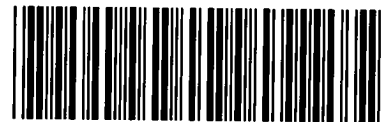




CLYDEPORT OPERATIONS LIMITED

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

TUESDAY



S6LKZKXS

SCT

19/12/2017

#553

COMPANIES HOUSE

REPORT AND FINANCIAL STATEMENTS

CONTENTS

Officers and professional advisers	1
Strategic report	2
Directors' report	5
Directors' responsibilities statement	6
Independent auditor's report	7
Profit and loss account	9
Statement of other comprehensive income	10
Balance sheet	11
Statement of changes in equity	12
Notes to the financial statements	13

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

T E Allison
I G L Charnock
S Underwood
M Whitworth

COMPANY SECRETARY

C R Marrison Gill

PRINCIPAL OFFICE

16 Robertson Street
Glasgow
G2 8DS

BANKERS

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

AUDITOR

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

STRATEGIC REPORT

The directors present their Strategic Report, Directors' Report and the audited financial statements of the Company for the year ended 31 March 2017.

PRINCIPAL ACTIVITIES

The principal activities of the Company are the provision of port facilities and cargo handling and marine related services, including being a Statutory Harbour Authority.

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 dividends of £4.0m (2016: £12.0m).

REVIEW OF BUSINESS, DEVELOPMENTS AND PROSPECTS

Summary of results

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

Continuing operations:	2017 £m	2016 £m	Change £m	%
Turnover	31.7	42.2	(10.5)	(24.9)
Gross profit	11.6	18.5	(6.9)	(37.3)
Operating profit before exceptional items	10.0	17.6	(7.6)	(43.2)
Operating profit	0.5	16.2	(15.7)	(9.7)

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

Net assets were £10.8m at 31 March 2017 (2016: £9.9m). In addition to the profit for the financial year of £1.2m (2016: £15.6m), the net asset position has changed because of an actuarial loss net of deferred tax relating to the Company's defined benefit pension scheme arrangements of £8.3m (2016: £2.9m), the payment of interim dividends of £4.0m (2016: £12.0m) and a capital contribution of £12.0m (2016: £nil).

Details of operating exceptional items of £9.5m (2016: £1.4m) can be found in note 9.

Summary of key performance indicators

The directors use annual budgets as the basis for measuring the Company's 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 Company's overall strategy and the individual strategic elements by reference to certain financial and non-financial key performance indicators for the continuing business:

	2017	2016	Absolute Change	% Change	Method of calculation
Turnover (£m)	31.7	42.2	(10.5)	(24.9)	Year-on-year change in turnover
Gross profit margin (%)	36.6	43.8	(7.2)	(16.4)	Ratio of gross profit to turnover expressed as a percentage
Tonnage throughput (millions)	8.6	11.2	(2.6)	(23.2)	Year-on-year change in tonnage using standard tonnage measures for the Ports industry

STRATEGIC REPORT (CONTINUED)

REVIEW OF BUSINESS, DEVELOPMENTS AND PROSPECTS (CONTINUED)

Summary of key performance indicators (continued)

The accelerated decline in the UK coal market, has seen the Company handle lower volumes through its Hunterston facility, resulting in a 24.9% decrease in turnover and a 23.2% decrease in tonnage throughput. The resulting change in mix of work undertaken by the Company has led to a reduction in gross profit margin from 43.8% to 36.6%.

The Company has begun to investigate alternative uses for the port at Hunterston. This facility, situated on the West coast of Scotland, has a deep water quay capable of handling Cape sized vessels of up to 240,000 tonnes, has a c500 acres footprint, two rail terminals and is close to Hunterston power station with grid connection, providing for a number of possible alternative uses.

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

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 are dangerous and need to be handled 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.

Economic outlook and market pressures

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 port and when they are subject to economic cycles or, at the extreme, to failure there is an unavoidable impact on the port.

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.

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 2 October 2017 and 30 September 2046 ("long-term debt") amount to £1,830.4m (2016: £1,707.0m). The cash flow risk arising in connection with interest charges is mitigated through the use of interest rate and 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.

