Company Registration No: 7438096

THE MANCHESTER SHIP CANAL COMPANY LIMITED

Report and Financial Statements

For the year ended 31 March 2018

REPORT AND FINANCIAL STATEMENTS

CONTENTS

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

T E Allison
I G L Charnock
G E Hodgson
N Lees
S Underwood
J Whittaker
M Whitworth

COMPANY SECRETARY

F A Khan
C R Marrison Gill

REGISTERED OFFICE

Maritime Centre
Port of Liverpool
Liverpool
L21 1LA

REGISTRARS AND TRANSFERS OFFICE

Capita Registrars Limited
Registration and New Issues
Bourne House
34 Beckenham Road
Beckenham
Kent
BR3 4TU

BANKERS

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

AUDITOR

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

STRATEGIC REPORT

The directors present their Strategic Report, Directors' Report and the audited financial statements of the Company for the year ended 31 March 2018.

PRINCIPAL ACTIVITIES

The principal activities of the Company are the provision of port facilities, cargo handling and marine related services, including being the Statutory Harbour Authority for the Port of Manchester, which includes the Manchester Ship Canal. An integral part of the port operations is the management of its land and property interests.

RESULTS AND DIVIDENDS

The results for the year and the Company's financial position at the end of the year are shown in the financial statements, and are discussed further in the business review below.

The directors proposed and paid interim ordinary dividends of £13.9m (2017: £33.9m). The directors proposed and paid dividends of £0.1m (2017: £0.1m) on the 3.5% (net) preference shares.

REVIEW OF BUSINESS, DEVELOPMENTS AND PROSPECTS

Summary of results

The results for the year and the previous year are summarised in the table below.

	2018	2017	Change	
Continuing operations	**£m**	**£m**	**£m**	**%**
Turnover	39.7	36.8	2.9	7.9
Gross profit	18.9	19.6	(0.7)	(3.6)
Operating profit	18.6	14.6	4.0	27.4

The Company's results and financial position are set out in the profit and loss account and balance sheet respectively.

Net assets were £31.4m at 31 March 21018 (2017: £27.7m). In addition to the profit for the financial year of £16.6m (2017: £13.4m), the net asset position has changed principally because of the payment of interim dividends of £13.9m (2017: £33.9m) and a recognised actuarial gain (2017 loss), net of deferred tax, relating to the defined benefit pension arrangements of £1.0m (2017: £4.1m).

Summary of key performance indicators

The directors use annual budgets as the basis for measuring Company performance. In addition, the Company prepares two year forecasts and a five-year strategic plan from a participative process.

The directors monitor the progress of the overall Company strategy and the individual strategic elements by reference to certain financial and non-financial key performance indicators for the continuing business (shown overleaf).

	2018	2017	Absolute Change	% Change	Method of calculation
Turnover (£m)	39.7	36.8	2.9	7.9	Year-on-year change
Gross profit margin (%)	47.6	53.3	(5.7)	(10.7)	Ratio of gross profit to turnover expressed as a percentage
Tonnage throughput (millions)	6.7	6.2	0.5	8.1	Year-on-year change using standard tonnage measures for the Ports industry

Revenue has increased year on year by 7.9% to £39.7m, reflecting an increase in tonnage throughput of 8.1% to 6.7 million. Changes in the sales mix, as well as spot market opportunities last year, has resulted in a decrease in gross profit margin from 53.3% to 47.6%.

STRATEGIC REPORT (CONTINUED)

PRINCIPAL RISKS AND UNCERTAINTIES

Health and safety

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

It is Peel Ports' policy that health and safety should be placed well to the fore in the conduct of our operations.

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

The Group has continued to enhance its focus on health and safety in the year ended 31 March 2018, with particular investment in increased training including, in October 2017, the Group's inaugural health and safety conference. Steps have also been taken to address areas where employees or third parties have been injured while in the Group's ports.

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

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

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

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

Capital expenditure projects

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

Resilience of operational assets

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

Brexit

Since the UK's vote to leave the EU, the Company has not yet encountered any material adverse impacts that might be directly attributable to Brexit. However, as negotiations regarding the post-Brexit trading arrangements remain ongoing there will continue to be economic uncertainty, with the potential impact on the UK ports being a particular area of focus. The Group is well diversified both by geography and by commodity and the fundamentals of the Group are robust. This provides a resilient base from which it can respond to challenges and opportunities as they arise.

