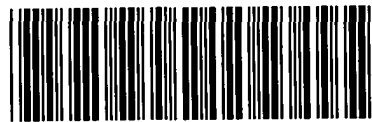


**PEEL PORTS GROUP LIMITED**

**Report and Financial Statements  
For the year ended 31 March 2014**

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**REPORT AND FINANCIAL STATEMENTS 2014**

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**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

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

**COMPANY SECRETARY**

C R Marrison Gill

**REGISTERED OFFICE**

Maritime Centre  
Port of Liverpool  
Liverpool  
L21 1LA

**BANKERS**

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

**AUDITOR**

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

## STRATEGIC REPORT

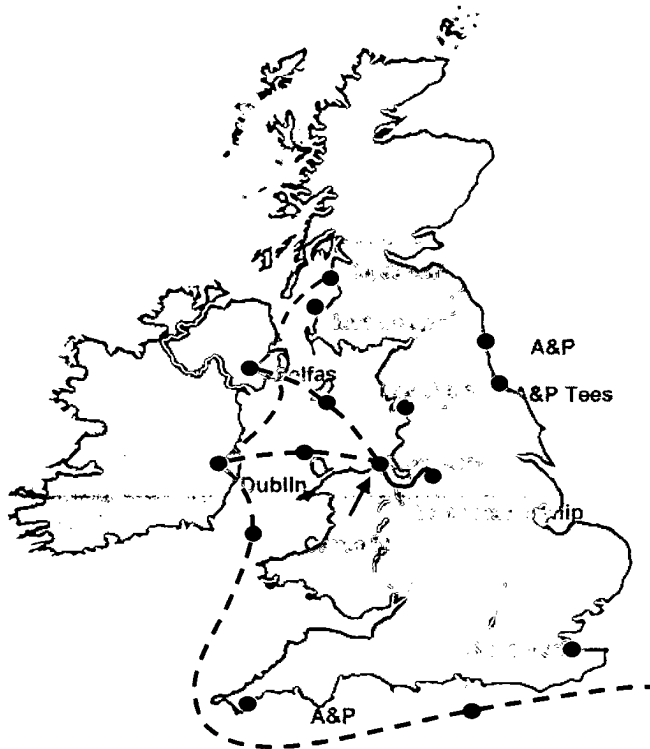
### 1. GROUP OVERVIEW AND PRINCIPAL ACTIVITIES

#### *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.

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

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



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

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

**STRATEGIC REPORT (CONTINUED)****1. GROUP OVERVIEW AND PRINCIPAL ACTIVITIES (CONTINUED)***Ports (continued)*

The Group is undertaking a major investment in Liverpool2, a new deep water in-river container terminal. With the scheduled widening of the Panama Canal, and the potential for round the world trade routes that this might bring, the terminal will enable the Port of Liverpool to handle most of the largest container vessels afloat. Total investment will be approximately £300m, part financed by a £150m loan secured from the European Investment Bank. In addition, the Group has been awarded a Regional Growth Fund grant of £35m as contribution to the cost of dredging the approach channel to the Mersey Estuary, of which £4m was received in the year. By deepening the approach channel of the Mersey to 16 metres, it will allow access for post Panamax size container ships as well as widening the tidal access window for a range of other river users.

The combination of the Liverpool2 terminal with the Group's existing port assets and short sea shipping services in the Irish Sea, the Continent and along the Manchester Ship Canal is expected to provide significant advantages to both shipping lines and importers. It is estimated that 35 million consumers live within a radius of 150 miles of the Port of Liverpool.

*Shipping*

The Group's port operations are complemented by a shipping line division, providing short sea container services between the UK, Ireland and mainland Europe and feeder services between the UK and Ireland. Operating as BG Freight Line, based in Rotterdam these services charter vessels on a short-term basis to meet the needs of customers.

*Marine Support Services*

The Group's Marine Support Services division provides a range of marine services, including ship repair and marine engineering, to ship owners and operators. Cammell Laird's Birkenhead site expands across 130 acres and includes four dry docks. The company specialises in military ship refits, commercial ship repairs, upgrades and conversion and shipbuilding. Cammell Laird is also active in the industrial services and energy sectors. Atlantic & Peninsula Marine Services ("A&PMS"), owner of A&P Group Limited, is a leading engineering services and fabrication group, providing ship repair, ship conversion and marine services and specialising in the global marine and energy sectors. A&P Group operates from three sites across the UK, in the North East (Tyne and Tees) and South West (Falmouth).

*Overview of financial performance for the year*

Overall, group operating profit was £106.4m, up £6.9m compared to £99.5m in 2013. Loss after tax was £6.3m compared to a prior year profit of £17.6m. In addition to an improved underlying performance, the 2014 results also reflect a full year's trading from Marine Support Services, acquired in September 2012, increased net finance charges following the refinancing of the Group's loans in the prior year and an operating exceptional item of £16.1m (2013: £2.0m), of which £10.1m (2013: £nil) is a non-cash exceptional pensions charge.

The subsidiaries principally affecting the profits or net assets of the Group in the year are listed in note 32.

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:	2014 £m	2013 £m	Change	
			£m	%
Turnover	623.7	501.9	121.8	24.3
Gross profit	193.0	148.4	44.6	30.1
EBITDA <sup>1</sup>	178.0	158.5	19.5	12.3
Group operating profit before exceptional items	122.5	101.5	21.0	20.7
Group operating profit	106.4	99.5	6.9	6.9
	%	%		
Gross profit margin	30.9	29.6		

Tonnage throughput\*:

Ports (millions)	61.4	62.5	(1.1)	(1.8)
Shipping (millions)	4.2	3.2	1.0	31.3
Total	65.6	65.7	(0.1)	(0.2)

\*Uses standard tonnage measures for the port industry.

The operating performance for the year ended 31 March 2014 reflects the following:

- The Group's ports and shipping businesses continued to deliver revenue and profit growth, underpinned by a diversified service offering and customer base, long term contracts and a significant level of guaranteed revenues. Turnover and profit both benefitted from a full year's trading from Marine Support Services<sup>2</sup>, which also performed strongly.
- Turnover and gross profit increased by 24.3% and 30.1% respectively, and the gross margin increased from 29.6% to 30.9%.
- EBITDA increased 12.3% from £158.5m to £178.0m and Group operating profit increased 6.9% from £99.5m to £106.4m. Excluding operating exceptional items in both years, the Group's underlying operating profit increased from £101.5m to £122.5m, an increase of 20.7%.
- Tonnage throughput was broadly unchanged, with the Group's diverse range of cargos handled allowing for a balanced year-on-year position.
- Operating cash flows were £155.4m, up from £133.9m in the prior year primarily as a result of increased activity levels and better working capital management.

<sup>1</sup> EBITDA is total operating profit before depreciation, amortisation of goodwill and operating exceptional items, and after other finance income arising from the defined benefit pension schemes and before minority interest.

<sup>2</sup> Acquired in September 2012.

## **STRATEGIC REPORT (CONTINUED)**

### **2 FINANCIAL REVIEW (CONTINUED)**

#### **2.1 Operating performance (continued)**

- The Group invested £90.8m (2013: £49.3m) in capital expenditure. After corporation tax paid of £4.4m (2013: £12.1m), returns on investments and servicing of finance of £87.9m (2013: £56.5m), the payment of equity dividends of £35.2m (2013: £23.0m) and net financing inflows of £92.7m (2013: £26.1m outflow) the Group had cash reserves of £78.5m (2013: £48.8m).
- The level of business activity for the Group has been satisfactory, and in line with expectations. Economic indicators suggest that the outlook is positive and it is anticipated that the Group is in a good position to benefit from the economic recovery.

#### **2.2 Other financial developments**

Other financial developments include:

- The Group closed its main defined benefit pension scheme, the Peel Ports Group Final Salary Pension Scheme, to future accrual, giving rise to a non-cash exceptional curtailment loss of £10.1m. This is in addition to £2.2m of pensions-related restructuring costs incurred in the year. Benefits accrued by members at the point of closure were unaffected and the Group continues to record liabilities for those on the balance sheet. However, closure allows the Group to reduce its pension risk by removing its exposure to further accrued liabilities in the scheme.
- Restructuring of certain parts of the Group's operations to facilitate greater linkages between its strategic assets, resulted in an exceptional operating charge of £3.8m (2013: £2.0m).
- The Group successfully completed the refinancing of its medium-term bank loans, taking the opportunity to extend the debt term profile by prepaying the three year facilities. Following the refinancing, the Group's loans and loan note instruments have repayment dates between 3 October 2016 and 30 September 2046.
- Investment in capital expenditure totalled £90.8m (2013: £49.3m), with investment being made at all of the Group's ports. At the Port of Liverpool, this included the on-going construction of the Liverpool2 deep water in-river container terminal (see overleaf) and extending an animal feed shed, which was already the largest of its kind in the UK. In addition, five new straddle carriers were acquired to replace existing older models. The total fleet capacity of 40 also includes six new carriers acquired in the prior year. At the Port of Sheerness, the construction of a pre-delivery inspection centre for use by Volkswagen was completed. In Scotland significant investment continued to be made in the coal handling facilities at Hunterston.
- The Group received £4.0m of a £35.0m Regional Growth Fund grant award towards the cost of dredging the approach channel in the Mersey Estuary (part of the total cost of developing the Liverpool2 terminal referred to above).

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

- Net liabilities were £566.6m at 31 March 2014 (2013: £517.4m). In addition to the loss for the financial year of £6.3m (2013: profit of £17.6m), the net liability position has changed primarily because of an actuarial loss, net of tax, of £11.1m (2013: loss of £42.1m) relating to the Group's defined benefit pension schemes and the payment of interim dividends on ordinary shares of £35.2m (2013: £23.0m).