Credit risk

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

STRATEGIC REPORT (CONTINUED)

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

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. At 31 March 2017, the Company balance sheet recorded a pension liability of £27.1m (2016: £18.3m). The liability has increased due to changes in actuarial assumptions, including a lower discount rate due to reductions in corporate bond yields. The arrangements and the assumptions used are more fully explained in note 18 of the financial statements. The Company manages its responsibilities with regard to funding the defined benefit pension arrangements by agreeing contribution rates with the trustees that allow for deficits to be recovered over appropriate periods of time.

Going concern

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

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

A handwritten signature in black ink, appearing to read 'I G L Charnock', with a stylized flourish at the end.

I G L Charnock
Director
26 July 2017

DIRECTORS' REPORT

This report contains the statutory information disclosed in addition to that set out in the separate Strategic Report. Information relating to the future development of the business 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 year and thereafter are listed on page 1.

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.

RECOMMENDED DIVIDENDS

No final dividend is proposed (2016: £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.

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 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.

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

26 July 2017

DIRECTORS' RESPONSIBILITIES STATEMENT

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

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

We have audited the financial statements of Clydeport Operations Limited for the year ended 31 March 2017 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 25. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland."

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

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the 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 Company's affairs as 31 March 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

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

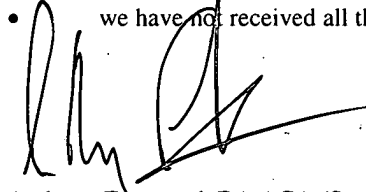
In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and the Directors' Report.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CLYDEPORT
OPERATIONS LIMITED (CONTINUED)**

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, 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.



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

27 July 2017

CLYDEPORT OPERATIONS LIMITED

PROFIT AND LOSS ACCOUNT
For the year ended 31 March 2017

	Note	2017 £m	2016 £m
TURNOVER	5	31.7	42.2
Cost of sales		<u>(20.1)</u>	<u>(23.7)</u>
GROSS PROFIT		11.6	18.5
Exceptional items	9	(9.5)	(1.4)
Other administrative expenses		(1.6)	(0.9)
Administrative expenses		<u>(11.1)</u>	<u>(2.3)</u>
OPERATING PROFIT	10	0.5	16.2
Net interest expense	11	<u>(0.7)</u>	<u>(0.6)</u>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(0.2)	15.6
Tax on (loss)/profit on ordinary activities	12	<u>1.4</u>	<u>-</u>
PROFIT FOR THE FINANCIAL YEAR		<u><u>1.2</u></u>	<u><u>15.6</u></u>

The above results are derived from continuing operations.

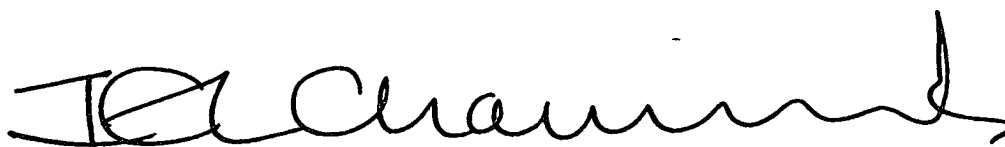
STATEMENT OF OTHER COMPREHENSIVE INCOME
For the year ended 31 March 2017

	Note	2017 £m	2016 £m
Profit for the financial year		1.2	15.6
Other comprehensive income			
Remeasurement of net defined benefit liability	18	(10.0)	(3.5)
Total tax on components of other comprehensive income	12	1.7	0.6
Other comprehensive income for the year, net of tax		(8.3)	(2.9)
Total comprehensive income for the year		(7.1)	12.7

BALANCE SHEET**As at 31 March 2017**

	Note	2017 £m	2016 £m
FIXED ASSETS			
Tangible assets	13	34.0	45.1
CURRENT ASSETS			
Stocks	14	0.1	1.1
Debtors	15	76.7	61.7
Cash at bank and in hand		3.7	8.4
CREDITORS: amounts falling due within one year	16	80.5 (7.5)	71.2 (5.4)
NET CURRENT ASSETS		73.0	65.8
TOTAL ASSETS LESS CURRENT LIABILITIES		107.0	110.9
CREDITORS: amounts falling due after more than one year	17	(69.1)	(82.7)
Post-employment pension liability	18	(27.1)	(18.3)
NET ASSETS INCLUDING PENSION LIABILITY		10.8	9.9
CAPITAL AND RESERVES			
Called-up share capital	19	-	-
Revaluation reserve	19	1.5	1.5
Profit and loss account		9.3	8.4
TOTAL SHAREHOLDER'S FUNDS		10.8	9.9