Dependency of the Company's ports on economic activity

The port forms 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 port. 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 port. In addition, the Company may be exposed to declining volumes in certain sectors, downward pricing pressure or the loss of major contracts.

STRATEGIC REPORT (CONTINUED)

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

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

The mitigation of this risk comes from the wide and diverse nature of customers, markets and products served by the port. 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 Company 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 Company continues to invest in maintaining and developing its facilities and services to meet the needs of its current and future customers.

Liquidity, cash flow and interest risks

The key financial risk arises from the level of long-term debt held by the Company and the wider Peel Ports Group Limited Group and the interest arising thereon. The Group's loans and loan note instruments with repayment dates between 1 October 2018 and 30 September 2046 ("long-term debt") amount to £1,837.8m (2017: £1,830.4m). The cash flow risk arising in connection with interest charges is mitigated through the use of interest rate and indexed linked swaps held by the Group. Further details on this risk can be found in the consolidated financial statements of Peel Ports Group Limited, the smallest UK group in which the financial statements of the Company are consolidated.

The directors consider that the combination of the swap instruments, stable trading of the port business, effective working capital management and the development of the asset base assists in managing the risks arising from the level of debt and variability in interest rates. The Group's bank loans and swap instruments are spread over a large number of banks. As at 31 March 2018, within the current facility agreements there were undrawn funds of £144.0m available in addition to cash of £91.4m on the Group's balance sheet.

Credit risk

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

Capital risk

The Group keeps its funding structure under review with the objective of maximising shareholder value and the capacity to meet its operational requirements and to facilitate the execution of its strategy. The Group's external loan covenants impose certain restrictions on the Group relating to capital which are regularly monitored by management. The Group was in compliance with these covenants during 2017 and 2018 and had significant headroom to the set limits.

Pensions risk

The Company operates a defined benefit pension scheme and is party to the Pilots National Pension Fund ('PNPF'), an industry-wide pension scheme. Modest changes to the assumptions used to value the defined benefit pension arrangements' assets and liabilities can have a significant effect on the asset or liability that the Company records. The arrangements and the assumptions used are more fully explained in note 15 of the financial statements. At 31 March 2018, the Company balance sheet recorded a pension liability of £14.1m (2017: £15.7m). The liability has decreased in the year due to employer contributions paid in the year, investment returns and changes in actuarial assumptions. The arrangements and the assumptions used are more fully explained in note 15 of the financial statements. Contribution rates are agreed with the trustees of each of the scheme to enable deficits to be recovered over appropriate periods of time. In the year ended 31 March 2018, the Company paid employer contributions to defined benefit pension schemes of £1.0m (2017: £0.9m).

Going concern

As referred to in note 3 to the financial statements, the directors have a reasonable expectation that the Company 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.

STRATEGIC REPORT (CONTINUED)

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

Environmental

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

On behalf of the Board

I G L Charnock
Director
1 August 2018

DIRECTORS' REPORT

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

DIRECTORS

The directors of the Company who served during the financial year and thereafter were as follows:

T E Allison	
I G L Charnock	
G E Hodgson	
N Lees	(appointed 14 August 2017)
Sir Richard Leese	(resigned 22 March 2018)
S Underwood	
P P Wainscott	(resigned 14 August 2017)
J Whittaker	
M Whitworth	

Under the Companies Act 2006 Sir Richard Leese would be regarded as a non-executive director. Sir Richard Leese has been leader of Manchester City Council since 1996.

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

APPOINTMENT OF COMPANY SECRETARY

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

RECOMMENDED DIVIDEND

No final dividend is proposed (2017: £nil).

EMPLOYEES

The Company 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 Company's operating units.

DISABLED PERSONS

Applications for employment by disabled persons are given full consideration, having regard to the capabilities of the applicant. In the event of employees becoming disabled, every effort is made to provide them with employment in the Company and to arrange any necessary re-training. It is the policy of the Company 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 Company has suitably qualified individuals to undertake the various operational tasks within the Company.

