employed by the Group during the year was 1,201 (2021: 1,612). The decrease in the average number of persons employed by the Group and total staff costs, as shown below, reflects the disposal of the Marine Support Services segment on 23 July 2020.

The staff costs for the above persons were:

	2022	2021
	£m	£m
Wages and salaries	58.4	72.4
Social security costs	6.1	7.3
Pension funds service and administrative costs (note 20(a))	1.4	1.9
Other pension costs - Group defined contribution pension schemes (note 20(b))	3.5	5.4
Total staff costs	69.4	87.0
Amounts capitalised	(5.7)	(7.1)
Staff costs charged to profit and loss	63.7	79.9

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

Directors and key management personnel

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

	2022	2021
	£'000	£'000
Emoluments	4,487	7,092
Amounts payable to third parties for directors' services	278	277
Group contribution to defined contribution pension schemes	4	4
	4,769	7,373

At 31 March 2022, retirement benefits are accruing to one director (2021: one) under a Group defined benefit pension scheme and to one director under a defined contribution scheme (2021: one).

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

The shareholders in Peel Ports Holdings (CI) Limited are entitled to an annual fee of £50,000 for each director appointed to the Board of the parent company. These directors are also appointed to the Board of Peel Ports Group Limited and their services are principally in respect of the Group. A total fee of £278,000 is payable in respect of the year ended 31 March 2022 (2021: £239,000), of which £131,000 (2021: £104,000) is payable to Peel Ports Investments (IOM) Limited, £47,000 (2021: £104,000) is payable to Infrastructure JVCo (Lime) S.a.r.l and £100,000 (2021: £31,000) is payable to AS Infra PP Pty Ltd. (see note 25).

The remuneration of the highest paid director was as follows:

	2022	2021
	£'000	£'000
Emoluments	2,597	4,495
Group contribution to defined contribution pension schemes	4	4
	2,601	4,500

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2022

8. EXCEPTIONAL ITEMS

Above operating profit

	2022 £m	2021 £m
Restructuring	1.3	4.6
COVID-19 related costs	2.7	11.1
Other exceptional costs	11.8	4.9
	<u>15.8</u>	<u>20.6</u>
Cost of sales	5.0	10.6
Administrative expenses	10.8	10.0
	<u>15.8</u>	<u>20.6</u>

Below operating profit

Exceptional profit on disposal of Marine Support Services segment	-	<u>(25.0)</u>
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The extraordinary circumstances arising from the global COVID-19 pandemic have given rise to a number of exceptional costs in the years ended 31 March 2022 and 31 March 2021. In the year ended 31 March 2022, the Group recognised an exceptional charge of £2.7m (2021: £11.1m). The majority of the costs relate to additional operating costs that were necessary in order for the Group's ports to continue operating safely throughout the pandemic.

In response to the pandemic, the Group has recorded restructuring costs of £1.2m (2021: £4.6m), which includes redundancy and other costs incurred in connection with the streamlining and reorganisation of activities in the Group.

Other exceptional costs of £11.8m (2021: £4.9m) include the settlement of legal claims and in the year ended 31 March 2022, aborted project costs.

Exceptional items in the year ended 31 March 2021 also includes a £25.0m profit in respect of the disposal of the Marine Support Services segment on 23 July 2020. This is presented below operating profit in the profit and loss account for that year, within discontinued operations.

PEEL PORTS GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

9. NET INTEREST EXPENSE

	2022	2021
	£m	£m
a) Interest payable and similar charges		
Other interest on bank loans and overdrafts	65.7	60.7
Interest on private placement notes	43.1	40.2
Accretion on index-linked swaps (note 19)	39.3	6.2
	148.1	107.1
Bank loans, overdrafts and private placement notes		
Amortisation of debt issue costs (note 18)	3.5	3.5
9% subordinated redeemable loan notes payable to related parties (note 25)	11.1	11.1
	162.7	121.7
b) Interest expense on financial instruments measured at fair value through profit or loss		
Losses on derivative financial instruments (note 19)	58.6	51.7
Losses on retranslation of foreign currency loans (note 18)	13.5	-
	72.1	51.7
c) Other finance costs		
Net interest expense on post-employment benefits (note 20(a))	2.1	1.5
	2.1	1.5
d) Interest receivable and similar income		
Interest receivable and similar income	(0.1)	(0.2)
	(0.1)	(0.2)
e) Interest income on financial instruments measured at fair value through profit or loss		
Gains on derivative financial instruments (note 19)	(113.0)	(128.1)
Gain on retranslation of foreign currency loans (note 18)	-	(31.2)
	(113.0)	(159.3)
Net interest expense		
Total interest payable and similar charges (note 9(a))	162.7	121.7
Interest expense on financial instruments measured at fair value through profit or loss (note 9(b))	72.1	51.7
Other finance costs (note 9(c))	2.1	1.5
Interest receivable and similar income (note 9(d))	(0.1)	(0.2)
Interest income on financial instruments measured at fair value through profit or loss (note 9(e))	(113.0)	(159.3)
	123.8	15.4
	2022	2021
	£m	£m
Movement in fair value of derivative financial instruments		
Change in fair value of derivative financial instruments recorded as interest expense measured at fair value through profit or loss (note 19)	(54.4)	(76.4)
Increase in accretion on index-linked swaps (note 19)	39.3	6.2
	(15.1)	(70.2)

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2022

10. TAXATION

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

	2022 £m	2021 £m
Current tax:		
<i>United Kingdom</i>		
UK corporation tax	-	(0.7)
<i>Foreign tax</i>		
Corporation tax	0.6	1.4
<i>Other current tax</i>		
Adjustments in respect of previous years	-	-
Total current tax charge	<u>0.6</u>	<u>0.7</u>
Deferred tax:		
Origination and reversal of timing differences - United Kingdom	2.8	(0.9)
Adjustments in respect of prior years	-	(1.5)
Adjustments in respect of tax rates	4.2	-
Origination and reversal of timing differences – foreign tax	(0.1)	(0.1)
Total deferred tax charge/(credit)	<u>6.9</u>	<u>(2.5)</u>
Total tax charge/(credit)	<u>7.5</u>	<u>(1.8)</u>

b) Reconciliation of total tax charge/(credit)

The tax assessed for the year is lower (2021: lower) than that arising from applying the standard rate of UK corporation tax of 19% (2021: 19%). The differences are explained below:

	2022 £m	2021 £m
Profit before taxation	<u>66.6</u>	<u>141.4</u>
Profit before taxation multiplied by the standard rate of UK corporation tax of 19% (2021: 19%).	12.7	26.9
Effects of:		
Expenses not deductible for tax purposes	0.5	5.6
Deferred tax not recognised	(9.7)	(32.9)
Differences in tax rates	4.2	0.1
Adjustments in respect of prior years	-	(1.5)
Adjustments in respect of foreign tax rates	(0.2)	-
Total tax charge/(credit)	<u>7.5</u>	<u>(1.8)</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2022

10. TAXATION (CONTINUED)

c) Factors affecting future tax charges

The Government announced in the Budget on 3 March 2022 that the UK rate of corporation tax would rise to 25% from 1 April 2023. As a result, the deferred tax balances in these financial statements are stated at 25%.

d) Deferred tax

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

	2022 £m	2021 £m
Accelerated capital allowances	1.4	(18.2)
Short-term timing differences	(0.1)	-
Derivative contracts	0.4	20.5
Other fair value adjustments	(1.9)	(2.5)
Post-employment benefits	12.4	19.6
	<u>12.2</u>	<u>19.4</u>

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

The net deferred tax asset expected to reverse in the year ending 31 March 2023 is £nil. This is primarily due to the net deferred tax asset that principally relates to derivative contracts, which is not expected to reverse in that year. It is possible that the deferred tax asset in respect of the post-employment benefits liability may reverse, though it is not possible to determine this until the liability is updated as at the next reporting date.