The financial statements of Clydeport Operations Limited (company registration number SC134759) were approved and authorised for issue by the Board of directors on 26 July 2017 and were signed on its behalf by:



I G L Charnock
Director

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

	Called- up share capital £m	Revaluation reserve £m	Profit and loss account £m	Total £m
Balance as at 1 April 2015	-	1.5	7.7	9.2
Profit for the year	-	-	15.6	15.6
Other comprehensive income for the year	-	-	(2.9)	(2.9)
Total comprehensive income for the year	-	-	12.7	12.7
Dividends (note 19)	-	-	(12.0)	(12.0)
Balance as at 31 March 2016	-	1.5	8.4	9.9
Profit for the year	-	-	1.2	1.2
Other comprehensive income for the year	-	-	(8.3)	(8.3)
Total comprehensive income for the year	-	-	(7.1)	(7.1)
Capital contribution (note 19)	-	-	12.0	12.0
Dividends (note 19)	-	-	(4.0)	(4.0)
Balance as at 31 March 2017				

NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 March 2017****1. GENERAL INFORMATION**

The Company is a private company limited by shares and is incorporated in Scotland. 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 Clydeport Operations Limited have been prepared in accordance with United Kingdom Accounting Standards, including Financial Reporting Standard FRS 102, "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" ("FRS 102") as issued by the Financial Reporting Council, and the Companies Act 2006.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of preparation

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

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

Going concern

In considering the appropriateness of the going concern basis of preparation, the directors have considered forecasts for the next twelve months from the date of signing the 2017 financial statements, which include detailed cash flow forecasts and working capital availability. These forecasts show that sufficient resources remain available to the business for the next twelve months 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 2017:

- "the directors prepare and update detailed annual budgets, two year projections, and five year strategic plans. Together these show that sufficient resources are available to the business and on this basis the directors continue to adopt the going concern assumption;
- at the balance sheet date, the Group has net liabilities of £1,671.0m (2016: £1,487.4m) which are principally attributed to the reorganisation of the Group in 2006 which was accounted for under merger accounting principles and resulted in the creation of a merger relief reserve of £506.1m, and to the fair value of the Group's derivative financial instruments, primarily interest rate and index-linked cross currency swaps, of £909.7m (2016: £857.4m);
- at the balance sheet date, the Group has borrowings of £1,707.4m (2016: £1,584.1m), which are subject to covenant restrictions. No breaches have occurred in the historical period or are forecast to occur. After taking account of reasonably possible changes in trading performance, the Group's forecasts and projections indicate that it is expected to continue to comply with covenant requirements for a period of at least 12 months from the date of approval of the financial statements;
- other than £2.8m which is due for repayment on 2 October 2017, the Group's loans and loan note instruments have repayment dates between 1 October 2018 and 30 September 2046;
- in the year ended 31 March 2017, turnover increased by £47.8m to £644.0m, primarily due to lower turnover in the lower margin Marine Support Services division and in the Shipping division due to exchange rate movements. The Group's diversified service offering and robust customer base meant that, together with targeted strategic restructuring initiatives, Group operating profit before exceptional items increased by £15.7m to £157.2m;

NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 March 2017****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 £109.5m (2016: £143.6m) (cash outflow);
- at the balance sheet date the Group held £90.8m (2016: £111.2m) of cash balances and had undrawn loan facilities of £114.0m available.”

After making enquiries, the directors have formed a judgment, at the time of approving the financial statements, that there is a reasonable expectation that the Company has 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 reconciliation of the number of shares outstanding at the beginning and end of the year;
- A statement of cash flows;
- 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
- Key management personnel compensation in total.

Revenue recognition

Turnover is stated net of VAT, rebates and trade discounts. Turnover from the sale of goods and services is recognised when the significant risk 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 specified contract terms. Port income comprises amounts receivable by the Company in respect of services provided during the financial year. Property turnover comprises property rental income and rental premiums, which are accounted for on an accruals basis. All turnover arises in the United Kingdom.

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

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

Employees are eligible to join a Stakeholder Pension Plan. 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. The assets of the plan are held separately from the Company in independently administered funds.

(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’).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

(iii) Defined benefit pension plans (continued)

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

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

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

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

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

Exceptional items

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

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.