AUDITOR AND THE DISCLOSURE OF INFORMATION TO THE AUDITOR

Each of the persons who is a director 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 THE 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

I G L Charnock
Director
1 August 2018

DIRECTORS' RESPONSIBILITIES STATEMENT

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

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

In our opinion the financial statements of The Manchester Ship Canal Company Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 March 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of the company, which comprise:

- the profit and loss account;
- the statement of other comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 22.

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

Basis for opinion

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

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE MANCHESTER SHIP CANAL COMPANY LIMITED (CONTINUED)

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

We have nothing to report in respect of these matters.

Use of our report

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

Rachel Argyle (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Liverpool, United Kingdom
2 August 2018

PROFIT AND LOSS ACCOUNT
For the year ended 31 March 2018

	Note	2018 £m	2017 £m
TURNOVER	5	39.7	36.8
Cost of sales		(20.8)	(17.2)
GROSS PROFIT		18.9	19.6
Exceptional administrative expenses	7	-	(5.3)
Other administrative expenses		(0.4)	(0.2)
Administrative expenses		(0.4)	(5.5)
Profit on disposal of tangible fixed assets	7	0.1	0.5
OPERATING PROFIT	7	18.6	14.6
Net interest expense	8	(1.6)	(1.3)
PROFIT BEFORE TAXATION		17.0	13.3
Taxation	9	(0.4)	0.1
PROFIT FOR THE FINANCIAL YEAR		16.6	13.4

The above results are derived from continuing operations.

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

	Note	2018 £m	2017 £m
Profit for the financial year		16.6	13.4
Other comprehensive income:			
Remeasurement of net defined benefit liability	15	1.2	(5.0)
Total tax on components of other comprehensive income	9(d)	(0.2)	0.9
Other comprehensive income for the year, net of tax		1.0	(4.1)
Total comprehensive income for the year		17.6	9.3

BALANCE SHEET
As at 31 March 2018

	Note	2018 £m	2017 £m
FIXED ASSETS			
Tangible assets	10	66.1	63.9
CURRENT ASSETS			
Debtors	11	16.8	17.2
Cash at bank and in hand		4.1	5.8
		20.9	23.0
CREDITORS: amounts falling due within one year	12	(11.1)	(13.0)
NET CURRENT ASSETS		9.8	10.0
TOTAL ASSETS LESS CURRENT LIABILITIES		75.9	73.9
CREDITORS: amounts falling due after more than one year	13	(30.4)	(30.5)
Post-employment pension liability	15	(14.1)	(15.7)
NET ASSETS		31.4	27.7
CAPITAL AND RESERVES			
Called-up share capital	16	4.0	4.0
Revaluation reserve	16	15.8	16.1
Capital redemption reserve	16	3.3	3.3
Profit and loss account		8.3	4.3
TOTAL SHAREHOLDER'S FUNDS		31.4	27.7

The financial statements of The Manchester Ship Canal Company Limited (company registration number 7438096), were approved and authorised for issue by the Board of Directors on 1 August 2018 and were signed on its behalf by:

I G L Charnock
Director

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

	Called-up share capital £m	Revaluation reserve £m	Capital redemption reserve £m	Profit and loss account £m	Total £m
As at 1 April 2016	4.0	16.3	3.3	28.7	52.3
Profit for the financial year	-	-	-	13.4	13.4
Other comprehensive income	-	-	-	(4.1)	(4.1)
Total comprehensive income	-	-	-	9.3	9.3
Reserves transfer (note 16)	-	(0.2)	-	0.2	-
Dividends (note 16)	-	-	-	(33.9)	(33.9)
As at 31 March 2017	4.0	16.1	3.3	4.3	27.7
Profit for the financial year	-	-	-	16.6	16.6
Other comprehensive income	-	-	-	1.0	1.0
Total comprehensive income	-	-	-	17.6	17.6
Reserves transfer (note 16)	-	(0.3)	-	0.3	-
Dividends (note 16)	-	-	-	(13.9)	(13.9)
As at 31 March 2018	4.0	15.8	3.3	8.3	31.4

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

1. GENERAL INFORMATION

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

2. STATEMENT OF COMPLIANCE

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of preparation

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

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

Going concern

In considering the appropriateness of the going concern basis of preparation, the directors have considered forecasts for the Group for the next twelve months from the date of signing the 2018 financial statements, which include detailed cash flow forecasts and working capital availability. These forecasts show that sufficient resources remain available to the business for the next twelve months after taking account of reasonably possible changes in trading performance.