## STRATEGIC REPORT (CONTINUED)

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

#### *Liverpool2*

The new deep water in-river terminal, called “Liverpool2”, will enable the Port of Liverpool to handle container vessels of post Panamax capacity (up to 13,500 TEU), with draught up to 16m. It will increase port capacity from 0.9m TEU to 1.5m TEU in the first phase (operational in 2015) and then to 2.4m TEU in the second phase (operational in 2019).

Dredging for the new facility began in June 2013 at a ground-breaking event attended by over 300 industry guests. Progress has since been made on a number of construction activities, including the quay wall.

Since the year end, the Group has announced that an agreement has been signed with Shanghai-based Zhenua Heavy Industries Co to supply 17 ‘mega’ cranes for the container port. Phase 1 will see 5 ship-to-shore megamax cranes and 12 cantilever rail mounted gantry cranes delivered. This new equipment will enable the handling of two 380m vessels simultaneously.

#### *Manchester Ship Canal ('MSC') anniversary*

May 2014 saw the 120<sup>th</sup> anniversary of the opening of the MSC, the 36 mile channel that connects Liverpool and Manchester. The region benefits from a significant density of large warehousing and has nearly two thirds of the population of UK and Ireland within a 150 mile radius of the Port of Liverpool, making the canal an integral part of the Group’s multi-modal offering.

#### *Cammell Laird awarded £47m refit of Royal Fleet Auxiliary (“RFA”) Fort Victoria*

The RFA Fort Victoria is one of the largest vessels operated by the British Ministry of Defence and the refit will be the biggest undertaken by Cammell Laird since it began its 25 year ‘cluster’ contract in 2008 to maintain nine of the 13 ships in the RFA flotilla. The company formally started the second five year cycle of the contract in 2013.

### 4. PRINCIPAL RISKS AND UNCERTAINTIES

#### 4.1 Commercial

##### *Economic outlook and market pressures*

##### Ports

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

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

##### Shipping and Marine Support Services

For the Group’s other divisions, there is a greater degree of commercial tendering for contracts which are typically of a shorter duration than those in the Ports division. In these divisions, the mitigation of this risk comes from developing a strong track record for delivering excellent service, ensuring operational efficiency and maintaining the flexibility to respond quickly to potential upsides and downsides.



## STRATEGIC REPORT (CONTINUED)

### 4. PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

#### 4.2 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 3 October 2016 and 30 September 2046 ("long-term debt") amount to £1,367.4m (2013: repayment dates between 11 December 2015 and 30 September 2046 - £1,268.1m). The cash flow risk arising in connection with interest charges is mitigated through the use of interest rate and index-linked swaps. Further details can be found in note 17.

The directors consider that the combination of the swap instruments, stable trading of the ports business, effective working capital management and the investment in the asset base assists in managing the risks arising from the level of debt and variability in interest rates. The Group's bank loans and swap instruments are spread over a large number of banks and within the current facility agreements there are undrawn funds of £312.7m available, of which £106.7m is specific to the development of the Liverpool2 facility at the Port of Liverpool.

##### *Credit risk*

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

##### *Foreign exchange risk*

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

##### *Pensions risk*

The Group operates defined benefit pension schemes and is party to a number of industry-wide defined benefit pension schemes. Modest changes to the assumptions used to value the schemes' assets and liabilities can have a significant effect on the asset or liability that the Group records. At 31 March 2014, the Group balance sheet recorded a pension liability, net of deferred taxation, of £56.2m (2013: £42.9m). The year-on-year increase in the net liability was primarily due to revised actuarial assumptions due to lower corporate bond yields and the decrease in the deferred tax rate. The arrangements and the assumptions used are more fully explained in note 21 of the financial statements. Contribution rates are agreed with the trustees of each of the Group's schemes to enable deficits to be recovered over appropriate periods of time.

As noted previously, the Peel Ports Group Final Salary Pension Scheme closed to future accrual during the year. Benefits accrued by members prior to the closure are unaffected and liabilities for these continue to be recorded on the Group balance sheet.

##### *Going concern*

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

#### 4.3 Operational

##### *Capital expenditure projects*

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

**STRATEGIC REPORT (CONTINUED)**

**4. PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)**

**4.3 Operational (continued)**

*Health and safety*

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

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

**4.4 Environmental**

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

**On behalf of the Board**

A handwritten signature in black ink, appearing to read 'I G L Charnock', with a long, sweeping underline that extends to the right.

**I G L Charnock**  
Director  
3 July 2014

## **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**

Interim dividends of £35.2m were proposed and paid (2013: £23.0m). A final dividend of £1.7m has been proposed (2013: £nil). As this had not been approved as at 31 March 2014 it is not included as a liability in these financial statements.

### **DIRECTORS**

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

T E Allison (Chairman)  
I G L Charnock  
P J Hosker (resigned 18 July 2013)  
H M M Mackenzie  
S Underwood (appointed 18 July 2013)  
S Vyas (appointed 18 July 2013)  
J Whittaker  
M Whitworth

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

### **EMPLOYEE INVOLVEMENT**

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

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

### **CHARITABLE AND POLITICAL CONTRIBUTIONS**

During the year, contributions by the Group for charitable purposes totalled £0.2m (2013: £0.1m). The Group made no political contributions during the financial year (2013: £nil).

### **AUDITOR AND DISCLOSURE OF INFORMATION TO THE AUDITOR**

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

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

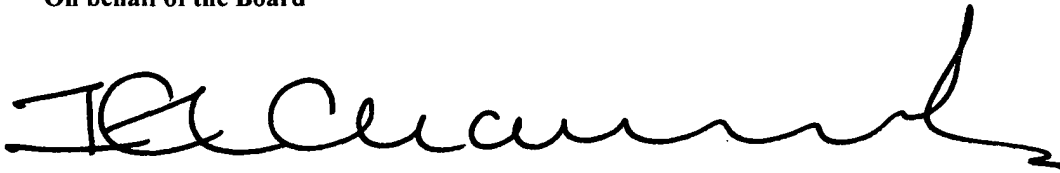
This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

**DIRECTORS' REPORT (CONTINUED)**

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

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

**On behalf of the Board**

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

**I G L Charnock**  
Director

**3** July 2014

## **DIRECTORS' RESPONSIBILITIES STATEMENT**

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

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

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

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

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

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

We have audited the financial statements of Peel Ports Group Limited for the year ended 31 March 2014 which comprise the consolidated profit and loss account, the consolidated statement of total recognised gains and losses, the reconciliation of movements in Group shareholder's deficit, the Group and Parent Company balance sheets, the consolidated cash flow statement, the reconciliation of Group cash flows to movement in net debt and the related notes 1 to 32. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

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

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

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

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

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the Parent Company's affairs as at 31 March 2014 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

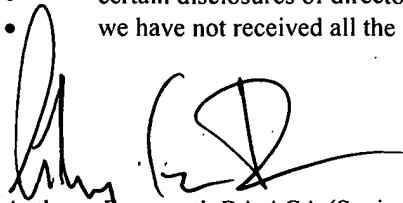
In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

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

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

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



Anthony Harnworth BA ACA (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
Liverpool, United Kingdom

03 July 2014

**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
**For the year ended 31 March 2014**

	Note	2014 £m	2013 £m
<b>GROUP TURNOVER</b>	2	<u>623.7</u>	<u>501.9</u>
<b>GROSS PROFIT</b>		193.0	148.4
Other administrative expenses		(70.5)	(46.9)
Exceptional items	6	(16.1)	(2.0)
Administrative expenses		<u>(86.6)</u>	<u>(48.9)</u>
<b>GROUP OPERATING PROFIT</b>	2, 3	106.4	99.5
Share of operating profit of joint ventures	2	<u>0.3</u>	<u>5.0</u>
<b>TOTAL OPERATING PROFIT: GROUP AND SHARE OF JOINT VENTURES</b>		106.7	104.5
Net interest and similar items	7	<u>(102.8)</u>	<u>(76.1)</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		3.9	28.4
Tax on profit on ordinary activities	8	<u>(5.9)</u>	<u>(9.3)</u>
<b>(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		(2.0)	19.1
Equity minority interests	30	<u>(4.3)</u>	<u>(1.5)</u>
<b>(LOSS)/PROFIT FOR THE FINANCIAL YEAR</b>	20	<u>(6.3)</u>	<u>17.6</u>

The above results are derived from continuing operations.