Investments

Fixed asset investments are stated at cost less any provision for impairment. Cost represents the aggregate cash consideration, costs incurred and either the fair value or the nominal value of shares issued. Income from investments in subsidiary undertakings is included in the profit and loss account when dividends have been declared.

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.

NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 March 2017****3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Tangible fixed assets (continued)**

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 2% and 10% per annum;
- plant and machinery at rates varying between 2% and 33% 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.

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.

NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 March 2017****3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Financial instruments (continued)***(i) Financial assets (continued)*

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.

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 ESTIMATION UNCERTAINTY

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

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

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

(ii) Key accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant 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 13)

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

Defined benefit pension schemes (note 18)

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

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

5. TURNOVER

Turnover arises in the UK from the following sources:

	2017	2016
	£m	£m
Port and canal operations	31.7	41.9
Shipping income	-	0.3
	<u>31.7</u>	<u>42.2</u>

6. PILOTAGE

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

	2017	2016
	£'000	£'000
Pilotage revenue	3,748	3,795
Revenue from Pilotage exemption certificates	83	15
Aggregate expenditure*	2,191	2,152

*Excludes defined benefit pension payments to the Pilots National Pension Fund.

7. EMPLOYEE INFORMATION

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

	2017	2016
	Number	Number
Administration	12	14
Operational	137	193
	<u>149</u>	<u>207</u>

The staff costs for the above persons were:

	2017	2016
	£m	£m
Wages and salaries	5.7	7.9
Social security costs	0.6	0.8
Defined benefits pension cost/(credit) (note 18)	0.2	(0.6)
Other pension costs (note 18)	0.6	0.8
	<u>7.1</u>	<u>9.2</u>

No staff costs have been capitalised.

Other pension costs are Company contributions to defined contribution pension schemes. Contributions to defined benefits pension schemes recorded in the balance sheet are disclosed in note 18.

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

8. DIRECTORS' REMUNERATION

No directors of the Company received any remuneration in the year (2016: same).

At 31 March 2017, no retirement benefits were accruing to directors under a defined benefit scheme or a defined contribution scheme (2016: same).

This excludes the emoluments of 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. Those directors have to account in turn to those undertakings.

9. EXCEPTIONAL ITEMS

	2017 £m	2016 £m
Restructuring	9.5	1.4

Restructuring expenses in both years have been incurred as part of a strategic review of the Company's operations. They include asset impairment, redundancy and other costs in connection with the streamlining and reorganisation of activities in the Company. Of most significance was the restructuring of the Company's coal handling facilities due to the accelerated decline in the UK coal industry

10. OPERATING PROFIT

Operating profit is stated after charging/(crediting):	2017 £m	2016 £m
Depreciation – owned assets	4.5	5.8
Impairment of fixed assets (note 9)	8.5	-
Profit on disposal of fixed assets	(0.3)	(0.4)
Operating lease charges	1.0	1.0

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

	2017 £'000	2016 £'000
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	29	33

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.

11. NET INTEREST EXPENSE

	2017 £m	2016 £m
Interest payable and similar charges:		
Irredeemable loan stock	0.1	0.1
Total interest payable and similar charges	0.1	0.1
Other finance costs:		
Net interest on post-employment benefits (note 18)	0.6	0.5
Net interest expense	0.7	0.6

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

12. TAX ON PROFIT ON ORDINARY ACTIVITIES

a) Analysis of tax credit in the year

	2017 £m	2016 £m
Current tax		
UK corporation tax	-	-
Total current tax	-	-
Deferred tax		
Origination and reversal of timing differences	(1.6)	0.1
Change in UK tax rate	0.1	0.2
Adjustments in respect of prior years	0.1	(0.3)
Total deferred tax credit	(1.4)	-
Total tax on profit on ordinary activities	(1.4)	-

b) Reconciliation of total tax credit

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

	2017 £m	2016 £m
(Loss)/profit on ordinary activities before taxation	(0.2)	15.6
Profit on ordinary activities multiplied by the standard rate of UK corporation tax of 20% (2016: 20%)	-	3.1
Effects of:		
Non-taxable income	-	-
Expenses not deductible for tax purposes	0.2	0.3
Adjustments in respect of prior years	0.1	(0.3)
Group relief claimed without payment	(2.1)	(3.3)
Re-measurement of deferred tax – change in UK tax rates	0.4	0.2
Total tax credit	(1.4)	-

c) Factors affecting future tax charges

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

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

12. TAX ON PROFIT ON ORDINARY ACTIVITIES (CONTINUED)

d) Deferred tax

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

	2017 £m	2016 £m
Post-employment benefits	4.6	3.3
Accelerated capital allowances	0.7	(0.7)
Short term timing differences	0.4	-
	<u>5.7</u>	<u>2.6</u>

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

There are no unused tax losses or tax credits (2016: same).