The Company is party to the cross-guarantee of the debt facility of Peel Ports Group Limited group ("the Group"). Therefore, the directors of the Company have considered the assumptions and conclusions of Group's management in making their assessment of going concern on a Group basis and are cognisant of the following going concern disclosure, which appears in the financial statements of Peel Ports Group Limited for the year ended 31 March 2018:

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Going concern (continued)

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

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

Exemptions for qualifying entities under FRS 102

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

a) A reconciliation of the number of shares outstanding at the beginning and end of the year;
b) A statement of cash flows;
c) Certain financial instrument disclosures on the basis that equivalent disclosures are included in the consolidated financial statements of the group in which the Company is consolidated; and
d) Key management personnel compensation in total.

Revenue recognition

All revenue recorded excludes value added tax and consideration is given as to the collectability of any amounts due from customers.

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

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

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

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

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

Employee benefits

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

(i) Short-term benefits

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

(ii) Defined contribution pension plans

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(iii) Defined benefit pension plans

The Company operates a defined benefit pension plan for certain employees. A defined benefit pension plan defines the pension benefit that the employee will receive on retirement, usually dependent on several factors including age, length of service and remuneration. A defined benefit plan is a pension plan that is not a defined contribution plan.

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

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

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

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

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

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

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

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

Exceptional items

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

Taxation

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

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

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

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

- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

The Company holds investments in a number of wholly-owned subsidiary companies with a total cost value of £nil. These subsidiaries, which are dormant and have never traded are: Runcorn Newco Limited, Ellesmere Newco Limited and Irwell Newco Limited. Their registered address is: c/o Maple Corporate Services Ltd, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The Company has taken advantage of the exemption from preparing consolidated financial statements afforded by Section 400 of the Companies Act 2006 as it is a wholly-owned subsidiary of Peel Ports Group Limited, which prepares consolidated financial statements that are publicly available.

Tangible fixed assets

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

The carrying value of previously revalued tangible fixed assets was frozen under the transitional arrangements of FRS 15 'Tangible Fixed Assets'. The Company has subsequently applied the transitional arrangements of Section 35 of FRS 102 and used the previous valuation as the deemed cost. As the assets are depreciated or sold an appropriate transfer is made from the revaluation reserve to retained earnings.

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

- operational buildings at rates varying between 1% and 4% per annum;
- plant and machinery at rates varying between 5% and 25% per annum;
- freehold and leasehold land is not depreciated; and
- no depreciation is charged on capital work-in-progress until the assets are available for use. On completion, such assets are transferred to the appropriate category of tangible fixed assets.

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

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

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

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

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

Leased assets

Operating lease rentals are charged to the profit and loss account on a straight line basis over the lease term.

Stocks

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

Financial instruments

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

(i) Financial assets

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

(i) Financial assets (continued)

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

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

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

(ii) Financial liabilities

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

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

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

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

Share capital

Ordinary shares are classified as equity.

Distributions to equity holders

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

Related party transactions

The Company discloses transactions with related parties which are not wholly owned with the same group. It does not disclose transactions with members of the same group that are wholly owned.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

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

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

The directors do not consider there to be any critical accounting judgements that must be applied.

(ii) Key sources of estimation uncertainty

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

Useful economic lives of tangible assets (notes 3 and 10)

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, economic utilisation and the physical condition of the assets. The depreciation charge for the year ended 31 March 2018 was £3.0m (2017: £3.3m).

The Company is required to evaluate the carrying values of tangible fixed assets for impairment whenever circumstances indicate, in management's judgement, that the carrying value of such assets may not be recoverable. An impairment review requires management to make subjective judgements concerning the cash flows, growth rates and discount rates of the assets under review.

Discount rates and other assumptions used to determine the carrying amount of the Company's defined benefit pension obligation (note 15)

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

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

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

Further information on the Company's defined benefit pension arrangements can be found in note 15.