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



**CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
**For the year ended 31 March 2014**

	Note	2014 £m	2013 £m
<b>(Loss)/profit for the financial year</b>			
- Group (loss)/profit		(6.6)	13.8
- Joint ventures' profit		0.3	3.8
		<u>(6.3)</u>	<u>17.6</u>
<b>Other recognised gains and losses</b>			
Actuarial loss relating to recognition of PNPF net liabilities		-	(41.4)
Other actuarial losses relating to Group pension schemes		(13.9)	(13.4)
Actuarial loss relating to Group pension schemes	21	(13.9)	(54.8)
Movement on taxation relating to pension deficit			
- Deferred		2.8	10.9
- Current		-	1.8
Actuarial loss net of deferred taxation relating to joint venture pension schemes		-	(0.3)
Currency translation differences on foreign net investments		(0.5)	0.4
		<u>(11.6)</u>	<u>(42.0)</u>
Minority interest share of other recognised gains and losses		(0.2)	0.6
		<u>(11.8)</u>	<u>(41.4)</u>
<b>Total recognised gains and losses for the financial year</b>		<u>(18.1)</u>	<u>(23.8)</u>

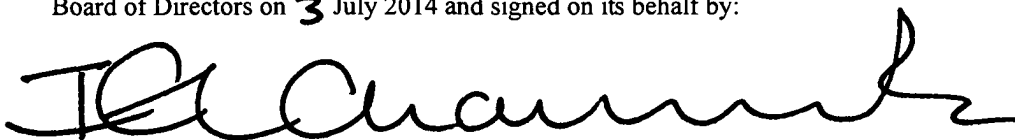
**RECONCILIATION OF MOVEMENTS IN GROUP SHAREHOLDER'S DEFICIT**  
**For the year ended 31 March 2014**

		2014 £m	2013 £m
(Loss)/profit for the financial year		(6.3)	17.6
Dividends	9	(35.2)	(23.0)
Other recognised net gains and losses for the financial year		(11.8)	(41.4)
<b>Net change in shareholder's deficit</b>		<u>(53.3)</u>	<u>(46.8)</u>
<b>Opening shareholder's deficit</b>		<u>(520.4)</u>	<u>(473.6)</u>
<b>Closing shareholder's deficit</b>		<u>(573.7)</u>	<u>(520.4)</u>

**BALANCE SHEETS**  
As at 31 March 2014

	Note	Group		Company	
		2014 £m	2013 £m	2014 £m	2013 £m
<b>FIXED ASSETS</b>					
Intangible assets	10	145.5	156.1	-	-
Tangible assets	11	813.2	759.3	-	-
Interests in joint ventures:	12				
- share of gross assets		5.0	4.9	-	-
- share of gross liabilities		(3.8)	(4.0)	-	-
Other investments	12	0.7	0.7	337.5	337.5
		<b>960.6</b>	<b>917.0</b>	<b>337.5</b>	<b>337.5</b>
<b>CURRENT ASSETS</b>					
Short-term investments	12	1.8	2.4	-	-
Stocks	13	3.0	2.7	-	-
Debtors - due within one year	14	120.1	121.4	111.2	111.6
- due after more than one year	14	-	0.8	123.0	123.0
Cash at bank and in hand		78.5	48.8	-	-
		203.4	176.1	234.2	234.6
<b>CREDITORS: amounts falling due within one year</b>	15	<b>(295.4)</b>	<b>(302.9)</b>	<b>(109.8)</b>	<b>(109.8)</b>
<b>NET CURRENT (LIABILITIES)/ASSETS</b>		<b>(92.0)</b>	<b>(126.8)</b>	<b>124.4</b>	<b>124.8</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>868.6</b>	<b>790.2</b>	<b>461.9</b>	<b>462.3</b>
<b>CREDITORS: amounts falling due after more than one year</b>	16	<b>(1,362.7)</b>	<b>(1,252.4)</b>	<b>(123.0)</b>	<b>(123.0)</b>
<b>PROVISIONS FOR LIABILITIES</b>	18	<b>(16.3)</b>	<b>(12.3)</b>	<b>-</b>	<b>-</b>
<b>NET (LIABILITIES)/ASSETS EXCLUDING PENSION LIABILITY</b>		<b>(510.4)</b>	<b>(474.5)</b>	<b>338.9</b>	<b>339.3</b>
Pension liability	21	(56.2)	(42.9)	-	-
<b>NET (LIABILITIES)/ASSETS INCLUDING PENSION LIABILITY</b>		<b>(566.6)</b>	<b>(517.4)</b>	<b>338.9</b>	<b>339.3</b>
<b>CAPITAL AND RESERVES</b>					
Called-up share capital	19	337.5	337.5	337.5	337.5
Merger reserve	20	(506.1)	(506.1)	-	-
Profit and loss account	20	(405.1)	(351.8)	1.4	1.8
<b>TOTAL SHAREHOLDER'S (DEFICIT)/FUNDS</b>		<b>(573.7)</b>	<b>(520.4)</b>	<b>338.9</b>	<b>339.3</b>
Equity minority interests	30	7.1	3.0	-	-
<b>CAPITAL EMPLOYED</b>		<b>(566.6)</b>	<b>(517.4)</b>	<b>338.9</b>	<b>339.3</b>

The financial statements of Peel Ports Group Limited (company registration number 5965116), were approved by the Board of Directors on 3 July 2014 and signed on its behalf by:



I G L Charnock  
Director

**CONSOLIDATED CASH FLOW STATEMENT**  
**For the year ended 31 March 2014**

	Note	2014 £m	2013 £m
Cash inflow from operational activities	22	155.4	133.9
Dividends from joint ventures		-	5.5
Returns on investments and servicing of finance	22	(87.9)	(56.5)
Taxation paid		(4.4)	(12.1)
Capital expenditure and financial investment	22	(90.8)	(36.7)
Acquisitions and disposals	22	-	(12.6)
Equity dividends paid	9	(35.2)	(23.0)
<b>Cash outflow before financing</b>		<b>(62.9)</b>	<b>(1.5)</b>
Financing	22	92.7	(26.1)
<b>Increase/(decrease) in cash in the year</b>	23	<b>29.8</b>	<b>(27.6)</b>

**RECONCILIATION OF GROUP CASH FLOWS TO MOVEMENT IN NET DEBT**  
**For the year ended 31 March 2014**

	Note	2014 £m	2013 £m
Increase/(decrease) in cash in the year	23	29.8	(27.6)
Change in net debt arising from finance leases	23	0.9	1.1
Cash (inflow)/outflow from (increase)/decrease in debt financing	22	(93.6)	25.0
<b>Change in net debt resulting from cash flows</b>		<b>(62.9)</b>	<b>(1.5)</b>
Accretion payment accrued on index-linked swap	7, 24	(11.6)	(13.8)
Change in value of unamortised issue costs	17, 24	(8.2)	(2.2)
Loans and finance leases acquired with subsidiary undertakings	23	-	(2.1)
Exchange differences	23	(0.1)	0.2
<b>Change in net debt in the year</b>		<b>(82.8)</b>	<b>(19.4)</b>
Net debt brought forward	23	(1,213.3)	(1,193.9)
<b>Net debt carried forward</b>	17, 23	<b>(1,296.1)</b>	<b>(1,213.3)</b>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

### 1. ACCOUNTING POLICIES

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

#### Basis of preparation

In considering the appropriateness of the going concern basis of preparation, the directors have considered forecasts for the next twelve months following the date of the signing of the 2014 financial statements, which include detailed cash flow forecasts and working capital availability. These forecasts show that sufficient resources remain available to the business for the next twelve months. In addition, the directors note the following:

- the directors prepare and update detailed annual budgets, two year forecasts, and ten year strategic plans. Together these show that sufficient resources are available to the business and on this basis the directors continue to adopt the going concern assumption;
- at the balance sheet date, the Group has net liabilities of £566.6m (2013: £517.4m) which are principally attributed to the reorganisation of the Group in 2006 which was accounted for under merger accounting principles and resulted in the creation of a merger relief reserve of £506.1m;
- at the balance sheet date, the Group has borrowings of £1,244.4m (2013: £1,145.1m), which are subject to covenant restrictions. No breaches have occurred in the historical period or are forecast to occur. After taking account of reasonably possible changes in trading performance, the Group's forecasts and projections indicate that it is expected to continue to comply with covenant requirements for a period of at least 12 months from the date of approval of the financial statements;
- the Group's loans and loan note instruments have repayment dates between 3 October 2016 and 30 September 2046;
- in the year ended 31 March 2014 turnover increased by £121.8m to £623.7m and Group operating profit increased by £6.9m to £106.4m, both benefitting from a full year trading from Marine Support Services;
- cash inflows generated in the year, together with utilisation of existing capital expenditure facilities, enabled the Group to finance fixed asset additions of £95.1m;
- at the balance sheet date the Group held £78.5m of cash balances and had undrawn loan facilities of £312.7m available to the Group, of which £106.7m is specific to the development of the Liverpool2 facility at the Port of Liverpool.

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

#### Group financial statements

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 set out in FRS 6. 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.

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2014**

**1. ACCOUNTING POLICIES (CONTINUED)**

**Group financial statements (continued)**

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

All subsidiaries in the year ended 31 March 2014 are consolidated under acquisition accounting principles. Results of subsidiary undertakings acquired or disposed of during the year are included from the date of acquisition or to the date of disposal to the extent of Group control.

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

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

Intra-group turnover and profits are eliminated on consolidation.

As permitted by Section 400 of the Companies Act 2006, a separate profit and loss account for Peel Ports Group Limited is not presented. The profit of the Company for the financial year was £34.8m (2013: £23.0m).

**Goodwill**

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

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

**Tangible fixed assets**

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2014**

**1. ACCOUNTING POLICIES (CONTINUED)**

**Fixed asset investments**

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

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

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

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

**Stocks**

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

**Long-term contracts**

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

**Government grants**

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

**Leased assets**

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

**Finance costs**

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

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

**Foreign currencies**

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2014**

**1. ACCOUNTING POLICIES (CONTINUED)**

**Derivatives**

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

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

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

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

**Taxation**

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

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

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

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

**Turnover**

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

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

**Pension costs**

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2014**

**1. ACCOUNTING POLICIES (CONTINUED)**

**Pension costs (continued)**

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

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

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

**2. SEGMENTAL ANALYSIS**

	2014 £m	2013 £m
<b>Turnover</b>		
Port and canal income	260.1	249.7
Shipping income	90.5	83.9
Marine Support Services income	221.4	116.6
Transport income	10.9	15.7
Gross rental income	32.0	33.2
Other trading income	8.8	2.8
	<u>623.7</u>	<u>501.9</u>
<b>Direct costs</b>	<u>(430.7)</u>	<u>(353.5)</u>
<b>Gross profit</b>	<u>193.0</u>	<u>148.4</u>
<b>Administrative expenses</b>		
Other administrative expenses	(56.4)	(36.6)
Pension funds service costs (note 21)	(2.4)	(0.3)
Amortisation of goodwill (note 10)	(11.7)	(11.0)
Profit on disposal of tangible fixed assets	-	1.0
Exceptional items (note 6)	(16.1)	(2.0)
	<u>(86.6)</u>	<u>(48.9)</u>
<b>Group operating profit</b>	<u>106.4</u>	<u>99.5</u>
Share of operating profit of joint venture companies	0.3	5.0
<b>Total operating profit (including Group's share of joint ventures' operating profit)</b>	<u>106.7</u>	<u>104.5</u>

Turnover does not include the Group's share of turnover arising from joint venture companies amounting to £2.3m (2013: £38.7m). Sales between segments are immaterial and are therefore not separately disclosed.