Movements in deferred tax

	Asset £m
As at 1 April 2021	19.4
Charged to the profit and loss account (note 10(a))	(6.9)
Charged to other comprehensive income	(0.3)
As at 31 March 2022	<u>12.2</u>

As at 31 March 2022, the Group had deferred tax not recognised of £146.4m (2021: £103.3m) relating to derivative financial instruments and has gross tax losses of £25.9m (2021: £96.1m) available to carry forward.

Company

The Company has no deferred tax balances.

PEEL PORTS GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2022

11. INTANGIBLE FIXED ASSETS

Group	Positive goodwill £m	Negative goodwill £m	Total £m
Cost			
As at 1 April 2021 and 31 March 2022	249.3	(8.4)	240.9
Amortisation			
As at 1 April 2021	191.0	(8.0)	183.0
Charge for the year	12.0	(0.4)	11.6
As at 31 March 2022	203.0	(8.4)	194.6
Net book value			
As at 31 March 2022	46.3	-	46.3
As at 31 March 2021	58.3	(0.4)	57.9

Company

The Company has no intangible fixed assets.

12. TANGIBLE FIXED ASSETS

Group	Freehold and long leasehold land and buildings £m	Plant and machinery £m	Capital work in progress £m	Total £m
Cost				
As at 1 April 2021	1,301.0	650.4	110.9	2,062.3
Additions	14.0	7.9	114.1	136.0
Disposals	(0.1)	(2.3)	(0.1)	(2.5)
Reclassifications	56.4	74.3	(130.7)	-
Exchange differences	(0.1)	(0.2)	-	(0.3)
As at 31 March 2022	1,371.2	730.1	94.2	2,195.5
Depreciation				
As at 1 April 2021	393.1	294.8	-	687.9
Charge for the year	40.9	40.4	-	81.3
Disposals	(0.3)	(2.1)	-	(2.4)
Exchange differences	-	(0.4)	-	(0.4)
As at 31 March 2022	433.7	332.7	-	766.4
Net book amount				
As at 31 March 2022	937.5	397.4	94.2	1,429.1
As at 31 March 2021	907.9	355.6	110.9	1,374.4

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2022

12. TANGIBLE FIXED ASSETS (CONTINUED)

Cumulative finance costs capitalised in the cost of tangible fixed assets amount to £13.2m (2021: £13.2m).

The net carrying amount of assets held under finance leases included in plant and machinery is £0.9m (2021: £1.1m).

Non-depreciable land

Included within tangible fixed assets is freehold and long-leasehold land, which is not subject to depreciation, which amounted to £144.9m (2021: £138.1m).

Company

The Company has no tangible fixed assets.

13. INVESTMENTS

	Group		Company	
	2022 £m	2021 £m	2022 £m	2021 £m
Subsidiary undertakings (note 13(a))	-	-	337.5	337.5
Other investments (note 13(c))	0.7	0.7	-	-
	<u>0.7</u>	<u>0.7</u>	<u>337.5</u>	<u>337.5</u>

a) Subsidiary undertakings

	Company £m
Cost and net book value	
As at 1 April 2021 and as at 31 March 2022	<u>337.5</u>

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

b) Joint venture undertakings

	Group £m
As at 1 April 2021 and 31 March 2022	<u>-</u>

The turnover and net liabilities of the joint ventures amounted to £59.6m (2021: £38.1m) and £0.4m (2021: £3.7m) respectively, of which the Group's share is 50%. In the year ended 31 March 2022, the Group did not recognise its share of the net profit of £2.8m (2021: net loss £1.4m) of joint venture undertakings where the joint venture is in a net liabilities position. The Group does not recognise its share of the net liabilities of the joint venture as the shareholders' agreement does not place a legal obligation on either shareholder to fund. Both investors continue to support the joint venture undertakings and it is expected that the joint venture's results will continue to improve in the foreseeable future as the business continues to grow. As set out in note 28, the Group's disposed of its joint venture investment in Estuary Services Limited on 30 March 2021. Prior to disposal, in the year ended 31 March 2021, the Group recognised £0.6m in the profit and loss account as its share of the operating profit of this joint venture.

c) Other investments

	Group 2022 £m	Group 2021 £m
As at 1 April 2021 and as at 31 March 2022	<u>0.7</u>	<u>0.7</u>

Included within other investments is £0.7m (2021: £0.7m) of listed investments, which are recorded at the closing mid-market price on the London Stock Exchange.

PEEL PORTS GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2022

14. STOCKS

	Group	
	2022	2021
	£m	£m
Raw materials and consumables	8.3	6.4

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

Company

The Company has no stocks.

15. DEBTORS

	Group		Company	
	2022	2021	2022	2021
	£m	£m	£m	£m
Amounts falling due within one year:				
Trade debtors	74.9	70.0	-	-
Amounts owed by subsidiary undertakings	-	-	251.3	215.0
Amounts owed by related undertakings (note 25)	7.1	9.4	-	-
Other debtors	10.2	10.7	-	-
Prepayments and accrued income	46.0	48.5	-	-
Derivative financial instruments (note 19)	49.6	1.9	-	-
Corporation tax	2.7	2.8	-	-
Deferred tax asset (note 10(d))	12.2	19.4	-	-
	<u>202.7</u>	<u>162.7</u>	<u>251.3</u>	<u>215.0</u>
Amounts falling due after more than one year:				
Amounts owed by subsidiary undertakings	-	-	123.0	123.0
Amounts owed by related undertakings (note 25)	4.1	4.1	-	-
Derivative financial instruments (note 19)	2.1	41.3	-	-
	<u>6.2</u>	<u>45.4</u>	<u>123.0</u>	<u>123.0</u>
	<u>208.9</u>	<u>208.1</u>	<u>374.3</u>	<u>338.0</u>

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

Amounts owed by related undertakings falling due after more than one year include a loan to a joint venture undertaking of £3.6m (2021: £3.5m) that bears interest at the Bank of England base rate plus 3% and is repayable in full on 15 January 2030.