5. TURNOVER

Turnover arises in the UK from the following sources:

	2018 £m	2017 £m
Port and canal operations	39.7	38.4

Port and canal operations turnover represents income derived from the services provided at the Port of Manchester, which includes the Manchester Ship Canal. The Company operates a "value added model" in respect of which it acts as both operator and landlord.

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

6. EMPLOYEES AND DIRECTORS

Employees

The average monthly number of persons employed by the Company during the year was:

	2018 No.	2017 No.
Administration	8	11
Operational	40	36
	48	47

The staff costs for the above persons were:

	2018 £m	2017 £m
Wages and salaries	1.4	1.4
Social security costs	0.2	0.1
Defined benefit pension fund cost (note 15)	0.2	0.2
Other pension costs – defined contribution pension schemes (note 15)	0.2	0.2
	2.0	1.9

No staff costs have been capitalised.

Directors

Directors who are remunerated by other undertakings in the Peel Ports Group Limited group of companies or by the wider Peel Holdings group of companies are not disclosed in these financial statements. Those directors have to account in turn to those undertakings. Additionally, the above analysis excludes the emoluments of directors who are remunerated for services to the Group as a whole. It is not practicable to allocate their remuneration between their services to the Company, to the other companies in the group or to their Group role.

7. OPERATING PROFIT

Operating profit is stated after charging/(crediting):

	2018 £m	2017 £m
Depreciation – owned assets	3.0	3.3
Profit on disposal of fixed assets	(0.1)	(0.5)
Operating lease charges	2.5	1.8
Exceptional administrative expenses	-	5.3

Exceptional administrative expenses of £5.3m in the prior year related to the cessation of certain waste-related activities.

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

7. OPERATING PROFIT (CONTINUED)

The analysis of auditor's remuneration is as follows:

	2018 £'000	2017 £'000
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	24	24

Fees paid to the Company's auditor, Deloitte LLP, for services other than the statutory audit are not disclosed in the financial statements of the Company as the financial statements of the Company's intermediate parent, Peel Ports Group Limited, are required to disclose non-audit fees on a consolidated basis.

The undernoted information in respect of Pilotage is given in accordance with Article 4 of the Statutory Harbour Undertakings (Pilotage Accounts) Regulations 1988.

	2018 £m	2017 £m
Port and Canal income includes:		
Pilotage (including exemption certificates of £nil (2017: £nil)	2.0	1.6
Port and canal expenditures includes:		
Pilotage*	1.6	1.6

* Excludes defined benefit pension payments to the Pilots National Pension Fund and a related net interest charge on post-employment benefits.

8. NET INTEREST EXPENSE

	2018 £m	2017 £m
Interest payable and similar charges		
Other loans	(0.6)	(0.3)
Loans from group undertakings	(0.5)	(0.5)
Dividends on preference shares classed as financial liabilities	(0.1)	(0.1)
Total interest payable and similar charges	(1.2)	(0.9)
Other finance costs		
Net interest on post-employment benefits (note 15)	(0.4)	(0.4)
Net interest expense	(1.6)	(1.3)

9. TAXATION

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

	2018 £m	2017 £m
Current tax		
UK corporation tax	-	-
Total current tax charge	-	-
Deferred tax		
Origination and reversal of timing differences	0.2	(0.2)
Adjustments in respect of prior years	0.2	-
Change of UK tax rate	-	0.1
Total deferred tax charge/(credit)	0.4	(0.1)
Total tax charge/(credit)	0.4	(0.1)

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

9. TAXATION (CONTINUED)

b) Reconciliation of total tax charge/(credit)

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

	2018 £m	2017 £m
Profit before taxation	17.0	13.3
Profit before taxation multiplied by the standard rate of UK corporation tax of 19% (2017: 20%)	3.2	2.7
Effects of:		
Net disallowable expenditure	0.4	0.3
Group relief claimed without payment	(3.4)	(3.2)
Adjustments in respect of prior years	0.2	-
Re-measurement of deferred tax – change in UK tax rate	-	0.1
Total tax charge/(credit)	0.4	(0.1)

c) Factors affecting future tax charges

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

d) Deferred tax

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

	2018 £m	2017 £m
Post-employment benefits	2.4	2.7
Accelerated capital allowances	(1.1)	(0.8)
	1.3	1.9

The net deferred tax asset is recorded in debtors (see note 11).