**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2014**

**2. SEGMENTAL ANALYSIS (CONTINUED)**

	2014	2014	2014	2013	2013	2013
	UK	Rest of	Total	UK	Rest of	Total
	£m	Europe	£m	£m	Europe	£m
		£m			£m	
Turnover by destination	525.5	98.2	623.7	413.2	88.7	501.9
Operating profit excluding exceptional items	115.7	6.8	122.5	95.2	6.3	101.5
Exceptional items	(16.1)	-	(16.1)	(2.0)	-	(2.0)
Operating profit	99.6	6.8	106.4	93.2	6.3	99.5
Share of joint ventures' operating profit	0.3	-	0.3	5.0	-	5.0
Net interest payable and similar items	(102.7)	(0.1)	(102.8)	(76.0)	(0.1)	(76.1)
(Loss)/profit on ordinary activities before taxation	(2.8)	6.7	3.9	22.2	6.2	28.4
Net (liabilities)/assets	(595.5)	28.9	(566.6)	(541.3)	23.9	(517.4)

**3. GROUP OPERATING PROFIT**

	2014	2013
	£m	£m
Group operating profit is stated after charging/(crediting):		
Depreciation - owned assets	40.3	37.9
- leased assets	0.9	0.6
Amortisation of goodwill	11.7	11.0
Profit on disposal of fixed assets	-	(0.9)
Hire of plant and machinery under operating leases	25.4	21.3
Hire of other assets under operating leases	8.4	6.3
Foreign currency exchange losses	0.2	0.1
Fees payable to the Group's auditor for the audit of the Group's annual financial statements	0.4	0.5
Fees payable to the Group's auditor for non-audit services:		
Taxation services	0.2	0.8
Corporate finance services	0.1	0.3
Other services	0.2	-
	0.5	1.1

The disclosures above are for the Group. The Company is not required, in its individual financial statements, to separately disclose information about fees for non-audit services provided by the Company because the consolidated financial statements are required to disclose such fees on a consolidated basis. The auditor's remuneration for audit work, carried out on behalf of the Company, of £10,000 (2013: £10,000) was borne by a subsidiary undertaking.

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2014**

**4. EMPLOYEE INFORMATION**

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

	2014 Number	2013 Number
Administration	423	356
Operational	2,322	1,607
	<u>2,745</u>	<u>1,963</u>

The staff costs for the above persons were:

	2014 £m	2013 £m
Wages and salaries	101.9	75.7
Social security costs	10.2	7.4
Pension funds service costs (note 21)	2.4	0.3
Other pension costs - Group pension schemes	3.8	2.3
	<u>118.3</u>	<u>85.7</u>

Employee information for the year ended 31 March 2014 includes Marine Support Services for the entire year, whereas the comparatives include only the impact for the period following acquisition in September 2012.

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

**5. DIRECTORS' REMUNERATION**

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

	2014 £'000	2013 £'000
Emoluments	1,561	1,187
Group contribution to defined contribution pension schemes	122	108
	<u>1,683</u>	<u>1,295</u>

At 31 March 2014 retirement benefits are accruing to one director (2013: one) under a Group defined benefit pension scheme and to two directors under a defined contribution scheme (2013: two).

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

The remuneration of the highest paid director was as follows:

	2014 £'000	2013 £'000
Emoluments	905	660
Group contribution to defined contribution pension schemes	74	64
	<u>979</u>	<u>724</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2014**

**6. EXCEPTIONAL OPERATING COSTS**

	<b>2014</b>	<b>2013</b>
	<b>£m</b>	<b>£m</b>
Restructuring costs	3.8	2.0
Pension restructuring costs	12.3	-
	<u>16.1</u>	<u>2.0</u>

Restructuring expenses comprise redundancy and other costs incurred in connection with the streamlining and reorganisation of activities as part of a strategic review of the Group's operations. Included within pension restructuring costs is a non-cash curtailment loss of £10.1m (2013: £nil) arising from the closure of the Peel Ports Final Salary Pension Scheme to future accrual (see note 21).

**7. NET INTEREST AND SIMILAR ITEMS**

	<b>2014</b>	<b>2013</b>
	<b>£m</b>	<b>£m</b>
<b>Interest payable:</b>		
Accretion payment accrued on index-linked swap	11.6	13.8
Other interest on bank loans and overdrafts	58.2	47.0
Interest on private placement notes	18.5	5.5
	<u>88.3</u>	<u>66.3</u>
Bank loans, overdrafts and private placement notes	88.3	66.3
Amortisation of issue costs	8.2	2.2
9% subordinated redeemable loan notes:		
Payable to group undertakings	5.5	5.5
Payable to related undertakings	5.5	5.5
Finance leases	0.1	0.1
	<u>107.6</u>	<u>79.6</u>
Finance costs capitalised	(1.9)	(0.1)
<b>Total interest payable</b>	<u>105.7</u>	<u>79.5</u>
<b>Interest receivable:</b>		
Group interest receivable and similar income	(0.6)	(0.9)
<b>Total interest receivable</b>	<u>(0.6)</u>	<u>(0.9)</u>
<b>Other finance income (note 21):</b>		
Expected return on pension scheme assets	(27.7)	(22.0)
Interest on pension scheme liabilities	25.4	19.5
<b>Total other finance income</b>	<u>(2.3)</u>	<u>(2.5)</u>
<b>Net interest and similar items</b>	<u>102.8</u>	<u>76.1</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2014**

**8. TAX ON PROFIT ON ORDINARY ACTIVITIES**

	<b>2014</b>	<b>2013</b>
	<b>£m</b>	<b>£m</b>
<b>Current tax:</b>		
<i>United Kingdom</i>		
UK corporation tax	0.1	12.3
<i>Foreign tax</i>		
Corporation tax	0.4	0.1
<i>Other current tax</i>		
Adjustments in respect of previous periods	(0.5)	(5.0)
<b>Group current tax charge</b>	<u>-</u>	<u>7.4</u>
Share of joint venture current tax	-	1.2
<b>Total current tax charge</b>	<u>-</u>	<u>8.6</u>
<b>Deferred tax:</b>		
Origination and reversal of timing differences		
- United Kingdom	6.0	(1.8)
Adjustment in respect of prior periods	(0.1)	2.5
Change of UK tax rate	(1.5)	(0.5)
Pension cost relief in excess of pension cost charge	(0.2)	0.4
Pension cost relief – change of UK tax rate	1.7	0.1
<b>Total deferred tax charge</b>	<u>5.9</u>	<u>0.7</u>
<b>Total tax on profit on ordinary activities</b>	<u><u>5.9</u></u>	<u><u>9.3</u></u>

Excluding deferred tax items relating to the defined benefit pension schemes and to joint ventures, the deferred tax charge is £4.4m (2013: £0.2m) (note 18).

On 20 March 2013, the UK government announced its intention to reduce the rate of corporation tax to 21% from 1 April 2014 with a further reduction to 20% from 1 April 2015. These reductions were enacted on 17 July 2013. The deferred tax balances as at 31 March 2014 have been calculated at a rate of 20%, which has resulted in a charge to the profit and loss account of £0.2m.

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2014**

**8. TAX ON PROFIT ON ORDINARY ACTIVITIES (CONTINUED)**

**Reconciliation of current tax charge**

The tax assessed for the year is lower (2013: higher) than that arising from applying the standard rate of UK corporation tax of 23% (2013: 24%). The differences are explained below:

	2014 £m	2013 £m
Profit on ordinary activities before taxation	3.9	28.4
Profit on ordinary activities multiplied by the standard rate of UK corporation tax of 23% (2013: 24%).	0.9	6.8
Effects of:		
Depreciation in excess of capital allowances	1.3	0.7
Expenses not deductible for tax purposes	7.5	6.8
Other timing differences	(8.4)	1.1
Adjustments in respect of prior periods	(0.5)	(5.0)
Adjustments in respect of foreign tax rates	(1.3)	(1.4)
Pension relief less than/(in excess of) pension charge	0.5	(0.4)
<b>Current tax charge</b>	<b>-</b>	<b>8.6</b>

**9. EQUITY DIVIDENDS**

	2014 £m	2013 £m
Interim ordinary dividends paid of £0.104 (2013: £0.068) per share	35.2	23.0

A final ordinary dividend of £0.050 per share (2013: £nil), amounting to a total dividend of £1.7m (2013: £nil) was proposed by the shareholders after 31 March 2014. These financial statements do not reflect this dividend payable.