PEEL PORTS GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2022

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2022 £m	2021 £m	2022 £m	2021 £m
Bank loans	9.7	7.3	-	-
Private placement loans	268.4	2.3	-	-
Finance leases	0.2	0.2	-	-
Loans and other borrowings (note 18(b))	278.3	9.8	-	-
Trade creditors	49.0	45.1	-	-
Amounts owed to parent undertakings	104.3	104.3	155.5	104.3
Amounts owed to related undertakings (note 25)	2.6	5.1	-	-
Other taxes and social security	7.0	6.1	-	-
Other creditors	19.8	17.5	-	-
Accruals and deferred income	134.3	115.5	5.5	5.5
Accretion on index-linked swaps (note 19)	-	40.8	-	-
Derivative financial instruments (note 19)	21.5	38.6	-	-
	<u>616.8</u>	<u>382.8</u>	<u>161.0</u>	<u>109.8</u>

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

	Group		Company	
	2022 £m	2021 £m	2022 £m	2021 £m
Bank loans	863.0	833.3	-	-
Private placement loans	1,013.1	1,172.1	-	-
9% subordinated redeemable loan notes due to related parties (note 25)	123.0	123.0	123.0	123.0
Other loans	4.1	4.1	-	-
Finance leases	0.2	0.4	-	-
Loans and other borrowings (note 18(b))	2,003.4	2,132.9	123.0	123.0
Derivative financial instruments (note 19)	931.8	960.6	-	-
Accretion on index-linked swaps (note 19)	29.7	1.3	-	-
Accruals and deferred income	38.4	40.3	-	-
	<u>3,003.3</u>	<u>3,135.1</u>	<u>123.0</u>	<u>123.0</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2022

18. LOANS AND OTHER BORROWINGS

	Group	
	2022	2021
	£m	£m
(a) Loans and other borrowings		
Bank loans	872.7	840.6
Private placement loans	1,281.5	1,174.4
9% subordinated redeemable loan notes 2046 due to related parties (note 25)	123.0	123.0
Perpetual debenture stocks	2.2	2.2
3% irredeemable loan stock	1.2	1.2
3.625% irredeemable debenture stock	0.7	0.7
Finance leases	0.4	0.6
	2,281.7	2,142.7
	2,281.7	2,142.7
	Group	
	2022	2021
	£m	£m
(b) Maturity of loans and other borrowings as presented in the notes to these financial statements		
Financial liabilities falling due within one year (note 16)	278.3	9.8
Financial liabilities falling due after more than one year (note 17)	2,003.4	2,132.9
	2,281.7	2,142.7
	2,281.7	2,142.7
(c) Maturity of loans and borrowings		
In one year or less or on demand	278.3	9.8
In more than one year, but not more than two years	101.8	473.0
In more than two years, but not more than five years	909.5	462.4
In more than five years not by instalments	992.1	1,197.5
	2,281.7	2,142.7
	2,281.7	2,142.7
Financial liabilities, net of unamortised issue costs and finance charges allocated to future periods	2,281.7	2,142.7
	2,281.7	2,142.7
Unamortised issue costs	7.1	7.5
	7.1	7.5

Bank loans and private placement notes¹⁷

As at 31 March 2022, financial liabilities include bank loans totalling £876.2m (2021: £843.5m), of which £9.7m (2021: £7.3m) is due for repayment within one year and £866.5m (2021: £836.2m), with repayment dates between 1 April 2022 and 13 December 2033, is presented as falling due after more than one year. The bank loans principally bear interest at SONIA plus varying rates of margin, apart from £110.0m (2021: £110.0m), which bears interest at a fixed rates between 3.2% and 4%. During the year, the Group borrowed £40.0m with a maturity of 2037, bearing interest at a rate of 3.4%.

Financial liabilities include £1,284.8m (2021: £1,179.0m) relating to the proceeds from the issue of sterling and US dollar denominated private placement notes, of which £268.4m (2021: £2.3m) is due for repayment within one year and £1,016.4m (2021: £1,176.7m) is presented as falling due after more than one year. During the year ended 31 March 2022, the Group raised an additional £95.0m with a maturity of 12 years and an interest rate of 3.05%. In addition, the Group also raised £320m and \$40m of US private placement notes in March 2022 with funding dates in June and December 2022 and final maturity dates ranging between December 2029 and June 2034.

¹⁷ Financial liability amounts referenced in this section are gross of unamortised issue costs.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

18. LOANS AND OTHER BORROWINGS (CONTINUED)

The sterling denominated private placement notes comprise:

- £82.0m (2021: £82.0m) which bear fixed interest rates of between 5.7% and 6.6% and are due for repayment in instalments between 10 December 2022 and 10 December 2037;
- £211.5m (2021: £211.5m) which bear floating interest rates and are due for repayment between 2 January 2025 and 1 October 2029;
- £55.0m (2021: £55.0m) which bear a fixed rate of interest of 4.1% and are due for repayment on 15 December 2027;
- £125.0m (2021: £125.0m) which bear a fixed rate of interest of 3.5% and are due for repayment on 31 January 2027;
- £35.0m (2021: £35.0m) which bear interest at a fixed rate of 2.8% and are due for repayment on 26 June 2029;
- £40.0m (2021: £40.0m) which bear interest at a fixed rate of 2.7% and are due for repayment on 17 July 2029;
- £75.0m (2021: £75.0m) which bear a fixed rate of interest of 2.9% and are due for repayment on 17 September 2028;
- £50.0m (2021: £50.0m) which bear a fixed rate of interest of 2.5% and are due for repayment on 16 January 2030;
- £100.0m (2021: £100.0m) which bear a fixed rate of interest of 3.0% and are due for repayment on 18 December 2031; and
- £80.0m (2021: £80.0m) which bear a fixed rate of interest of 2.8% and are due for repayment on 18 December 2026.
- £50.0m (2021: £50.0m) which bear a fixed rate of interest of 2.95% and are due for repayment on 19 January 2031.
- £95.0m (2021: £nil) which bear a fixed rate of interest of 3.05% and are due for repayment on 1 July 2033.

The US dollar denominated notes total \$380.0m (2021: \$380.0m), bear fixed interest rates of between 3.49% and 5.3% (2021: 3.49% and 5.3%) and are due for repayment between 10 December 2022 and 18 December 2026 (2021: between 10 December 2022 and 18 December 2026).

Upon entering into the US private placement notes, the dollars were immediately swapped into Sterling to eliminate exposure to future exchange rate movements. The fixed Sterling amount was £242.9m (2021: £242.9m). However, under FRS 102, the dollar notes are retranslated into Sterling at the balance sheet date using the spot rate, with changes in value being recognised as a finance cost/credit in the profit and loss account. As at 31 March 2022, the US private placement notes were recorded in the financial statements at £288.9m (2021: £275.4m), a cumulative difference of £46.0m (2021: £32.5m) compared to the fixed Sterling amount. For the year ended 31 March 2022, a retranslation loss of £13.5m (2021: gain of £31.2m) was recorded (note 9). Of the total US private placement loans of £288.9m, £268.4m (2021: £nil) is presented as falling due within one year in note 16.

During the year, the group raised a further \$40m of US private placement notes with a funding date in December 2029. At the point the transaction was committed to, the group immediately swapped into Sterling. The fixed Sterling amount will be £29.4m.

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 £3.1m (2021: £2.3m). Amortisation of £3.5m (2021: £3.5m) has been charged during the year (note 9).

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2022

18. LOANS AND OTHER BORROWINGS (CONTINUED)

Other loans and borrowings

Other loans and borrowings include 9% subordinated redeemable loan notes of £123.0m (2021: £123.0m) issued to Peel Ports Investments (IOM) Limited (£46.1m; 2021: £46.1m), AS Infra PP Pty Ltd (£39.9m; 2021: £30.8m), Lepiri Investments Holdings B.V. (£18.5m; 2021:£nil) and GIP IV Morse Holdco Limited (£18.5m; 2021:£nil) at par. The loan notes have a final repayment date of 30 September 2046 and interest is payable bi-annually in arrears.

The 3% irredeemable loan stock issued by Clydeport Operations Limited, which amounts to £1.2m (2021: £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 (2021: £2.2m) are secured by floating charges over the undertaking of The Manchester Ship Canal Company Limited and bear interest at rates between 3.5% and 4.0%.

The 3.625% irredeemable debenture stock of £0.7m (2021: £0.7m) is secured by a fixed charge over certain securities and a floating charge over Peel Ports (IDS) Limited, a wholly owned subsidiary.