There are no unused tax losses or tax credits.

The net deferred tax asset expected to reverse in 2019 is £nil. This primarily relates to the non-reversal of timing differences in respect of the accelerated capital allowances.

Movements in deferred tax

	Asset £m
As at 1 April 2017	1.9
Charged to profit and loss	(0.4)
Charged to other comprehensive income	(0.2)
As at 31 March 2018	1.3

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

10. TANGIBLE FIXED ASSETS

	Land and buildings – freehold and long leasehold £m	Plant and machinery £m	Capital work-in-progress £m	Total £m
Cost or valuation				
As at 1 April 2017	89.6	42.0	3.3	134.9
Additions	0.1	-	5.1	5.2
Transfer from work in progress	0.9	0.9	(1.8)	-
As at 31 March 2018	90.6	42.9	6.6	140.1
Depreciation				
As at 1 April 2017	40.3	30.7	-	71.0
Charge for year	1.4	1.6	-	3.0
As at 31 March 2018	41.7	32.3	-	74.0
Net book value				
As at 31 March 2018	48.9	10.6	6.6	66.1
As at 31 March 2017	49.3	11.3	3.3	63.9

Non depreciable land

Included within tangible fixed assets is freehold and long leasehold land, which is not subject to depreciation, amounting to £30.9m (2017: £30.9m) and £0.1m (2017: £0.1m) respectively.

Historical cost of fixed assets

The historical cost of land and buildings is £72.7m (2017: £71.7m).

If land and buildings had not been revalued, they would have been included at the following amounts:

	2018 £m	2017 £m
Cost	72.7	71.7
Depreciation	(36.4)	(35.2)
Net book value	36.3	36.5

11. DEBTORS

Amounts falling due within one year:	2018 £m	2017 £m
Trade debtors	8.8	5.4
Amounts owed by group undertakings	4.7	7.0
Deferred tax asset (note 9)	1.3	1.9
Other debtors	1.2	2.8
Prepayments and accrued income	0.8	0.1
	16.8	17.2

The allowance for bad debt provision included in trade debtors above and the amounts that are past due but not impaired are immaterial for separate disclosure in the financial statements.

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

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018 £m	2017 £m
Trade creditors	2.4	2.6
Amounts owed to group undertakings	0.7	1.7
Amounts owed to related undertakings (note 17)	0.5	0.3
Other creditors including taxation and social security	0.4	-
Accruals and deferred income	7.1	8.4
	11.1	13.0

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

	2018 £m	2017 £m
Group loans	24.2	24.2
Perpetual debenture stocks	2.2	2.2
3,999,980 3.5% (net) preference shares (note 16)	4.0	4.0
Debt falling due after more than one year	30.4	30.4
Other creditors	-	0.1
	30.4	30.5

Details of security on the above borrowings are disclosed in note 14.

14. LOANS AND OTHER BORROWINGS

	2018 £m	2017 £m
(a) Loans and other borrowings		
Group loans	24.2	24.2
Perpetual debenture stocks	2.2	2.2
3,999,980 3.5% (net) preference shares	4.0	4.0
	30.4	30.4
(b) Maturity of loans and other borrowings		
Between two and five years	24.2	24.2
In more than five years	6.2	6.2
	30.4	30.4

Group loans of £24.2m (2017: £24.2m) are amounts advanced to the Company by fellow subsidiary undertakings. The loan bears interest at LIBOR plus margin payable quarterly in arrears and has a final repayment date of 11 December 2019.

The perpetual debenture stocks are secured by floating charges over the undertaking of the Company and bear interest at rates between 3.5% and 4%. The debentures were delisted from the London Stock Exchange on 8 August 2016.