**10. INTANGIBLE FIXED ASSETS**

Group	Goodwill £m
<b>Cost</b>	
At 1 April 2013	233.2
Additions (note 31)	1.1
At 31 March 2014	234.3
<b>Amortisation</b>	
At 1 April 2013	77.1
Charge for the year	11.7
At 31 March 2014	88.8
<b>Net book amount</b>	
At 31 March 2014	145.5
At 31 March 2013	156.1

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2014**

**11. TANGIBLE FIXED ASSETS**

Group	Freehold and long leasehold land and buildings £m	Plant and machinery £m	Capital work in progress £m	Total £m
<b>Cost</b>				
At 1 April 2013	726.7	241.5	26.6	994.8
Additions	16.8	5.8	73.1	95.7
Disposals	(0.2)	(3.7)	-	(3.9)
Transfer from capital work in progress	4.9	2.8	(7.7)	-
Exchange difference	(0.1)	(0.8)	0.3	(0.6)
At 31 March 2014	<u>748.1</u>	<u>245.6</u>	<u>92.3</u>	<u>1,086.0</u>
<b>Depreciation</b>				
At 1 April 2013	135.4	100.1	-	235.5
Charge for the year	20.8	20.4	-	41.2
Disposals	-	(3.6)	-	(3.6)
Exchange difference	(0.1)	(0.2)	-	(0.3)
At 31 March 2014	<u>156.1</u>	<u>116.7</u>	<u>-</u>	<u>272.8</u>
<b>Net book amount</b>				
At 31 March 2014	<u>592.0</u>	<u>128.9</u>	<u>92.3</u>	<u>813.2</u>
At 31 March 2013	<u>591.3</u>	<u>141.4</u>	<u>26.6</u>	<u>759.3</u>

Cumulative finance costs capitalised in the cost of tangible fixed assets amount to £2.0m (2013: £0.1m).

**Leased assets**

Included within plant and machinery are leased assets with a net book value of £1.2m (2013: £2.1m).

**Non-depreciable land**

Included within tangible fixed assets is freehold and long-leasehold land, which is not subject to depreciation, which amounted to £152.3m (2013: £152.3m).

The Company has no tangible fixed assets.

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2014**

**12. INVESTMENTS**

	Group		Company	
	2014 £m	2013 £m	2014 £m	2013 £m
Subsidiary undertakings	-	-	337.5	337.5
Joint venture undertakings	1.2	0.9	-	-
Other investments	0.7	0.7	-	-
	<u>1.9</u>	<u>1.6</u>	<u>337.5</u>	<u>337.5</u>
Short-term investments	<u>1.8</u>	<u>2.4</u>	-	-

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

Subsidiary undertakings	Company £m
<b>Cost and net book value</b>	
At 1 April 2013 and at 31 March 2014	<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.

Joint venture undertakings	Group £m
At 1 April 2013	0.9
Share of results for the year	<u>0.3</u>
At 31 March 2014	<u>1.2</u>

As disclosed in note 31, Cammell Laird Shiprepairers & Shipbuilders Limited ("Cammell Laird") became a subsidiary of the Group on 21 September 2012. Prior to this date Cammell Laird was accounted for as a joint venture undertaking. For the period from 1 April 2012 to 21 September 2012 Cammell Laird recorded turnover of £36.6m. The turnover and net assets of the other joint ventures amounted to £2.3m (2013: £2.1m) and £1.2m (2013: £1.0m) respectively.

Other investments	Group £m
At 1 April 2013 and at 31 March 2014	<u>0.7</u>

Included within other investments is £0.6m (2013: £0.6m) of listed investments. At 31 March 2014, the market value of these investments, based on the closing middle-market price on the London Stock Exchange, was £0.7m (2013: £0.7m).

**Short-term investments**

	Group	
	2014 £m	2013 £m
Short-term investments	<u>1.8</u>	<u>2.4</u>

Short-term investments comprise £1.8m (2013: £2.4m) of cash held on short-term deposit which acts as collateral for certain floating-rate guaranteed loan notes (note 17(b)). This cash is only available for redemption of those floating-rate guaranteed loan notes.

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2014**

**13. STOCKS**

	Group	
	2014	2013
	£m	£m
Raw materials and consumables	3.0	2.7

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

The Company has no stocks.

**14. DEBTORS**

	Group		Company	
	2014	2013	2014	2013
	£m	£m	£m	£m
<b>Amounts falling due within one year:</b>				
Trade debtors	78.4	75.3	-	-
Amounts recoverable on contracts	18.5	21.4	-	-
Amounts owed by group undertakings	-	-	111.2	111.5
Amounts owed by non-ports group undertakings	0.3	2.0	-	-
Other debtors	10.1	6.9	-	0.1
Prepayments and accrued income	10.4	13.2	-	-
Corporation tax recoverable	2.4	2.6	-	-
	120.1	121.4	111.2	111.6
<b>Amounts falling due after more than one year:</b>				
Amounts owed by Group undertakings	-	-	123.0	123.0
Prepayments and accrued income	-	0.8	-	-
	120.1	122.2	234.2	234.6

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

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

	Group		Company	
	2014	2013	2014	2013
	£m	£m	£m	£m
Bank loans	13.0	7.0	-	-
Other loans	0.2	0.2	-	-
Floating-rate guaranteed loan note instruments	1.8	2.4	-	-
Finance leases	0.1	0.4	-	-
Loan amounts owed to group undertakings	11.0	11.0	11.0	11.0
Debt falling due within one year (note 17)	26.1	21.0	11.0	11.0
Trade creditors	54.5	62.3	-	0.1
Amounts owed to group undertakings	93.3	93.3	93.3	93.1
Amounts owed to non-ports group undertakings	0.3	0.1	-	-
Corporation tax	2.9	7.6	-	-
Taxation and social security	4.6	2.4	-	-
Other creditors	27.0	21.6	-	-
Accruals and deferred income	86.7	94.6	5.5	5.6
	295.4	302.9	109.8	109.8



**NOTES TO THE FINANCIAL STATEMENTS**  
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**16. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	Group		Company	
	2014 £m	2013 £m	2014 £m	2013 £m
Bank loans	772.1	787.5	-	-
Private placement loans	430.6	318.8	-	-
Accretion payment accrued on index-linked swaps	20.4	8.8	-	-
9% subordinated redeemable loan notes due to group undertakings	61.6	61.6	61.6	61.6
9% subordinated redeemable loan notes due to related undertakings	61.4	61.4	61.4	61.4
Other loans	4.2	4.8	-	-
Finance leases	-	0.6	-	-
Debt falling due after more than one year (note 17)	1,350.3	1,243.5	123.0	123.0
Accruals and deferred income	12.4	8.9	-	-
	<u>1,362.7</u>	<u>1,252.4</u>	<u>123.0</u>	<u>123.0</u>

Included within accruals and deferred income is £4.0m of grant assistance received from the Regional Growth Fund during the year ended 31 March 2014 (2013: £nil).

**17. LOANS AND OTHER BORROWINGS**

	Group	
	2014 £m	2013 £m
<b>(a) Financial liabilities</b>		
Bank loans	785.1	794.5
Private placement loans	430.6	318.8
Accretion payment accrued on index-linked swaps	20.4	8.8
9% subordinated redeemable loan notes 2046:		
Due to group undertakings	61.6	61.6
Due to related undertakings	61.4	61.4
Loan amounts due to group undertaking	11.0	11.0
Floating-rate guaranteed loan note instruments 2015	1.8	2.4
Perpetual debenture stocks	2.2	2.2
3% irredeemable loan stock	1.2	1.2
3.625% irredeemable debenture stock	0.7	0.7
Other loans	0.3	0.9
Finance lease obligations	0.1	1.0
	<u>1,376.4</u>	<u>1,264.5</u>
<b>(b) Analysis of Group net debt</b>		
Financial liabilities falling due within one year	26.1	21.0
Financial liabilities falling due after more than one year	1,350.3	1,243.5
<b>Total financial liabilities</b>	<u>1,376.4</u>	<u>1,264.5</u>
Cash at bank and in hand	(78.5)	(48.8)
Short-term deposits held as guarantee against floating-rate guaranteed loan note instruments (note 12)	(1.8)	(2.4)
<b>Group net debt</b>	<u>1,296.1</u>	<u>1,213.3</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2014**

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

	Group	
	2014	2013
	£m	£m
<b>(c) Maturity of financial liabilities</b>		
<b>Net obligations under finance leases are payable as follows:</b>		
In one year or less	0.1	0.4
In more than one year, but not more than two years	-	0.6
	0.1	1.0
<b>Maturity of other financial liabilities:</b>		
In one year or less or on demand	26.0	20.6
In more than one year, but not more than two years	0.2	0.2
In more than two years, but not more than five years	438.7	740.8
In more than five years not by instalments	911.4	501.9
	1,376.3	1,263.5
<b>Financial liabilities, net of unamortised issue costs and finance charges allocated to future periods</b>	1,376.4	1,264.5
<b>Unamortised issue costs</b>	28.7	31.8

*Bank loans and private placement notes*

At 31 March 2014, financial liabilities include bank loans totalling £813.8m (2013: £821.0m), of which £13.0m (2013: £7.0m) is due for repayment within one year and £800.8m (2013: £814.0m), with repayment dates between 3 October 2016 and 13 December 2033 (2013: between 11 December 2015 and 11 December 2019), presented as falling due after more than one year. The bank loans bear interest at LIBOR plus varying rates of margin.

Financial liabilities also include £430.6m (2013: £324.1m) relating to the proceeds from the issue of sterling and US dollar denominated private placement notes. The sterling notes comprise £82.0m (2013: £82.0m) which bear fixed interest rates of between 5.68% and 6.55% and which are due for repayment in instalments between 10 December 2021 and 10 December 2037 and £106.5m (2013: £nil) which bear floating interest rates and which are due for repayment between 2 January 2025 and 21 January 2026. The US dollar denominated notes total \$385.0m (2013: \$385.0m), bear fixed interest rates of between 4.67% and 5.25% and are due for repayment between 10 December 2019 and 10 December 2022.