During the year ended 31 March 2020, the Group acquired £1.4m of obligations under finance leases as part of the acquisition of Peel Ports Logistics Limited (formerly Quality Freight (UK) Limited). As at 31 March 2022, £0.4m remained, of which £0.2m is presented as falling due within one year and £0.2m is presented as falling due after more than one year.

19. FINANCIAL INSTRUMENTS

Disclosures in respect of the Group

	Group	
	2022	2021
	£m	£m
Financial assets measured at fair value through profit or loss		
- Derivative financial instruments	51.7	43.2
Financial assets that are debt instruments measured at amortised cost		
- Trade debtors	74.9	70.0
- Other debtors	10.2	10.7
- Amounts owed by related undertakings	11.2	13.5
	96.3	94.2
Financial liabilities measured at fair value through profit or loss		
- Derivative financial instruments	(953.3)	(999.2)
Financial liabilities that are measured at amortised cost		
- Loans and other borrowings	(2,281.7)	(2,142.7)
- Trade creditors	(49.0)	(45.1)
- Accretion on index-linked swaps	(29.7)	(42.1)
- Other accruals (excluding deferred income)	(129.8)	(107.0)
- Other creditors	(19.8)	(17.5)
- Amounts owed to related undertakings	(2.6)	(5.1)
- Amounts owed to parent undertaking	(104.3)	(104.3)
	(2,616.9)	(2,463.8)

NOTES TO THE FINANCIAL STATEMENTS
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19. FINANCIAL INSTRUMENTS (CONTINUED)

Derivative financial instruments

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

As at 31 March 2022, the fair value of the Group's derivative financial instruments was a liability of £931.3m (2021: £998.1m), which includes £29.7m (2021: £42.1m) in respect of the accretion on index-linked swaps.

Disclosures in respect of the Group (continued)

	Group	
	2022	2021
	£m	£m
Fair values of derivative financial instruments		
Interest rate swaps	(337.9)	(442.3)
Index-linked swaps	(613.7)	(555.4)
Cross-currency swaps	45.5	38.7
Forward contracts	3.9	3.2
Fuel hedge	0.6	(0.2)
	<u>(901.6)</u>	<u>(956.0)</u>
Accretion on index-linked swaps	(29.7)	(42.1)
	<u>(931.3)</u>	<u>(998.1)</u>
Presentation of fair values		
<i>Derivative financial instruments</i>		
Debtors falling due within one year (note 15)	49.6	1.9
Debtors falling due after more than one year (note 15)	2.1	41.3
Creditors falling due within one year (note 16)	(21.5)	(38.6)
Creditors falling due after more than one year (note 17)	(931.8)	(960.6)
	<u>(901.6)</u>	<u>(956.0)</u>
<i>Accretion on index-linked swaps</i>		
Creditors falling due within one year (note 16)	-	(40.8)
Creditors falling due after more than one year (note 17)	(29.7)	(1.3)
	<u>(29.7)</u>	<u>(42.1)</u>
	<u>(931.3)</u>	<u>(998.1)</u>

As explained in note 3, the Group has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments. FRS 102 does not require derivative fair values to reflect the entity's own credit risk and, therefore, the Group has chosen to apply a policy to exclude this when determining fair values. In addition, the Group's floating rate loans transitioned from LIBOR to SONIA (the Sterling Overnight Interbank Average rate) on 1 January 2022 and as such, SONIA has been used to calculate the fair values in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2022

19. FINANCIAL INSTRUMENTS (CONTINUED)

Disclosures in respect of the Group (continued)

Derivative financial instruments – interest rate swaps

As at 31 March 2022, the Group was party to fixed interest rate swaps over £677.0m (2021: £672.8m) of notional principal, with fixed rates between 5.0% and 5.6% over £612.0m (2021: £612.0m) of principal with maturity dates between 2036 and 2041, and fixed rates between 1.7% and 1.9% over £65.0m (2021: £60.8m) of principal with maturity dates between 2023 and 2025. These instruments hedge the Group's exposure to interest rate movements on the Group's bank loans. The fair value calculated in respect of the swaps was a liability of £337.9m (2021: £442.3m), of which a liability of £17.3m (2021: £25.0m) is included in creditors falling due within one year, a liability of £320.8m (2021: £417.3m) is included in creditors falling due after more than one year and an asset of £0.2m (2021: £nil) is presented in debtors falling due within one year.

Derivative financial instruments – index-linked swaps

As at 31 March 2022, the Group was also party to index-linked swaps over £352.0m (2021: £352.0m) of notional principal under which the Group receives a SONIA floating rate of interest plus a credit adjustment spread to reflect the transition from LIBOR to SONIA, and pays interest at varying initial rates which increase over the term of the swaps by the movement in the UK Retail Prices Index ("UKRPI"). The swaps mature in 2036. The initial rate of interest was between 1.9% and 3.4%. In addition, the terms of the index-linked swaps provide for interim accretion payments to be made, based on the movement in the UK RPI. An accretion payment of £51.7m was made during the year ended 31 March 2022 (2021: £14.7m). The next accretion payment is scheduled to be paid in October 2024. As at 31 March 2022, the amount accrued for accretion payments, and presented in creditors falling due within one year, is £nil (2021: £40.8m) and in creditors falling due after more than one year of £29.7m (2021: £1.3m). The fair value of the index-linked swaps (excluding accretion), which at 31 March 2022 was a liability of £613.7m (2021: £555.4m), of which £3.8m (2021: £13.4m) is included in creditors falling due within one year and £609.9m (2021: £542.0m) is included in creditors falling due after more than one year.

Derivative financial instruments – cross-currency swaps

As explained in note 18, included within the Group's long-term borrowings is \$380.0m (2021: \$380.0m) 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 SONIA interest plus a credit adjustment spread to reflect the transition from LIBOR to SONIA and a margin. 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. In addition, during the year the Group entered into a further \$40m of cross-currency swaps as a pre-hedge in respect of a dollar denominated private placement note which is funding in December 2022. The fair value of these swaps at 31 March 2022 was an asset of £45.5m (2021: £38.7m), of which an asset of £46.7m (2021: £0.9m) is presented as due within one year, an asset of £0.3m (2021: £37.8m) is presented as falling due after more than one year, a liability of £0.4m (2021: £nil) is included in creditors falling due within one year and a liability of £1.1m (2021: £1.2m) is included in creditors falling due after more than one year.

Derivative financial instruments – forward contracts

As at 31 March 2022, the Group had entered into forward currency contracts over a notional principal of \$121.9m 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 £3.9m (2021: £3.2m), of which £2.3m (2021: £1.0m) is presented as falling due within one year and £1.6m (2021: £2.2m) is presented as falling due after more than one year.