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

15. POST-EMPLOYMENT BENEFITS

The Company operates a defined benefit pension scheme based on final pensionable pay, the Peel Ports Final Salary Pension Scheme, which is closed to future accrual. The Company is also a participating employer in the Pilots National Pension Fund ("PNPF"), a multi-employer industry-wide defined benefit pension scheme that is accounted for on a defined benefits basis. The Company also operates a defined contribution (otherwise known as money purchase) pension scheme, the Peel Ports Retirement Savings Plan.

Amounts recognised in profit and loss account are as follows:

	2018 £m	2017 £m
Defined benefit schemes		
- Scheme administrative costs (note 15(a))	0.2	0.2
Defined contribution scheme (note 15(b))	0.2	0.2
Total charge in operating profit	0.4	0.4
Defined benefit schemes		
- Net interest expense (note 15(a))	0.4	0.4
Total charge	0.8	0.8

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

	2018 £m	2017 £m
Post-employment pension liability	14.1	15.7

a) Defined benefit pension schemes

Administration and valuations

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

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

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

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

15. POST-EMPLOYMENT BENEFITS (CONTINUED)

a) Defined benefit pension schemes (continued)

Administration and valuations (continued)

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

Defined benefit pension schemes operated by the Company

Peel Ports Final Salary Pension Scheme ("PPFSPS")

The PPFSPS is closed to future accrual with effect from 31 December 2013. Following the closure, employer contributions continue to be payable in relation to the recovery plan in place for the Scheme.

The most recent full triennial actuarial valuations for each of the five sections of the PPFSPS were as at 5 April 2015. As at the latest actuarial valuation, the value of the assets within each section of the scheme, which together totalled £465.6m, was sufficient to cover between 85% and 98% of the benefits that had been accrued to members, after allowing for expected future increases in earnings. The total deficit across all five sections was £36m.

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

The recovery plan agreed with the trustee commits the Company to continue to make annual deficit recovery payments of £0.1m per year. The recovery plan is designed to address the respective funding positions of each section so as to achieve fully funded status by 2023. Additionally, the Company will continue to pay the scheme administrative expenses of the PPFSPS.

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

Industry-wide defined benefit pension schemes

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 trustee assessed and indicated the Company's share of the deficit as at 31 December 2010 to be 5.4%. There has been no change since that date.

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

As at that date, the scheme had assets with a market value of £327m, representing 66% of the benefits accruing to members. The total deficit was £165m. The main assumptions in the actuarial valuation were that long-term investment rates, and the discount rate, would be 6.3% per annum pre-retirement and 2.8% per annum post-retirement, pensionable salary increases would be 3.0% per annum and price inflation would be 3.0% per annum on a RPI basis and 2.0% on a CPI basis. During the year, the Company made contributions of £0.8m (2017: £0.8m) to the PNPF, an amount that is expected to increase in line with annual inflation on an RPI basis.

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

At 31 March 2018, the Company's share of the deficit, on an FRS 102 accounting standards basis, was £11.5m (2017: £11.6m), which is included in the amounts recognised in the balance sheet.

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

15. POST-EMPLOYMENT BENEFITS (CONTINUED)

a) Defined benefit pension schemes (continued)

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

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

Assumptions

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

The mortality assumptions used were as follows:

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

Reconciliation of scheme assets and liabilities

	Assets £m	Liabilities £m	Total £m
As at 1 April 2017	82.6	(98.3)	(15.7)
Benefits paid	(5.0)	5.0	-
Employer contributions	1.0	-	1.0
Employee contributions	0.3	(0.3)	-
Interest income/(expense)	2.0	(2.4)	(0.4)
Remeasurement gains			
- Actuarial gains	-	0.9	0.9
- Return on plan assets excluding interest income	0.3	-	0.3
Scheme administrative expenses	(0.2)	-	(0.2)
As at 31 March 2018	81.0	(95.1)	(14.1)

The net remeasurement of the defined benefit pension liability for the year ended 31 March 2018, recorded in other comprehensive income, is a gain of £1.2m (2017: loss of £5.0m).

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

15. POST-EMPLOYMENT BENEFITS (CONTINUED)

a) Defined benefit pension schemes (continued)

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

Total cost recognised as an expense

	2018 £m	2017 £m
Scheme administrative expenses	0.2	0.2
Interest cost	0.4	0.4
	0.6	0.6

No amounts (2017: £nil) were included in the cost of assets.