The 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.

*Swaps*

Cross-currency swaps in respect of the US dollar denominated notes are in place with the notes being recorded at the sterling equivalent values of £242.1m (2013: £242.1m). Under the cross-currency swaps the Group receives fixed US dollar interest and pays sterling LIBOR interest plus margin, and the effect of the swaps is therefore to convert the US dollar fixed interest debt to sterling floating rate debt. The fair value of these swaps at 31 March 2014 was a liability of £43.1m (2013: £9.4m).

The Group's interest rate and index-linked swaps were restructured as part of the refinancing in the year ended 31 March 2013, which included payments totalling £73.4m of accretion on the index-linked swaps being made. The negative fair values of the existing swaps at the date of refinancing were rolled into the new swaps and are reflected in the pricing of those new swaps.

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2014**

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

*Swaps (continued)*

At 31 March 2014, the Group was party to fixed interest rate swaps over £612.0m (2013: £612.0m) of notional principal, with fixed rates at between 4.9031% and 5.1031% plus margin. The fair value calculated in respect of the swaps was a liability of £186.1m (2013: £241.8m).

At 31 March 2014, the Group was also party to index-linked swaps over £352.0m (2013: £352.0m) of notional principal under which the Group receives a LIBOR floating rate of interest and pays interest at varying initial rates which increase over the term of the swaps by the movement in the UK Retail Prices Index ("UKRPI"). The initial rate of interest was between 1.868% and 2.268%. In addition, the terms of the index-linked swaps provide for accretion payments to be made every four years commencing in October 2016, based on the movement in the UKRPI over each four-year period. At 31 March 2014 a provision of £20.4m (2013: £8.8m) has been recorded in respect of these accretion payments for the period to 31 March 2014. The fair value of the index-linked swaps at 31 March 2014 was a liability of £373.7m (2013: £447.8m), excluding the accretion accrual.

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

*Issue costs*

The Group incurred issue costs during the year in connection with the refinancing of its bank facilities amounting to £5.2m (2013: £34.0m). Amortisation of £8.2m (2013: £2.2m) has been charged during the year.

*Other loans and borrowings*

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

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

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

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

The perpetual debenture stocks are secured by floating charges over the undertaking of The Manchester Ship Canal Company Limited and bear interest at rates between 3.5% and 4%.

The 3.625% irredeemable debenture stock is secured by a fixed charge over certain securities and a floating charge over Peel Ports (IDS) Limited.

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2014**

**18. PROVISIONS FOR LIABILITIES**

Group	Deferred taxation £m	
At 1 April 2013		12.3
Acquisition accounting fair value adjustments (note 31)		(0.4)
Charge to profit and loss account (note 8)		4.4
		<u>16.3</u>
At 31 March 2014		<u>16.3</u>
<b>The provision for deferred tax comprises:</b>	<b>2014</b>	<b>2013</b>
	<b>£m</b>	<b>£m</b>
Accelerated capital allowances	11.0	15.7
Other timing differences	5.3	(3.4)
	<u>16.3</u>	<u>12.3</u>

The Company has no deferred tax liability.

**19. CALLED-UP SHARE CAPITAL**

	Group 2014 £m	Group 2013 £m	Company 2014 £m	Company 2013 £m
<b>Authorised</b>				
500,000,000 ordinary shares of £1 each	500.0	500.0	500.0	500.0
<b>Allotted, called-up and fully paid</b>				
337,492,988 ordinary shares of £1 each	337.5	337.5	337.5	337.5

**20. RESERVES**

Group	Merger reserve £m	Profit and loss account £m
At 1 April 2013	(506.1)	(351.8)
Net exchange adjustments	-	(0.5)
Loss for the financial year	-	(6.3)
Dividends (note 9)	-	(35.2)
Actuarial loss relating to the Group pension schemes (note 21)	-	(13.9)
Movement on tax relating to Group pension schemes	-	2.8
Minority interest share of actuarial loss relating to the Group pension schemes	-	(0.2)
At 31 March 2014	<u>(506.1)</u>	<u>(405.1)</u>

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2014**

**20. RESERVES (CONTINUED)**

Company	Profit and loss account £m
At 1 April 2013	1.8
Profit for the financial year	34.8
Dividends (note 9)	(35.2)
At 31 March 2014	<u>1.4</u>

**21. PENSION FUNDS**

**Defined contribution schemes operated by the Group**

The Group operates a number of defined contribution (otherwise known as) money purchase pension schemes in the United Kingdom and the Republic of Ireland, in respect of which contributions totalling £3.8m (2013: £2.3m) were paid during the year. The assets of the schemes are held separately from the assets of the Group and are administered and managed professionally by the insurance companies. Benefits are provided based on actual contributions paid and investment performance. The largest of these schemes is the Peel Ports Group Stakeholder Pension Plan, which operates in the United Kingdom. Group contributions to this scheme typically match those paid by employees, up to a maximum of 10% of pensionable salaries. This was increased from 6% with effect from 1 January 2014. To meet the Government's workplace savings legislation, the Group automatically enrolled employees who met the eligibility criteria and who were not members of a qualifying pension scheme into the Peel Ports Group Stakeholder Pension Plan in January 2014.

**Defined benefit schemes operated by the Group**

The Group also operates a number of defined benefit pension schemes based on final pensionable pay, the largest of which is the Peel Ports Final Salary Pension Scheme (the "Scheme"). The assets of the schemes are held separately from the assets of the Group and are administered by trustees and managed professionally. Contributions to the schemes are determined by qualified actuaries on the basis of triennial valuations using the projected unit method. In addition, there are unfunded pensions payable to certain retired employees, who are not members of the above schemes.

Contributions totalling £8.3m (2013: £7.2m) were paid during the year to the defined benefit schemes operated by the Group, at contribution rates varying between 11.4% and 31.0% of pensionable salaries (2013: 12.0% and 28.7%). Employee contributions were made at rates that varied between 5.0% and 9.0% (2013: 5.0% and 9.0%) of pensionable salaries.

*Peel Ports Final Salary Pension Scheme*

The Scheme closed to future accrual with effect from 31 December 2013, giving rise to a curtailment loss of £10.1m. Benefits accrued by members as of that date were unaffected by the closure and employees have been auto-enrolled into the Peel Ports Group Stakeholder Pension Plan in respect of future service benefits. Employer contributions will continue to be payable to the Scheme in relation to the existing recovery plan and administrative expenses.

The most recent full triennial actuarial valuations were as at April 2012. The main assumptions applied were that long-term investment rates would be 7.0% per annum pre-retirement and 3.8% per annum post-retirement, pensionable salary increases would be 3.25% per annum, the majority of pensions in payment would increase at a rate of between 2.2% and 3.6% per annum, and price inflation would be 3.25% per annum on a RPI basis and 2.75% on a CPI basis. As at the latest actuarial valuation, the value of the assets within each section of the scheme was sufficient to cover between 86% and 100% of the benefits that had accrued to members, after allowing for expected future increases in earnings.

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 31 March 2014

#### 21. PENSION FUNDS (CONTINUED)

##### Defined benefit schemes operated by the Group (continued)

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

A&PMS operates three defined benefit schemes, each of which is closed to future accrual. The effective dates of the most recent full triennial actuarial valuations were between 31 March 2010 and 5 April 2011. The main assumptions in the actuarial valuations were that long-term investment rates would be between 5.5% and 6.6% pre-retirement and between 5.35% and 5.5% post-retirement and that price inflation would be between 3.5% and 3.6% (RPI). As at the latest actuarial valuations, the value of the assets was enough to cover between 68% and 94% of the benefits that had accrued to members. The actuarial valuation as at 31 March 2013 is currently in progress.

##### Industry-wide defined benefit schemes

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

###### **The Pilots National Pension Fund ("PNPF")**

The PNPF is a multi-employer industry-wide defined benefit pension scheme that is accounted for on a defined benefits basis. The most recent formal actuarial valuation, completed by an independent actuary, is as at 31 December 2010. As at that date, the scheme had assets with a market value of £294.0 million, representing 61% of the benefits accruing to members. The main assumptions in the actuarial valuation were that long-term investment rates, and the discount rate, would be 6.7% per annum pre-retirement and 4.8% per annum post-retirement, pension salary increases would be 3.9% per annum, pensions in payment would increase at a rate of between 3.0% and 3.7% per annum, and price inflation would be 3.4% per annum on a RPI basis and 2.7% on a CPI basis. The trustee assessed and indicated the Group's share of the deficit as at 31 December 2010 to be 21.3%. The actuarial valuation as at 31 December 2013 is currently in progress.

During the year, the Group made contributions of £0.8m (2013: £nil) to the PNPF.

As noted above, the Group's share of the PNPF's scheme assets and liabilities is accounted for on a defined benefits basis. At 31 March 2014, the Group's share of the deficit was £42.6m (2013: £41.4m), which is included in the amount recognised in the balance sheet.

###### **Merchant Navy Officers Pension Fund ("MNOPF")**

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

The most recent valuation for each section was carried out at 31 March 2012. At that date the Old Section had assets of £1,330.0m, representing 100% of the benefits accrued to members, whilst the New Section had assets of £2,169.0m, representing 82% of the benefits accrued to members as at that date. The main assumptions in the actuarial valuation of the New Section were that long-term investment rates would be 5.7% pre-retirement and 4.0% post-retirement, pensions in payment would increase by 3.0% and price inflation would be 3.2% per annum on a RPI basis and 2.2% on a CPI basis. For the Old Section it was assumed that the long-term investment returns both pre and post retirement would be 3.1%.