Derivative financial instruments – fuel hedges

The Group also has fuel price hedging derivatives in place, which are measured at fair value. As at 31 March 2022, the fair value of these contracts was an asset of £0.6m (2021: liability of £0.2m), of which £0.6m (2021: £0.2m) is presented as falling due within one year and £nil (2021: £nil) is presented as following due after more than one year.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2022

19. FINANCIAL INSTRUMENTS (CONTINUED)

Disclosures in respect of the Group (continued)

Derivative financial instruments – profit and loss charges

	2022 £m	2021 £m
Gains on derivative financial instruments	(113.0)	(128.1)
Losses on derivative financial instruments	58.6	51.7
Change in fair value of derivative financial instruments recorded as interest expense measured at fair value through profit or loss (note 9)	(54.4)	(76.4)
Increase in accretion on index-linked swaps (note 9)	39.3	6.2
Net gain arising from movements in the fair value of derivative financial instruments	(15.1)	(70.2)

Disclosures in respect of the Company

	Company	
	2022 £m	2021 £m
Financial assets that are debt instruments measured at amortised cost		
- Amounts owed by group undertakings	374.3	338.0
Financial liabilities that are measured at amortised cost		
- Loans and other borrowings	(123.0)	(123.0)
- Amounts owed to group undertakings	(155.5)	(104.3)
- Accruals	(5.5)	(5.5)
	(284.0)	(232.8)

20. POST-EMPLOYMENT BENEFITS

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

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2022

20. POST-EMPLOYMENT BENEFITS (CONTINUED)

Amounts recognised in profit and loss account are as follows:

	2022 £m	2021 £m
Defined benefit schemes		
- Service cost (note 20(a))	0.3	0.3
- Scheme administrative costs (note 20(a))	1.1	1.6
Defined contribution scheme (note 20(b))	3.5	5.4
Total charge in operating profit	4.9	7.3
Defined benefit schemes		
- Net interest expense (note 9(c) and 20(a))	2.1	1.5
Total charge	7.0	8.8

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

	2022 £m	2021 £m
Post-employment pension liability	49.5	103.2

a) Defined benefit pension schemes

Administration and valuations

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2022

20. POST-EMPLOYMENT BENEFITS (CONTINUED)

a) Defined benefit pension schemes (continued)

Administration and valuations (continued)

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

Defined benefit pension schemes operated by the Group

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

Peel Ports Final Salary Pension Scheme ("PPFSPS")

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

The most recent full triennial actuarial valuations for each of the five sections of the PPFSPS were as at 5 April 2021. As at the latest actuarial valuation, the value of the assets within each section of the scheme, which together totalled £402.9m, was sufficient to cover between 85% and 104% of the benefits that had been accrued to members, after allowing for expected future increases in earnings. The total deficit across all five sections was £27.1m.

The main assumptions applied in the 2021 triennial valuation were that the pre-retirement discount rate would be calculated as the fixed interest gilt yield plus 2.5% per annum, the post-retirement discount rate would be calculated as the fixed interest gilt yield curve plus 0.5% per annum and that RPI would be determined from the gilt market implied break-even inflation, based on Bank of England published data. CPI inflation is RPI minus 0.5%. For liability maturities ranging from 5 to 25 years, this would approximate to a range of 0.87%-1.92% for the post-retirement discount rate, 2.87%-3.92% for the pre-retirement discount rate and 3.59%-3.76% for RPI.

The recovery plan agreed with the Trustee commits the Group to continue to make annual deficit recovery payments each year. The recovery plan is designed to address the respective funding positions of each section so as to achieve fully funded status by the end of the recovery plan period (5 November 2024). Additionally, the Group will continue to pay the scheme administrative expenses of the PPFSPS. During the year, the Group made contributions of £5.0m (2021: £4.7m). The latest recovery plan commits to total annual contributions of £8.0m. The triennial valuation as at 5 April 2024 is expected to be completed by the end of 2024.

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

The scheme closed to future accrual in 2014.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

20. POST-EMPLOYMENT BENEFITS (CONTINUED)

a) Defined benefit pension schemes (continued)

*Defined benefit pension schemes operated by the Group (continued)**Industry-wide defined benefit pension schemes*

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

The Pilots National Pension Fund ("PNPF")

The Pilots National Pension Fund ("PNPF") is a multi-employer industry-wide defined benefit pension scheme that is accounted for on a defined benefits basis. The trustee assessed and indicated the Group's share of the deficit as at 31 December 2010 to be 21.3%. Following a Flexible Apportionment Arrangement (FAA) in June 2018, the Group's share increased to 22.6%. Although the respective shares of the deficit as at 31 December 2010 hasn't changed, other than in respect of the aforementioned FAA, the Trustee has taken into account changes in the membership of the PNPF since the original recovery plan was introduced when allocating the share of the additional deficit arising from the most recent actuarial triennial valuation. Membership changes since the original plan will include the extent to which ports have active pilots, with active pilots continuing to accrue benefits and therefore increase the deficit, actual experience with mortality rates and pilot members who have transferred out of the PNPF to alternative pension arrangements. The latest valuation shows that the PNPF's deficit is approximately £20m higher than was expected by the original recovery plan. The Trustee has indicated that the Group's share of the new additional deficit is 28.1% and this has been applied when determining the additional future deficit repair contributions payable to the Fund, as set out further below.

The most recent formal actuarial valuation, completed by an independent actuary, is as at 31 December 2019.

As at that date, the scheme had assets with a market value of £322m, representing 67% of the benefits accruing to members. The total deficit was £159m. The main assumptions in the actuarial valuation were that long-term investment rates, and the discount rate, would be based on a fixed interest gilt yield curve plus 4.6% per annum for pre-retirement and plus 1.0% per annum for post-retirement, giving rates of 5.8% and 2.2% respectively. Pensionable salary increases were set at CPI, which is based on the Bank of England RPI curve less 1.0%, an assumed rate of 2.0% per annum. Price inflation is based on the Bank of England RPI curve less 0.3% per annum for RPI and less 1.0% for CPI, giving assumed rates of 3.0% and 2.0% respectively. The recovery plan is designed to address the funding position so as to achieve fully funded status by 31 December 2028. During the year ended 31 March 2022, the Group made contributions of £4.1m (2021: £3.8m) to the PNPF.

As the deficit is approximately £20m higher than that expected by the existing 2013 Recovery Plan, the 31 December 2019 triennial actuarial valuation introduced a new additional recovery plan, the 2019 Recovery Plan, so as to retain the target of the PNPF being fully funded by 2028. The triennial valuation as at 31 December 2022 is expected to be completed by late 2023.

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

At 31 March 2022, the Group's share of the deficit, on an FRS 102 accounting standards basis, was £30.0m (2021: £39.1m), which is included in the amounts recognised in the balance sheet.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2022

20. POST-EMPLOYMENT BENEFITS (CONTINUED)

a) Defined benefit pension schemes (continued)

Industry-wide defined benefit pension schemes (continued)

Merchant Navy Officers Pension Fund ("MNOPF")

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

During the year, the Group made contributions of £nil (2021: £nil) to the Defined Benefit Section in relation to the past-service deficit. The Group's share of the MNOPF Defined Benefit Section's scheme assets and liabilities is accounted for on a defined benefits basis.

The most recent triennial valuation of the Defined Benefit Section was carried out at 31 March 2021, when the Section had assets of £3,250m, representing 102% of the benefits accrued to members as at that date. The total deficit was £58m. The main assumptions were that the discounts would be based on gilts plus 0.875% at 31 March 2021, trending linearly down to gilts plus 0.25% from 2025, RPI would be derived from the break-even RPI curve and CPI would be 1.0% below RPI to 2030 and in line with RPI thereafter. As there are sufficient assets to cover the Fund's technical provisions, no deficit recovery payment plan is required. The triennial valuation as at 31 March 2024 is expected to be completed by early 2025.

As at 31 March 2022, the Group's share of the deficit on an FRS 102 accounting standards basis was £0.1m (2021: £0.4m), which is included in the amount recognised in the balance sheet.