Fair value of plan assets

	2018 £m	2017 £m
Equities	10.4	11.4
Hedge funds	17.4	17.8
Liability-driven investments	11.3	11.1
Corporate bonds	41.5	41.3
Cash	0.4	1.0
Total	81.0	82.6

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

Return on plan assets

	2018 £m	2017 £m
Interest income	2.0	2.5
Return on plan assets less interest income	0.3	8.3
Total gains	2.3	10.8

b) Defined contribution scheme

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

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

	2018 £m	2017 £m
Current year contributions (note 6)	0.2	0.2

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16. CALLED-UP SHARE CAPITAL AND OTHER RESERVES

	Number	2018 £m	2017 £m
Allotted, called-up and fully paid			
Ordinary shares of £1 each ranking for dividend	4,000,000	4.0	4.0
Shares classed as equity shareholder funds	4,000,000	4.0	4.0
3.5% (net) preference shares of £1 each	3,999,980	4.0	4.0
Total allotted share capital at 31 March	7,999,980	8.0	8.0

The holders of preference shares of £1 each are entitled to receive notice of any general meeting of the Company and vote on resolutions proposed, carrying equal voting rights with ordinary shares. The articles of the Company require that two thirds of profits should be paid to preference shareholders and one third to ordinary shareholders provided that when the said two thirds due to the preference shareholders shall in any year amount to £0.1m all remaining profits shall be payable to ordinary shareholders.

The 3.5% (net) preference shares are classified as creditors due after more than one year on the balance sheet (see note 13). Cumulative dividends are accrued within creditors until they are paid.

Equity dividends paid

	2018 £m	2017 £m
Interim ordinary dividends	13.9	33.9

Other reserves

The Company's other reserves are as follows:

The revaluation reserves represents the excess of previous valuations of the Company's tangible fixed assets over their historic cost carrying value. The Company does not follow a policy of revaluing its assets and the previous revaluations have been frozen. As the assets that have been revalued previously are depreciated a transfer is made from the revaluation reserve to the profit and loss account reserve, representing the excess depreciation charged on the revaluation amount. During the year ended 31 March 2018, the value of the transfer was £0.3m (2017: £0.2m).

The capital redemption reserve represents amounts transferred following the redemption or purchase of the Company's own shares.

17. RELATED PARTY TRANSACTIONS

Entities in the Peel Holdings Limited group of companies

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

Related party	Transaction	2018 £m	2017 £m
Peel Holdings Land & Property Group Limited	Sales	2.9	2.9
	Rent paid	(1.7)	(1.7)

At the balance sheet date the following significant amounts were due (to)/from related parties:

Related party	2018 £m	2017 £m
Peel Holdings Land & Property Group Limited	(0.5)	(0.3)

NOTES TO THE FINANCIAL STATEMENTS
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18. CAPITAL COMMITMENTS

	2018 £m	2017 £m
Capital expenditure contracted for but not provided for	0.3	0.1

19. OTHER FINANCIAL COMMITMENTS

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

	2018 £m	2017 £m
Within one year	2.7	2.6
Within two to five years	10.3	10.0
After five years	1,039.2	1,040.8
	1,052.2	1,053.4

Included within non-cancellable operating lease commitments is £1,009.9m (2017: £1,011.6m) relating to a 999-year lease over the Company's Ellesmere Port site, in respect of which there are 955 years remaining.

20. GROUP BORROWING FACILITY

The Company, together with certain of its fellow group undertakings, has guaranteed the amounts borrowed under bank and private placement loans by certain group companies. As at 31 March 2018 this amounted to £1,714.8m (2017: £1,707.4m).

21. ULTIMATE AND IMMEDIATE HOLDING COMPANY

The directors regard Tokenhouse Limited as the ultimate holding company and Peel Ports Investments Limited as the immediate parent company.

The largest and smallest group of undertakings of which the Company is a member that produces publicly available consolidated financial statements is Peel Ports Group Limited. Its Group financial statements are available from its registered office:

The Company Secretary
Peel Ports Group Limited
Maritime Centre
Port of Liverpool
L21 1LA.

22. ULTIMATE CONTROLLING PARTY

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