The net deferred tax asset expected to decrease in 2018 by £0.4m. This primarily relates to the reversal of timing differences in respect of the accelerated capital allowances.

Movements in deferred tax

	Asset £m
At 1 April 2016	2.6
Credited in the year – profit and loss	1.4
Credited in the year – other comprehensive income	1.7
	<u>5.7</u>
At 31 March 2017	<u>5.7</u>

13. TANGIBLE FIXED ASSETS

	Land and buildings – freehold £m	Owned plant and machinery £m	Capital work- in-progress £m	Total £m
Cost or valuation				
At 1 April 2016	54.4	46.0	0.7	101.1
Additions	-	2.5	0.8	3.3
Disposals	(2.7)	(0.4)	-	(3.1)
Reclassification	0.1	0.7	(0.8)	-
	<u>51.8</u>	<u>48.8</u>	<u>0.7</u>	<u>101.3</u>
At 31 March 2017	<u>51.8</u>	<u>48.8</u>	<u>0.7</u>	<u>101.3</u>
Depreciation				
At 1 April 2016	27.4	28.6	-	56.0
Charge for year	1.6	2.9	-	4.5
Disposals	(1.3)	(0.4)	-	(1.7)
Impairment	-	8.5	-	8.5
	<u>27.7</u>	<u>39.6</u>	<u>-</u>	<u>67.3</u>
At 31 March 2017	<u>27.7</u>	<u>39.6</u>	<u>-</u>	<u>67.3</u>
Net book value				
At 31 March 2017	<u>24.1</u>	<u>9.2</u>	<u>0.7</u>	<u>34.0</u>
At 31 March 2016	<u>27.0</u>	<u>17.4</u>	<u>0.7</u>	<u>45.1</u>

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

13. TANGIBLE FIXED ASSETS (CONTINUED)

Historical cost of fixed assets

At 31 March 2017, tangible fixed assets include land valued in 1971 at £1.9m for which the historical cost was £0.4m.

Non-depreciable land

Included within land and buildings is land, which is not subject to depreciation, amounting to £8.6m (2016: £10.6m).

14. STOCKS

	2017	2016
	£m	£m
Consumables and engineering stores	0.1	1.1

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

15. DEBTORS

Amounts falling due within one year:	2017	2016
	£m	£m
Trade debtors	7.0	4.4
Amounts owed by group undertakings	63.3	54.3
Deferred tax asset (note 12)	5.7	2.6
Other debtors	0.1	0.3
Prepayments and accrued income	0.6	0.1
	<u>76.7</u>	<u>61.7</u>

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.

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017	2016
	£m	£m
Trade creditors	1.0	1.3
Amounts owed to group undertakings	0.3	0.8
Taxation and social security	0.1	0.7
Accruals and deferred income	6.1	2.6
	<u>7.5</u>	<u>5.4</u>

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

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

	2017 £m	2016 £m
3% irredeemable stock	1.4	1.4
4% irredeemable stock	1.9	1.9
Debt falling due after more than one year	3.3	3.3
Accruals and deferred income	1.0	1.6
Amounts owed to group undertakings	64.8	77.8
	<u>69.1</u>	<u>82.7</u>

On 8 July 2016, the Company issued an announcement stating that it had applied to the UK Listing Authority to cancel the listing of its debentures stock from the Official List and from the debenture stock's admission to trading on the London Stock Exchange. The de-listing became effective from the closing of the market on 8 August 2016.

Prior to 31 March 2017, the Company received confirmation from Peel Ports Investments Limited and Clydeport Limited that they would not seek repayment of the amounts due to them of £56.3m (2016: £77.8m) and £8.5m (2016: £nil) respectively for a period of at least twelve months from the date of signing of these financial statements. Accordingly, these balances have been shown as falling due after more than one year.