Local Government Pension Scheme ('LGPS')

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

The fund is administered by Norfolk County Council in accordance with the Local Government Pension Scheme Regulations 1987 (as amended). The Group's share of the LGPS has been calculated by the actuary as being 0.4% (2021: 0.4%).

The most recent formal valuation, completed by an independent actuary, is as at 31 March 2019. As at that date, the NPF had assets with a market value of £3.8bn, representing 99% of the benefits accruing to members. The total deficit was £28m. The main assumptions in the actuarial valuations were that the investment return would be 4.2%, benefit increases on a CPI basis would be 2.3% and pensionable salary increases would be 3.0%. During the year, the Group made contributions of £0.2m (2021: £0.2m), which the Group will continue to pay on annual basis until the results of the next triennial actuarial valuation are known. The contributions have been set by the actuary in order to achieve a fully funded status by 2033. The triennial valuation as at 31 March 2022 is expected to be completed by the summer of 2023. As at 31 March 2022, the Group's share of the deficit in this scheme on an FRS 102 accounting standards basis was £nil (2021: £1.2m), which is included in the amounts recognised in the balance sheet.

NOTES TO THE FINANCIAL STATEMENTS
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20. POST-EMPLOYMENT BENEFITS (CONTINUED)

a) Defined benefit pension schemes (continued)

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

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

Assumptions

	2022	2021
Discount rate	2.6%	2.0%
Price inflation (RPI)	3.7%	3.3%
Price inflation (CPI)	2.9%	2.4%
Rate of increase of:		
- pensionable salaries	3.7%	3.3%
- pensions in payment	3.6%	3.2%
- deferred pensions	3.7%	3.3%

The mortality assumptions used were as follows:

	2022 Years	2021 Years
Longevity at age 65 for current pensioners:		
- Men	21.4	21.6
- Women	23.8	23.6
Longevity at age 65 for future pensioners (currently aged 45):		
- Men	23.0	23.4
- Women	25.6	25.4

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

Sensitivities

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

Assumption	Change in assumption	Impact on scheme liabilities
Discount rate	+/- 0.5%	-7%/+7%
Inflation	+/- 0.5%	+3%/-3%
Rate of increase in pensionable salaries	+/- 0.5%	+1%/-1%
Mortality	+1 year	+5%

NOTES TO THE FINANCIAL STATEMENTS
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20. POST-EMPLOYMENT BENEFITS (CONTINUED)

a) Defined benefit pension schemes (continued)

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

Net pension liability

	2022 £m	2021 £m
Fair value of scheme assets	471.4	499.2
Present value of funded obligations	(512.3)	(602.2)
	(40.9)	(103.0)
Present value of unfunded obligations	(0.2)	(0.2)
	(41.1)	(103.2)
Restriction of surplus	(8.4)	-
Post-employment pension liability	(49.5)	(103.2)

Reconciliation of scheme assets and liabilities

	Assets £m	Liabilities £m	Total £m
As at 1 April 2021	499.2	(602.4)	(103.2)
Benefits paid	(30.8)	30.8	-
Employer contributions	9.3	-	9.3
Employee contributions	1.5	(1.5)	-
Service cost	-	(0.3)	(0.3)
Scheme administrative expenses	(1.1)	-	(1.1)
Interest income/(expense)	9.4	(11.5)	(2.1)
Remeasurement gains/(losses)			
- Actuarial gains	-	72.4	72.4
- Return on plan assets excluding interest income	(16.1)	-	(16.1)
	471.4	(512.5)	(41.1)
Restriction of surplus	(8.4)	-	(8.4)
As at 31 March 2022	463.0	(512.5)	(49.5)

The net remeasurement of the defined benefit liability for the year ended 31 March 2022, recorded in other comprehensive income, is a gain of £47.9m (2021: loss of £46.0m), after an adjustment relating to the restriction of surpluses of £8.4m (2021: £nil).

Total cost recognised as an expense

	2022 £m	2021 £m
Scheme administrative expenses	1.1	1.6
Service cost	0.3	0.3
Recognised within operating expenses (note 7)	1.4	1.9
Net interest expense (note 9(c))	2.1	1.5
	3.5	3.4

No amounts (2021: £nil) were capitalised into the cost of assets.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2022

20. POST-EMPLOYMENT BENEFITS (CONTINUED)

a) Defined benefit pension schemes (continued)

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

Fair value of the plan assets

	2022	2021
	£m	£m
Equities	65.2	62.4
Hedge funds	3.6	9.3
Fixed-interest gilts	1.3	1.5
Index-linked gilts	0.5	0.5
Corporate bonds	190.8	227.0
Liability-driven investments	90.4	85.2
Diversified growth funds	33.4	32.3
Insurance policies	8.2	9.7
Annuities	3.1	3.1
Property	3.2	1.9
Private credit	31.0	7.3
Cash	40.7	59.0
Total	471.4	499.2

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

The return on the plan assets was:

	2022	2021
	£m	£m
Interest income	9.4	11.6
Return on plan assets excluding interest income	(16.1)	19.3
Total (losses)/gains	(6.7)	30.9

b) Defined contribution schemes

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

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

	2022	2021
	£m	£m
Current year contributions (note 7)	3.5	5.4

PEEL PORTS GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
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21. CALLED-UP SHARE CAPITAL

	Group and Company	
	2022	2021
	£m	£m
389,473,990 allotted and fully paid £1 ordinary shares	389.4	389.4
	<u>389.4</u>	<u>389.4</u>

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

Equity dividends

	2022	2021
	£m	£m
Final ordinary dividends paid	-	-
Interim ordinary dividends paid	88.9	38.9
	<u>88.9</u>	<u>38.9</u>

A final ordinary dividend of £54.5m has been proposed by the shareholders after 31 March 2022 (2021: £44.5m).

22. NOTES TO THE GROUP CASH FLOW STATEMENT

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

	2022	2021
	£m	£m
Profit for the year	59.1	143.2
Taxation	7.5	(1.8)
Net interest expense	123.8	15.4
Profit on disposal of discontinued operations	-	(25.0)
Share of operating profit of joint ventures	-	(0.6)
Group operating profit	<u>190.4</u>	<u>131.2</u>
Depreciation, amortisation and impairment	92.9	120.5
Profit on disposal of fixed assets	(4.0)	(15.9)
Increase in stocks	(1.9)	(1.1)
Increase in debtors	-	(12.9)
Decrease in creditors	11.4	38.7
Difference between pension charge and cash contributions	(7.9)	(8.0)
Cash inflow from operating activities	<u><u>281.0</u></u>	<u><u>252.5</u></u>

PEEL PORTS GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2022

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

b) Cash flow used in investing activities

	2022	2021
	£m	£m
Payments to acquire tangible fixed assets	(127.2)	(145.1)
Receipts from sales of tangible fixed assets	4.4	20.2
Payments to acquire subsidiary undertaking	(0.6)	(2.4)
Cash disposed of with disposal of discontinued operations	-	(34.9)
Cash received on disposal of discontinued operations	-	38.8
Dividends received from joint venture undertakings	-	1.6
Interest received	0.1	0.1
	(123.3)	(121.7)

c) Cash flow used in financing activities

	2022	2021
	£m	£m
Dividends paid to owners of the parent	(88.9)	(38.9)
Net repayment of revolving bank facilities	-	(60.0)
New private placement loans	95.0	50.0
Repayment of private placement loans	(2.3)	-
New bank loans	40.0	50.0
Repayment of bank loans	(7.3)	(6.8)
Loans to related parties	-	(1.0)
Payments in respect of finance leases	(0.2)	(0.3)
Issue costs paid	(3.1)	(0.9)
Accretion on derivative financial instruments paid	(51.7)	(14.7)
Interest paid	(118.1)	(110.7)
	(136.6)	(133.3)