###### *MNOPF New Section*

During the year, the Group made contributions of £0.3m (2013: £0.1m) to the New Section in relation to the past-service deficit. The Group has no current active members in this scheme.

As noted above, the Group's share of the MNOPF New Section's scheme assets and liabilities is accounted for on a defined benefits basis. At 31 March 2014, the Group's share of the deficit was £0.2m (2013: £nil), which is included in the amount recognised in the balance sheet.

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2014**

**21. PENSION FUNDS (CONTINUED)**

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

**Merchant Navy Officers Pension Fund ("MNOFF") (continued)**

*MNOFF Old Section*

Because the Group is unable to identify its share of the scheme assets and liabilities of the MNOFF Old Section on a consistent and reasonable basis, as required by FRS 17 "Retirement benefits", the section is accounted for by the Group as if it was a defined contribution scheme, the cost recognised within the profit and loss account being equal to the contributions payable to the section for the year. The amount recognised in the year ended 31 March 2014 is £nil (2013: £nil).

The Trustee of the Old Section has commenced the wind up of the Old Section. Benefits have been secured in full with Rothesay Life and the expectation is that the Old Section will be fully wound up in the foreseeable future.

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

The FRDWPF is accounted for on a defined contributions basis, as explained further below. The FRDWPF closed to future benefit accrual with effect from 31 August 2013.

As at 5 April 2010, the date of the most recent valuation carried out by an independent actuary, the scheme had assets with a market value of £662m, representing 101% of the benefits accrued to members. The main assumptions in the actuarial valuation were that the discount rate, would be 4.7% per annum, pension salary increases would be 4.8% per annum, pensions in payment and deferred pensions would increase at 3.8% per annum, and price inflation would be 3.8% per annum.

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

During the year the Group made contributions of £0.1m (2013: £nil) to this scheme in relation to the active members prior to closure to future pension accrual and has recorded those as defined contribution costs within the profit and loss account.

**Disclosures relating to defined benefit pension arrangements**

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

**Amounts recognised in the balance sheet:**

	<b>Group 2014 £m</b>	<b>Group 2013 £m</b>
Fair value of scheme assets	568.3	573.4
Present value of funded liabilities	(631.7)	(624.5)
	<u>(63.4)</u>	<u>(51.1)</u>
Surplus restriction	(5.8)	(3.5)
Present value of unfunded liabilities	(1.0)	(1.1)
Recognisable deficit before deferred taxation	(70.2)	(55.7)
Deferred taxation	14.0	12.8
	<u>(56.2)</u>	<u>(42.9)</u>
Amount recognised in the balance sheet		

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**21. PENSION FUNDS (CONTINUED)**

**Disclosures relating to defined benefit pension arrangements (continued)**

Amount recognised in the profit and loss account:	Group 2014 £m	Group 2013 £m
Current service cost	2.4	3.4
Past service cost	-	(3.1)
Curtailement loss	10.1	-
Interest cost	25.4	19.5
Expected return on scheme assets	(27.7)	(22.0)
Total charge/(credit)	<u>10.2</u>	<u>(2.2)</u>

Of the net charge recognised for the year of £10.2m (2013: net credit of £2.2m), a charge of £10.1m (2013: £nil) has been recorded in exceptional administrative expenses, a charge of £2.4m (2013: £0.3m) has been included in administrative expenses and a credit of £2.3m (2013: £2.5m) has been included within net interest and similar items.

The most recent actuarial valuations were updated to 31 March 2014 by qualified actuaries. These valuations used a set of assumptions consistent with those required under FRS 17. The major assumptions used by the actuaries are set out below.

Major actuarial assumptions	2014 % pa	2013 % pa
Rate of increase in pensionable salaries	3.3	3.3
Rate of increase of pensions in payment	3.3	3.3
Rate of increase for deferred pensioners	3.3	3.3
Discount rate	4.3	4.1
Price inflation (RPI)	3.3	3.3
Price inflation (CPI)	2.3	2.3
<b>Mortality</b>	<b>2014 Years</b>	<b>2013 Years</b>
<i>Current pensioners</i>		
Male life expectancy at age 65	21.8	20.7
Female life expectancy at age 65	24.1	23.4
<i>Future pensioners</i>		
Male life expectancy at age 65 (currently aged 45)	23.6	22.6
Female life expectancy at age 65 (currently aged 45)	26.0	25.2

In the year ended 31 March 2014 the actuarial table used was the 110% SAPS table, birth year, CMI 2011, with a minimum improvement of 1.25% per annum. In the prior year, the actuarial table used was the 110% SAPS table, birth year, with medium cohort improvements and a 1% underpin.

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



**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2014**

**21. PENSION FUNDS (CONTINUED)**

**Disclosures relating to defined benefit pension arrangements (continued)**

**Sensitivities**

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

Assumption	Change in assumption	Impact on scheme liabilities
Discount rate	+/- 0.5%	-6%/+6%
Inflation	+/- 0.5%	+2%/-2%
Rate of increase in pensionable salaries	+/- 0.5%	+1%/-1%
Mortality	+1 year	+3%

**Changes in the present value of the defined benefit liabilities are as follows:**

	Group 2014 £m	Group 2013 £m
Opening defined benefit liability	625.6	390.1
Acquisitions	-	92.0
Recognition of PMPF liabilities	-	100.3
Current service cost	2.4	3.4
Past service cost	-	(3.1)
Interest cost	25.4	19.5
Actuarial losses on scheme liabilities	10.5	44.9
Contributions by employees	1.8	0.8
Benefits paid	(33.0)	(22.3)
Closing defined benefit liability	632.7	625.6

**Analysis of the defined benefit obligation:**

	Group 2014 £m	Group 2013 £m
Present value of unfunded liabilities	1.0	1.1
Present value of funded liabilities	631.7	624.5
	632.7	625.6

**NOTES TO THE FINANCIAL STATEMENTS**  
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**21. PENSION FUNDS (CONTINUED)**

**Disclosures relating to defined benefit pension arrangements (continued)**

<b>Reconciliation of fair value of scheme assets:</b>	<b>Group 2014 £m</b>	<b>Group 2013 £m</b>
Opening fair value of scheme assets	573.4	401.0
Acquisitions	-	74.2
Recognition of PNPf assets	-	58.9
Expected return on scheme assets	29.1	25.3
Actuarial (losses)/gains on scheme assets	(12.5)	28.2
Contributions by the Group	9.5	7.3
Contributions by employees	1.8	0.8
Benefits paid	(33.0)	(22.3)
Closing fair value of scheme assets	<u>568.3</u>	<u>573.4</u>

<b>Cumulative amount of actuarial gains and losses recognised in the statement of total recognised gains and losses since adoption of FRS 17:</b>	<b>Group 2014 £m</b>	<b>Group 2013 £m</b>
Opening cumulative	<u>(85.4)</u>	<u>(30.6)</u>
Actuarial losses	(23.0)	(58.1)
Effect of restriction imposed	9.1	3.3
Movement in the year	<u>(13.9)</u>	<u>(54.8)</u>
Closing cumulative	<u>(99.3)</u>	<u>(85.4)</u>

<b>Plan assets</b>	<b>Fair value of assets</b>		<b>Expected rate of return</b>	<b>Fair value of assets</b>		<b>Expected rate of return</b>
	<b>31 March 2014 £m</b>	<b>31 March 2014 %</b>	<b>31 March 2014 %</b>	<b>31 March 2013 £m</b>	<b>31 March 2013 %</b>	<b>31 March 2013 %</b>
Equities	101.4	18	7.5	111.0	20	7.5
Hedge funds	132.2	23	7.5	112.9	20	7.5
Fixed-interest gilts	9.4	2	3.2	43.8	8	2.4
Index-linked gilts	31.4	5	3.2	37.0	6	2.4
Corporate bonds	241.7	43	4.3	230.7	40	4.1
Pooled investment vehicle	17.3	3	7.5	17.5	3	7.5
Insured schemes	21.7	4	4.6	-	-	-
Annuities	5.4	1	4.3	2.3	-	4.1
Property	0.1	-	7.5	0.9	-	7.5
Cash	7.7	1	0.5	17.3	3	0.5
Total market value of assets	<u>568.3</u>	<u>100</u>	<u>5.6</u>	<u>573.4</u>	<u>100</u>	<u>5.1</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2014**

**21. PENSION FUNDS (CONTINUED)**

**Disclosures relating to defined benefit pension arrangements (continued)**

The overall expected return on assets is calculated as the weighted average of the expected returns on each individual asset class. The expected returns are set by reference to market indicators, including price inflation, dividend yields, economic growth, yields on index linked gilts and bonds and interest rates. The actual return on plan assets was a gain of £16.6m (2013: £54.5m).

History of experience gains and losses	Group 2014 £m	Group 2013 £m	Group 2012 £m	Group 2011 £m	Group 2010 £m
Present value of defined benefit liability	(632.7)	(625.6)	(390.1)	(356.8)	(356.7)
Fair value of scheme assets	568.3	573.4	401.0	381.0	364.9
Effect of restriction imposed	(5.8)	(3.5)	(2.3)	(2.3)	-
<b>(Deficit)/surplus</b>	<b>(70.2)</b>	<b>(55.7)</b>	<b>8.6</b>	<b>21.9</b>	<b>8.2</b>

History of experience gains and losses	Group 2014 £m	Group 2013 £m	Group 2012 £m	Group 2011 £m	Group 2010 £m
<b>Experience (losses)/gains on scheme liabilities and changes in assumptions:</b>					
Amount	(10.5)	(145.2)	(29.3)	8.7	(80.1)
Percentage of present value of scheme liabilities	(1.7%)	(23.2%)	(7.5%)	2.4%	(22.5%)
<b>Difference between expected and actual return on scheme assets:</b>					
Amount	(9.9)	29.2	8.2	1.3	66.9
Percentage of scheme assets	(1.7%)	5.1%	2.0%	0.3%	18.3%

Group contributions for the defined benefit pension schemes for the year ending 31 March 2015 are expected to be in the region of £7.1m.