18. 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, and a defined contribution scheme. 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.

Amounts recognised in profit and loss account are as follows:

	2017 £m	2016 £m
Defined benefit schemes		
- Settlement gain (note 18(a))	-	(0.3)
- Curtailment gain (note 18(a))	-	(0.3)
- Past service credit (note 18(a))	-	(0.3)
- Scheme administrative costs (note 18(a))	0.2	0.3
Defined contribution scheme (note 18(b))	0.6	0.8
Total charge/(credit) in operating profit	<u>0.8</u>	<u>0.2</u>
Defined benefit schemes		
- Net interest expense (note 18(a))	0.6	0.5
Total charge	<u>1.4</u>	<u>0.7</u>

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

	2017 £m	2016 £m
Post-employment benefits deficit	<u>27.1</u>	<u>18.3</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

18. POST-EMPLOYMENT BENEFITS (CONTINUED)

a) Defined benefit pension schemes

Defined benefit pension schemes operated by the Company

The Company operates a defined benefit pension scheme based on final pensionable pay, the Peel Ports Final Salary Pension Scheme. The assets of the scheme are held separately from those of the Company and are administered by trustees and managed professionally. Contributions to the defined benefit pension scheme are determined by a qualified actuary on the basis of triennial valuations using the projected unit method.

The Peel Ports Final Salary Pension Scheme closed to future accrual with effect from 31 December 2013. Benefits accrued by members as of that date were unaffected by the closure and employees were auto-enrolled into the Peel Ports Group Stakeholder Pension Plan in respect of future service benefits. Following the closure, employer contributions continue to be payable to the Scheme in relation to the existing recovery plan and administrative expenses.

The most recent full triennial actuarial valuations for each of the five sections of the PPFSPS were as at 5 April 2015. As at the latest actuarial valuation, the value of the assets within the Company's section of the scheme, which totalled £123.5m, was sufficient to cover 89% of the benefits that had been accrued to members, after allowing for expected future increases in earnings. The recovery plan agreed with the Trustee commits the Company to continue to make annual deficit recovery payments of £0.7m 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 main assumptions applied were that long-term investment rates would be 4.91-5.92% per annum pre-retirement and 1.61-2.94% per annum post-retirement, pensionable salary increases would be 1.91-2.92% per annum, the majority of the pensions in payment would increase at RPI up to a maximum of 5%, and price inflation would be 2.41-3.42% per annum on a RPI basis and 1.91-2.92% on a CPI basis. The ranges reflect the different scheme section liability maturities.

Industry-wide defined benefit pension schemes

The Pilots National Pension Fund ("PNPF") is a multi-employer industry-wide defined benefit pension scheme that is accounted for on a defined benefits basis. The trustee assessed and indicated the Company's share of the deficit as at 31 December 2010 to be 0.8%. There has been no change since that date. At 31 March 2017, the Company's share of the deficit was £1.7m (2016: £1.6m), which is included in the amounts recognised in the balance sheet.

The most recent formal actuarial valuation, completed by an independent actuary, is as at 31 December 2013.

As at that date, the scheme had assets with a market value of £271m, representing 57% of the benefits accruing to members. The main assumptions in the actuarial valuation were that long-term investment rates, and the discount rate, would be 7.2% per annum pre-retirement and 4.4% per annum post-retirement, pension salary increases would be 4.0% per annum and price inflation would be 3.5% per annum on a RPI basis and 2.8% on a CPI basis. During the year, the Company made contributions of £0.1m (2016: £0.1m) to the PNPF.

Disclosures in respect of both the defined benefit pension scheme operated by the Company and the Company's participation in the PNPF:

Adjustments to the actuarial valuations as at the dates described in the preceding section have been made based on the assumptions set out below.