23. ANALYSIS OF MOVEMENT IN GROUP NET DEBT

	As at 1 April 2021 £m	Cash flow £m	Other non- cash changes £m	Foreign exchange £m	As at 31 March 2022 £m
Cash at bank	87.8	20.6	-	(0.3)	108.1
Bank loans	(840.6)	(32.7)	0.6	-	(872.7)
Private placement loans	(1,174.4)	(92.7)	(0.9)	(13.5)	(1,281.5)
9% subordinated loan stock	(123.0)	-	-	-	(123.0)
Perpetual debenture stock	(2.2)	-	-	-	(2.2)
3% irredeemable loan stock	(1.2)	-	-	-	(1.2)
3.625% irredeemable loan stock	(0.7)	-	-	-	(0.7)
Finance leases	(0.6)	0.2	-	-	(0.4)
Debt	(2,142.7)	(125.2)	(0.3)	(13.5)	(2,281.7)
Net debt	(2,054.9)	(104.6)	(0.3)	(13.8)	(2,173.6)

PEEL PORTS GROUP LIMITED

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For the year ended 31 March 2022

24. CAPITAL COMMITMENTS

	2022	2021
	£m	£m
Capital expenditure contracted for but not provided for	23.4	56.0

25. RELATED PARTY TRANSACTIONS

Joint ventures

Related Party	Transaction	2022	2021
		£m	£m
The Mersey Docks and Harbour Company (L2) Limited and MDHC Container Services Limited	Sales and expenses recharged	20.2	17.6
	Purchases	(33.1)	(17.2)

As at the balance sheet date, the following amounts were owed by/(to) the above joint venture undertakings:

	2022	2021
	£m	£m
Amounts owed by the related party	9.8	11.2
Amounts owed to the related party	(2.6)	(5.0)

Included in the amounts owed by the related party is a loan balance of £3.6m, which is presented in debtors falling due after more than one year (2021: £3.5m). The loan bears an interest at the Bank of England base rate plus 3% and is repayable in full on 15 January 2030.

Entities in the Peel Holdings (IOM) Limited group of companies

The following summarises the transactions during the year between entities in the Group and divisions of the Peel Holdings (IOM) Limited group of companies. Peel Holdings (IOM) Limited is a related party due to the group of which it is part having a shareholding in Peel Ports Holdings (CI) Limited, the Group's immediate parent undertaking, through Peel Ports Investments (IOM) Limited.

Related Party	Transaction	2022	2021
		£m	£m
Peel Holdings (IOM) Limited	Sales and expenses recharged	6.9	4.0
	Purchases, rent and expenses reimbursed	(5.4)	(5.1)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

25. RELATED PARTY TRANSACTIONS (CONTINUED)

Entities in the Peel Holdings (IOM) Limited group of companies (continued)

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

	2022 £m	2021 £m
Amounts owed by the related party	0.7	2.3
Amounts owed to the related party	(1.0)	(0.1)

Marine Support Services

Companies within the former Marine Support Services segment, which principally include Cammell Laird Shiprepairers and Shipbuilders Limited and companies within the Atlantic and Peninsula Marine Services Limited group of companies, were disposed of on 23 July 2020 to Peel Ports Holdings (No 2) (IOM) Limited, a company in which Peel Ports Investments (IOM) Limited and Infrastructure JVCo (Lime) S.a.r.l have a 50.1% and 49.9% shareholding respectively. The principal transactions with the former Marine Support Services segment are in respect of the lease of land. During the year ended 31 March 2022, total rent and other income from the former Marine Support Services segment amounted to £4.5m (2021: £5.3m). As at 31 March 2022, £0.5m was due from the related party (2021: £nil). In addition, the Group is entitled to a management charge from Peel Ports Holdings (No 2) (IOM) Limited of £100,000 per annum for the provision of non-executive director services in respect of its holding in the former Marine Support Services segment. The total charge for the year ended 31 March 2022 was £100,000 (2021: £67,000). As at 31 March 2022, the amount outstanding was £167,000 (2021: £67,000), which was settled subsequent to the year-end.

Transactions with shareholders in the Group's immediate parent company in their capacity as shareholders

On 8 March 2022, Infrastructure JVCo (Lime) S.A.R.L disposed of its 37.4% shareholding in Peel Ports Holdings (CI) Limited which was acquired by AS Infra PP Pty Limited (7.4%) and Lemon 2021 Ltd (30%), an entity jointly owned by Lepiri Investments Holdings B.V. and GIP IV Morse Holdco Limited. As a result of this transaction, Infrastructure JVCo (Lime) S.A.R.L ceased to be a related party and Lemon 2021 Ltd, Lepiri Investments Holdings B.V. and GIP IV Morse Holdco Limited became related parties. Following the transaction, AS Infra PP Pty Limited's shareholding in Peel Ports Holding (CI) Limited increased to 32.4%.

Each shareholder holds a share of the 9% subordinated loan notes 2046 (note 17) and receives a share of the interest payable on those loan notes of £11.1m (2021: £11.1m) (note 9), in proportion to their shareholding.

As at 31 March 2022, the share of the 9% subordinated loan notes of £123.0m (2021: £123.0m) held by Peel Ports Investments (IOM) Limited was £46.1m (2021: £46.1m), by AS Infra PP Pty Limited was £39.9m (2021: £30.8m), Lepiri Investments Holdings B.V. (£18.5m; 2021:£nil) and GIP IV Morse Holdco Limited (£18.5m; 2021:£nil). In the year ended 31 March 2021, Infrastructure JVCo (Lime) S.a.r.l. was £46.0m.

Interest payable in the year ended 31 March 2022 includes £4.2m (2021: £4.2m) payable to Peel Ports Investments (IOM) Limited, £3.2m (2021: £2.8m) payable to AS Infra PP Pty Limited, £2.1m (2021: £4.2m) payable to Infrastructure JVCo (Lime) S.a.r.l., £0.8m (2021: £nil) payable to Lepiri Investments Holdings B.V., and £0.8m (2021:£nil) to GIP IV Morse Holdco Limited.

Included in accruals and deferred income in note 16 is accrued interest of £2.1m (2021: £2.1m) payable to Peel Ports Investments (IOM) Limited, £1.8m (2021: £2.1m) payable to AS Infra PP Pty Limited, £0.8m (2021: £nil) payable to Lepiri Investments Holdings B.V., and £0.8m (2021:£nil) to GIP IV Morse Holdco Limited.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

25. RELATED PARTY TRANSACTIONS (CONTINUED)

The shareholders in Peel Ports Holdings (CI) Limited are entitled to an annual fee of £50,000 for each director appointed to the Board of the parent company. These directors are also appointed to the Board of Peel Ports Group Limited and their services are principally in respect of the Group. A total fee of £278,000 is payable in respect of the year ended 31 March 2022 (2021: £239,000), of which £131,000 (2021: £104,000) is payable to Peel Ports Investments (IOM) Limited, £47,000 (2021: £104,000) is payable to Infrastructure JVCo (Lime) S.a.r.l and £100,000 (2021: £31,000) is payable to AS Infra PP Pty Ltd. Included in accruals and deferred income in note 16 is an outstanding balance as at 31 March 2022 of £131,000 (2021: £239,000).