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

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

	2014 £m	2013 £m
<b>Continuing activities</b>		
Group operating profit	106.4	99.5
Depreciation and amortisation	53.0	49.5
Profit on disposal of fixed assets	-	(0.9)
Increase in stocks	(0.3)	(0.9)
Decrease/(increase) in debtors	6.7	(12.5)
(Decrease)/increase in creditors	(13.6)	6.3
Difference between pension charge and cash contributions	3.0	(7.0)
<b>Net cash inflow from continuing operating activities excluding amounts due to and from group undertakings</b>	<b>155.2</b>	<b>134.0</b>
Increase/(decrease) in short-term loans to and from group undertakings	0.2	(0.1)
<b>Cash inflow from continuing operational activities</b>	<b>155.4</b>	<b>133.9</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2014**

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

**Returns on investments and servicing of finance**

	<b>2014</b>	<b>2013</b>
	<b>£m</b>	<b>£m</b>
Interest received	0.6	0.9
Interest paid	(86.8)	(57.1)
Minority interest dividends paid	(1.7)	(0.2)
Finance lease interest paid	-	(0.1)
	<u>(87.9)</u>	<u>(56.5)</u>

Minority interest dividends paid of £1.7m in the year ended 31 March 2014 relates to dividends declared pre-acquisition of Marine Support Services and recorded on the acquisition balance sheet

**Capital expenditure and financial investment**

	<b>2014</b>	<b>2013</b>
	<b>£m</b>	<b>£m</b>
Payments to acquire tangible fixed assets	(95.1)	(40.1)
Receipt of Government grants	4.0	-
Receipts from sales of tangible fixed assets	0.3	3.4
	<u>(90.8)</u>	<u>(36.7)</u>

**Acquisitions and disposals**

	<b>2014</b>	<b>2013</b>
	<b>£m</b>	<b>£m</b>
Acquisition of subsidiary undertakings	-	(30.5)
Cash acquired with subsidiary undertakings	-	17.9
	<u>-</u>	<u>(12.6)</u>

**Financing**

	<b>2014</b>	<b>2013</b>
	<b>£m</b>	<b>£m</b>
New bank loans	326.8	821.0
New private placement loans	106.5	324.1
Repayment of bank loans	(334.5)	(1,062.7)
Issue costs paid	(5.2)	(34.0)
Payment of accretion on index-linked swaps	-	(73.4)
Debt financing	<u>93.6</u>	<u>(25.0)</u>
Capital element of finance lease rentals	<u>(0.9)</u>	<u>(1.1)</u>
	<u>92.7</u>	<u>(26.1)</u>

Subsidiary undertakings acquired in the year ended 31 March 2013 contributed £8.6m to the Group's net operating cash flows, paid £0.3m in respect of net returns on investment and servicing of finance, paid £2.7m in respect of taxation and utilised £0.2m for capital expenditure in that financial year.

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2014**

**23. ANALYSIS OF MOVEMENT IN GROUP NET DEBT**

	As at 1 April 2013 £m	Cash flow £m	Other non- cash changes £m	Foreign exchange £m	As at 31 March 2014 £m
Cash at bank	48.8	29.8	-	(0.1)	78.5
Debt due within one year	(20.6)	(6.0)	0.6	-	(26.0)
Debt due after one year	(1,242.9)	(87.6)	(19.8)	-	(1,350.3)
Finance leases	(1.0)	0.9	-	-	(0.1)
Cash on short-term deposit	2.4	-	(0.6)	-	1.8
	<u>(1,262.1)</u>	<u>(92.7)</u>	<u>(19.8)</u>	<u>-</u>	<u>(1,374.6)</u>
	<u>(1,213.3)</u>	<u>(62.9)</u>	<u>(19.8)</u>	<u>(0.1)</u>	<u>(1,296.1)</u>

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

**24. MAJOR NON-CASH TRANSACTIONS**

The non-cash change of £19.8m (2013: £16.0m) in note 23 relates to the amortisation of debt issue costs of £8.2m (2013: £2.2m) and the change in the accretion payment accrued on an index-linked swap of £11.6m (2013: £13.8m) (note 7).

**25. CAPITAL COMMITMENTS**

	2014 £m	2013 £m
Capital expenditure contracted for but not provided for in these financial statements	<u>104.6</u>	<u>10.5</u>

**26. RELATED PARTY TRANSACTIONS**

*Joint ventures*

Related Party	Transaction	2014 £m	2013 £m
CLYDEBoyd Fort William Limited	Rent received and services provided	0.2	0.2
Estuary Services Limited	Sales and expenses recharged	0.3	0.3
	Purchases	<u>(1.0)</u>	<u>(1.1)</u>

As at 31 March 2014 and 31 March 2013 there are no balances owed by/(to) the joint venture undertakings.

**NOTES TO THE FINANCIAL STATEMENTS**  
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**26. RELATED PARTY TRANSACTIONS**

*Entities in the Peel Holdings Group Limited group of companies*

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

<b>Related Party</b>	<b>Transaction</b>	<b>2014 £m</b>	<b>2013 £m</b>
Peel Holdings (IOM) Limited	Expenses reimbursed	(0.1)	(0.1)
Peel Holdings Land & Property (UK) Limited	Sales and expenses recharged	0.7	2.1
	Purchases, rent and expenses reimbursed	(4.9)	(1.4)
Peel Holdings Land & Property Group Limited	Sales and other income	1.6	0.1
	Purchase of fixed assets	-	1.9

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

	<b>2014 £m</b>	<b>2013 £m</b>
Peel Holdings (IOM) Limited	-	(0.1)
Peel Holdings Land & Property (UK) Limited	(1.0)	0.2
Peel Holdings Land & Property Group Limited	1.7	1.8

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

Included in accruals and deferred income is accrued interest of £2.8m (2013: £2.8m) payable to Infrastructure JVCo (Lime) S.a.r.l. and £2.8m payable to Peel Ports Investments (IOM) Limited (2013: £2.8m payable to Peel Ports Holdings (IOM) Limited).

**27. OTHER FINANCIAL COMMITMENTS**

At 31 March 2014, the Group had annual commitments under non-cancellable operating leases as follows:

<b>Group</b>	<b>Land and buildings 2014 £m</b>	<b>Other 2014 £m</b>	<b>Land and buildings 2013 £m</b>	<b>Other 2013 £m</b>
Expiry date:				
- within one year	0.1	6.9	0.1	8.5
- between two and five years	2.0	4.2	1.0	5.3
- after five years	4.4	1.2	5.6	-
	6.5	12.3	6.7	13.8

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2014**

**28. ULTIMATE AND IMMEDIATE HOLDING COMPANY**

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

**29. ULTIMATE CONTROLLING PARTY**

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

**30. EQUITY MINORITY INTERESTS**

	<b>£m</b>
At 1 April 2013	3.0
Acquisition accounting fair value adjustments (note 31)	(0.4)
Profit and loss account	4.3
Other recognised gains and losses	<u>0.2</u>
At 31 March 2014	<u><u>7.1</u></u>

**31. MARINE SUPPORT SERVICES**

On 21 September 2012 the Group increased its shareholding in Cammell Laird Shiprepairers & Shipbuilders Limited ("Cammell Laird") from 47.49% to 75% and in Atlantic & Peninsula Marine Services Limited ("A&PMS") to 75%. Total consideration was £30.5m of which £30.0m related to cash consideration and £0.5m related to transaction costs. One of the vendors of A&PMS was Peel Ports Holdings (No.2) (IOM) Limited, a party related by virtue of common ownership and control. The investment was financed from cash reserves, with a net cash outflow, net of cash acquired, of £17.9m. Prior to 21 September 2012 Cammell Laird was accounted for as a joint venture undertaking and the Group's share of the profits for the period prior to that date are recorded in the consolidated profit and loss account for the year ended 31 March 2013.

Provisional fair values recorded in the year ended 31 March 2013 were finalised during the year, with a further £1.9m of liabilities and £0.4m of related deferred tax asset recorded, increasing goodwill by £1.1m and decreasing minority interest by £0.4m. The final summary is presented below:

	<b>Book value</b>	<b>Fair value adjustment</b>	<b>Fair value</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Net assets	<u>8.4</u>	<u>(2.9)</u>	5.5
Minority interest share of fair value of net assets			(1.4)
Less value of joint venture			<u>(4.2)</u>
Net liabilities acquired			(0.1)
Goodwill			<u>30.6</u>
Purchase cost			<u><u>30.5</u></u>

**NOTES TO THE FINANCIAL STATEMENTS**  
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**32. PRINCIPAL SUBSIDIARY UNDERTAKINGS AND JOINT VENTURES**

**Subsidiary undertakings**

The principal subsidiary undertakings consolidated at 31 March 2014 were as follows:

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

All the above investments are 100% owned other than A&P Tyne Limited and A&P Falmouth Limited and Cammell Laird Shiprepairers & Shipbuilders Limited, in which the Group has a 75% interest.

A full listing of subsidiaries will be annexed to the next annual return.

**Joint venture undertakings**

The principal joint venture undertakings at 31 March 2014 were as follows:

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

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