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

18. 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 the PNPf (continued):

Assumptions

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

The mortality assumptions used were as follows:

	2017 Years	2016 Years
Longevity at age 65 for current pensioners:		
- Men	21.7	21.6
- Women	23.8	23.7
Longevity at age 65 for future pensioners (currently aged 45):		
- Men	23.8	23.7
- Women	26.1	26.0

Reconciliation of scheme assets and liabilities:

	Assets £m	Liabilities £m	Total £m
At 1 April 2016	105.4	(123.7)	(18.3)
Benefits paid	(8.6)	8.6	-
Employer contributions	1.9	-	1.9
Interest income/(expense)	3.5	(4.1)	(0.6)
Remeasurement losses			
- Actuarial losses	-	(20.5)	(20.5)
- Return on plan assets excluding interest income	10.6	-	10.6
Scheme administrative expenses	(0.2)	-	(0.2)
At 31 March 2017	112.6	(139.7)	(27.1)

Total cost recognised as an expense:

	2017 £m	2016 £m
Settlement gain	-	(0.3)
Curtailment gain	-	(0.3)
Past service credit	-	(0.3)
Scheme administrative expenses	0.2	0.3
Interest cost	0.6	0.5
	0.8	(0.1)

No amounts (2016: £nil) were included in the cost of assets.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

18. 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 the PNPF (continued):

The fair value of the plan assets were:

	2017 £m	2016 £m
Equities	16.8	10.5
Hedge funds	34.1	35.1
Liability-driven investments	13.9	13.3
Corporate bonds	46.2	44.2
Cash	1.6	2.3
Total	112.6	105.4

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

The return on the plan assets was:

	2017 £m	2016 £m
Interest income	3.5	3.7
Return on plan assets less interest income	10.6	(6.3)
Total gains/(losses)	14.1	(2.6)

a) Defined contribution scheme

The Company provides a defined contribution scheme, the Peel Ports Group Stakeholder Pension Plan, for its employees. The assets of the schemes are held separately from the assets of the Company and are administered and managed professionally by 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 enrolls employees who met the eligibility criteria and are not members of a qualifying pension scheme into the Peel Ports Group Stakeholder Pension Plan.

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

	2017 £m	2016 £m
Current year contributions (note 7)	0.6	0.8

19. CALLED-UP SHARE CAPITAL AND OTHER RESERVES

	2017 Number	2016 Number	2017 £	2016 £
<i>Authorised, allotted, called-up and fully paid</i>				
Ordinary shares of 25p each	800	800	200	200

Equity dividends paid

	2017 £m	2016 £m
Interim ordinary dividends	4.0	12.0

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

19. CALLED-UP SHARE CAPITAL AND OTHER RESERVES

Other reserves

The Company's other reserves are as follows:

The revaluation 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.

Capital contribution

During the year ended 31 March 2017, the Company's parent undertaking waived £12.0m due from the Company. This amount has been credited to the profit and loss reserve and is available for distribution in future periods.

20. CAPITAL COMMITMENTS

	2017 £m	2016 £m
Capital expenditure contracted for but not provided for	0.1	-

21. OTHER FINANCIAL COMMITMENTS

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

	2017 £m	2016 £m
Within one year	0.4	0.9
Within two to five years	1.0	2.1
After five years	7.0	9.6
	<u>8.4</u>	<u>12.6</u>

22. CONTINGENT LIABILITIES

The Company may become liable, as tenant of three leased areas, for removal of certain installations and re-instatement of those sites on termination of the leases. Upon termination of these leases in 2074 and 2075 the lessors have the option to take over such installations, in which case any such liability would not arise. The extent to which any such liability may arise cannot therefore presently be determined. Accordingly, no provision has been provided in connection therewith. Under the terms of two of the leases the Company is entitled to break each lease during or after 2015. Under the terms of the other lease the Company is entitled to break that lease during or after 2006.

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. At 31 March 2017 this amounted to £1,707.4m (2016: £1,584.1m).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

23. RELATED PARTY TRANSACTIONS

Entities in the Peel Holdings group of companies

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

		2017 £m	2016 £m
Peel Holdings Land & Property Group Limited	Rent paid	(0.1)	(0.1)
	Service charge	(0.1)	(0.1)
	Dilapidations	(0.1)	-
	Other charges	(0.2)	-
		<u>(0.5)</u>	<u>(0.2)</u>

There are no balances owed to or by entities in the Peel Holdings Limited group of companies at either 31 March 2017 or 31 March 2016.

24. IMMEDIATE AND ULTIMATE PARENT UNDERTAKINGS

The directors regard Tokenhouse Limited, a company incorporated in the Isle of Man, as the ultimate holding company and Clydeport Limited, a company registered in the United Kingdom, 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, a company registered in the United Kingdom. Its group financial statements are available from:

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

25. 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, the immediate parent company of Peel Ports Group 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.