Details of equity dividends paid to the shareholder are shown in the Directors' Report and note 21.

26. OTHER FINANCIAL COMMITMENTS

At 31 March 2022, the Group had the following minimum lease payments under non-cancellable operating leases for each of the following periods:

	2022 £m	2021 £m
Within one year	73.6	43.0
Within two to five years	197.5	99.0
After five years:		
Ellesmere Port – see below	1,005.4	1,006.6
Other leases	563.9	373.2
	<u>1,569.3</u>	<u>1,379.8</u>
	<u>1,840.4</u>	<u>1,521.8</u>

Included within non-cancellable operating lease commitments after five years is £1,370.8m (2021: £1,317.4m) in respect of long life land leases. This includes £1,005.4m (2021: £1,006.6m) in respect of a 999 year lease over the Group's Ellesmere Port site, in respect of which there are 952 years remaining.

The increase in minimum lease payments under non-cancellable operating leases in the year ended 31 March 2022 relate primarily new vessel charter arrangements in the Shipping segment.

Company

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

27. CONTROLLING PARTIES

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

Peel Ports Holdings (CI) Limited is incorporated in the Cayman Islands. Peel Ports Group financial statements form part of the consolidated financial statements of Peel Ports Holdings (CI) Limited which are available to the public from its registered office:

C/o Maples Corporate Services Limited
 PO Box 309
 Uglan House
 Grand Cayman
 KY1-1104
 Cayman Islands

NOTES TO THE FINANCIAL STATEMENTS

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28. SUBSIDIARY UNDERTAKINGS AND JOINT VENTURES

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

Principal subsidiary undertakings

The principal subsidiary undertakings consolidated as at 31 March 2022 were as follows. Number references in parentheses relate to the registered address of each company, which are set out at the end of this note.

Subsidiary	Principal activity
Birkenhead Port Limited (1)	Regional Port Operator
B.G. Freight Line B.V. (2)	Shipping
Clydeport Operations Limited (3)	Regional Port Operator
Great Yarmouth Port Company Limited (1)	Regional Port Operator
Heysham Port Limited (1)	Regional Port Operator
Ligna Biomass Limited (1)	Biomass Facility Operator
Marine Terminals Limited (4)	Stevedoring
Peel Ports Limited (1)	Treasury Company
Peel Ports Logistics Limited (1)	General Cargo Services Provider
Peel Ports PP Finance Limited (5)	Treasury Company
Port of Sheerness Limited (1)	Regional Port Operator
The Manchester Ship Canal Company Limited (1)	Regional Port Operator
The Mersey Docks and Harbour Company Limited (1)	Regional Port Operator
The Mersey Docks and Harbour Company (RSCT) Limited (1)	Container Terminal Operator

Other subsidiary undertakings

The Group's other subsidiary undertakings consolidated at 31 March 2022 were as follows, categorised by principal activity. Number references in parentheses relate to the registered address of each company, which are set out at the end of this note.

Trading companies

Subsidiary	Principal activity
Ardrossan Harbour Company Limited (3)	Regional Port Operator
B.G. Freight Line Germany GmbH (7)	Freight Forwarding
B.G. Freight Line Limited (4)	Shipping
Coastal Container Line Limited (6)	Shipping
Dublin Container and Transport Services Limited (4)	Container Services
Peel Ports (IDS) Limited (1)	Investment Holding
Seaforth Power Limited (1)	Electricity Supply to the Port of Liverpool

Intermediate holding companies

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

B.G. Freight Line Holding B.V. (2)	Merlin Ports Limited (1)
Clydeport Limited (3)	Peel Holdings (Ports) Limited (1)
Imari Limited (4)	Peel Ports Containers Limited (1)
Ligna Biomass Holdings Limited (1)	Peel Ports Holdings Limited (1)
Maritime Centre Limited (1)	Peel Ports Intermediate Holdco Limited (1)
Medway Ports Limited (1)	Peel Ports Land & Property Investments Limited (1)
Peel Ports Operations Limited (1)	Peel Ports Investments Limited (1)
Peel Ports UK Financeco Limited (1)	

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For the year ended 31 March 2022

28. SUBSIDIARY UNDERTAKINGS AND JOINT VENTURES (CONTINUED)

Dormant or non-trading companies

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

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

Joint venture undertakings

The joint venture undertakings at 31 March 2022 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.

Joint venture	Principal activity
Clarke Chapman Portia Port Services Limited (1)	Non-trading
Inchgreen Marine Park Limited (3)	Non-trading
The Mersey Docks and Harbour Company (L2) Limited (1)	Container Terminal Operator
MDHC Container Services Limited (1)	Labour Provider

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

Registered offices

Reference	Address
1	Maritime Centre, Port of Liverpool, Liverpool, L21 1LA, UK
2	Den Hamweg 30, 3089KK, Rotterdam, The Netherlands
3	16 Robertson Street, Glasgow, G2 8DS, UK
4	South Bank Quay, Pigeon House Road, Ringsend, Dublin 4, Ireland
5	c/o Maples Corporate Services Ltd, PO Box 309, Uglan House, Grand Cayman, KY1-1104, Cayman Islands
6	c/o Elliott Duffy Garrett, 40 Linenhall Street, Belfast, BT2 8BA, UK
7	Hugo-Junkers-Str. 17, 50259 Pulheim, Germany

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

28. SUBSIDIARY UNDERTAKINGS AND JOINT VENTURES (CONTINUED)

Disposals in the year ended 31 March 2021 – subsidiary undertakings

On 23 July 2020, Peel Ports Investments Limited, a subsidiary undertaking, disposed of its investment in the Marine Support Services segment, including investments in A&P Falmouth Limited, A&P Tees Limited, A&P Tyne Limited, Atlantic & Peninsula Australia Pty Limited, Cammell Laird Shiprepairers & Shipbuilders Limited, A&P Shipbuilders Limited, Atlantic Engineering & Laboratories Limited, Marine Designs Limited, Neway Industrial and Environmental Services Limited, The Falmouth Docks & Engineering Company, A&P GH 2006 Limited, A&P Group Limited, A&P Ship Repairers Limited, Atlantic & Peninsula Marine Services Limited, A&P Birkenhead Properties Limited, A&P Defence Limited, A&P Southampton Limited, A&P Wallsend Limited and Hydropower Services Limited.

The results of the Marine Support Services segment have been presented in these financial statements as discontinued operations in the year ended 31 March 2021.

The profit after tax for the year ended 31 March 2021 from the discontinued operations was £1.6m. In addition, an exceptional profit of £25.0m was generated on disposal of these discontinued operations, calculated as follows:

	£m
Consideration received	38.8
Less: Cash disposed of	(34.9)
Proceeds from sale of discontinued operations (net of cash disposed)	<u>3.9</u>
Net liabilities (excluding cash) disposed of	<u>(21.1)</u>
Profit on disposal of discontinued operations	<u>25.0</u>

Disposals in the year ended 31 March 2021 – joint venture undertakings

On 30 March 2021, Port of Sheerness Limited, a subsidiary undertaking, disposed of its joint venture investment in Estuary Services Limited to its joint venture partner, Port of London Authority, for £1. Prior to the disposal the Group received a dividend from the joint venture of £1.6m out of accumulated undistributed reserves. Profit or loss arising on the disposal of the investment is not material for the financial statements.