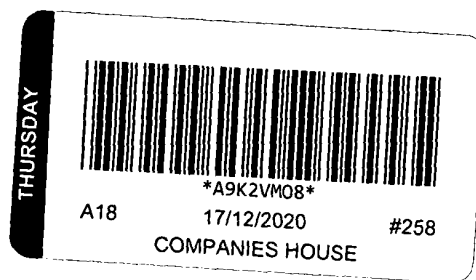


Company Registration No: 2981652

BIRKENHEAD PORT LIMITED

**Report and Financial Statements
For the year ended 31 March 2020**



REPORT AND FINANCIAL STATEMENTS

CONTENTS	Page
Officers and professional advisers	1
Strategic report	2
Directors' report	7
Directors' responsibilities statement	8
Independent auditor's report	9
Profit and loss account	11
Statement of comprehensive income	11
Balance sheet	12
Statement of changes in equity	13
Notes to the financial statements	14

BIRKENHEAD PORT LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

I G L Charnock
M Whitworth

COMPANY SECRETARY

F A Khan

REGISTERED OFFICE

Maritime Centre
Port of Liverpool
Liverpool
L21 1LA

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 2020.

PRINCIPAL ACTIVITIES

The Company is the Statutory Harbour Authority for Twelve Quays at Birkenhead Docks.

RESULTS AND DIVIDENDS

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

The directors proposed and paid interim dividends of £8.0m (2019: £7.1m).

REVIEW OF BUSINESS, DEVELOPMENTS AND PROSPECTS

Summary of results

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

Net assets were £2.3m at 31 March 2020 (2019: £3.0m). In addition to the profit for the financial year of £7.3m (2019: £7.6m), the net asset position has moved as a result of the payment of interim dividends of £8.0m (2019: £7.1m).

Summary of key performance indicators

The directors use annual budgets as the basis for measuring Company performance.

The directors have monitored 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.

	2020	2019	Absolute Change	% Change	Method of calculation
Turnover (£m)	7.4	7.7	(0.3)	(3.9)	Year-on-year change
Tonnage throughput (million)	2.9	2.9	-	-	Year-on-year change using standard tonnage measures for the Ports industry

Because of the limited nature of the Company's activities, further key performance indicators are not presented. The level of business activity was in line with expectations. It is anticipated that the present level of business activity will be at least maintained.

The results for the year include the effect of disruption caused by the global Covid-19 pandemic, which disrupted sailings to and from the Twelve Quays RoRo terminal at Birkenhead Docks in March 2020, and storms in February 2020, which similarly disrupted sailings.

PRINCIPAL RISKS AND UNCERTAINTIES

Covid-19

The global Covid-19 pandemic has brought about a period of unprecedented uncertainty and disrupted global economies and supply chains in ways not seen before. As explained in the section above, this affected the results of the Company in the final month of the year ended 31 March 2020. It will also undoubtedly have an effect on the results of the Company for the year ending 31 March 2021. This will also be the case for the Group that the Company is part of ('Peel Ports Group' or 'the Group').

However, the Group has shown itself to be agile in responding to past economic shocks, including the global financial crisis, and it has moved quickly to put in place measures to mitigate to the fullest extent possibility the effects of the pandemic.

STRATEGIC REPORT (CONTINUED)**PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)****Covid-19 (continued)**

First and foremost, the most immediate need was to quickly consider and respond to the risks that the pandemic brought to the health and well-being of the Group's employees. As a major ports group, it was essential to the UK economy and key sectors and organisations, including the National Health Service, that the Group could continue to operate as close to normal as possible while maintaining our core focus on health and safety. Extensive cleaning and availability of hand sanitiser was initiated quickly. Signage was installed reminding employees and visitors to wash hands regularly and to maintain suitable social distancing measures. Visitors to the port and non-essential travel by employees was discouraged. Formal policies regarding the reporting of potential symptoms and the requirement to self-isolate were introduced and regular reporting of potential cases to the Executive Board allowed for this to be monitored. As lockdown measures were introduced, employees were encouraged to work from home where practicable and appropriate support was put in place for employees who were considered to be vulnerable. Regular communications have kept employees and third parties up to date as to how the Group is responding to the situation as it develops and as guidance is issued by the UK Government and regulatory authorities.

Continuing to operate as close to normal as possible during the pandemic has necessitated the Group deploying many of its business continuity procedures and has shown the value of investment in technology, including that required to allow employees to work remotely where required.

At the time of preparing this report, the countries in which the Group operate are starting to return to something approaching normality, though it is clear that continued vigilance is required and the Group is ensuring it plays its part in that regard.

From a commercial perspective, although there has been unprecedented disruption to supply chains, it is still the case that the vast majority of goods by volume imported and exported from the UK are moved by sea. Peel Ports is the second largest ports group in the UK, and one of the most diversified, meaning that the Group plays an essential role in supporting the recovery of the UK and global economies.

More immediately, the Group has curtailed or delayed non-essential expenditure, including development capital expenditure, and taken the opportunity to raise a further £50.0m of finance to provide additional liquidity. In order to respond to reduced volumes the Group has had to take some difficult decisions and this has resulted in some employees being made redundant. This was not a decision taken lightly; the Group is proud of the growth in its employee numbers stemming from investment made in the business. It was necessary, however, to align the Group's cost base with the revised outlook for the UK economy. It is hoped that as the economy recovers the Group will be able to return to growing job opportunities within the Group.

Commercial opportunities will still present themselves, and the Group is engaging proactively with customers and potential customers alike to identify ways in which we can provide Group-wide solutions for those companies looking to optimise their supply chains.

Operational*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. This was particularly evident in the Group's response to the Covid-19 pandemic.

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 2020, with further investment in training. Further initiatives are planned with the objective of continuing the progress made so far in raising the profile of this critical area.

STRATEGIC REPORT (CONTINUED)

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

Operational (continued)

Health and safety (continued)

This continuing concerted focus on health and safety helped contribute to a more than 70% decrease in lost-time incidents in the year ended 31 March 2020, compared to the previous year.

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.

Resilience of operational assets

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

Cyber security

As well as the risk to our physical infrastructure, like most businesses, the Company and the Group that the Company is part of faces risks associated with a cyber security breach. Threats can vary in their complexity and sophistication and can potentially negatively impact organisations of all sizes. Over a number of years, the Group has increased its investment in this area to put in place appropriate resilience and recovery measures as well as a comprehensive employee training programme to raise awareness and defend against malicious attacks. This is reinforced by regular tests to ensure that employees remain vigilant. The Group employs a range of industry-standard security products, both internally and on our network perimeters. Formal security and IT conditions of use policies are established, which define security standards and acceptable use.

Technology and innovation

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

General Data Protection Regulation ('GDPR')

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

Commercial

Brexit

Despite the continuing political uncertainty arising from the UK's vote to leave the EU, the Company has not encountered any material adverse impacts that might be directly attributable to Brexit. The Group that the Company is part of has reviewed its operations in readiness for Brexit and has obtained Authorised Economic Operator status for each of its principal ports. Economic uncertainty, with the potential impact on the UK ports, continues to be a particular area of concern, though any negative effect is likely to be less apparent while the global economy is also recovering from the global Covid-19 pandemic. However, the Group is well diversified both by geography and by commodity and its business fundamentals are robust. This provides a resilient base from which it can respond to challenges and opportunities as they arise.

STRATEGIC REPORT (CONTINUED)**PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)****Commercial (continued)***Dependency of the port on economic activity*

The port forms part of a wider transport infrastructure. The key operational risks and uncertainties relate to the dependency upon the economic activity of the businesses and consumers within the geographic proximity of the ports. These consumers and businesses generate the trade which flows through the ports and when they are subject to economic cycles or, at the extreme, to failure, there is an unavoidable impact on the ports.

Financial*Liquidity, cash flow and interest risks*

The key financial risk arises from the level of long-term debt held by the Group that the Company is part of and the interest arising thereon. The Group's loans and loan note instruments with repayment dates between 1 April 2020 and 30 September 2046 ("long-term debt") amount to £2,143.3m (2019: £2,006.3m). The cash flow risk arising in connection with interest charges is mitigated through the use of interest rate and index-linked swaps.

The directors consider that the combination of the swap instruments, stable trading of the ports business, effective working capital management and the investment in the asset base assists in managing the risks arising from the level of debt and variability in interest rates. The Group's bank loans and swap instruments are spread over a large number of banks. As at 31 March 2020, within the current facility agreements, there were undrawn funds of £115.0m available in addition to cash of £91.1m on the Group's balance sheet. In addition, the Group has in place £110.0m of debt service reserve liquidity facilities to cover annual interest costs. Consideration of this in the context of going concern, and the additional risks arising from Covid-19, can be found in note 3.

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. This has also taken into account the potential risks associated with the global Covid-19 pandemic.

As reported above, the Group that the Company is a part of moved quickly to mitigate the financial effects of the disruption caused by the pandemic, including the curtailing and deferment of non-essential expenditure, including development capital expenditure, accessing the Government's business interruption financial assistance packages and job retention schemes and putting in place a more concerted focus on the recovery of trade debtors. Although the Group has significant resources available to it, a further £50m of finance has been raised in June 2020.

Environmental*Operations*

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 and on refurbishing existing properties. Design consultants are encouraged to promote good environmental performance with consideration given to environmental risk, energy consumption, the use of environmentally friendly materials and the avoidance of materials hazardous to health.

Climate change

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

STRATEGIC REPORT (CONTINUED)

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

Environmental (continued)

Climate change (continued)

The UK Government has made a legally binding commitment to achieving a Net Zero Carbon economy by 2050. To achieve this, there will need to be significant changes across the economy and, by extension, the ports that serve it. For example, this is likely to result in the long-term reduction in tonnages of oil related cargoes and a move away from diesel and petrol cars to electric and other more environmentally friendly forms of transport. Existing vessels' propulsion systems will become obsolete, an event mitigated within the Group's shipping division in recent years by the entering into of long-term charters for the hire of modern-built and more environmentally friendly vessels. The Group will need to adopt new technologies and deal with currently unforeseen legislative changes. As we have seen in the year ended 31 March 2020, the Group will need to manage the impact of extreme weather on the business, with several of the Group's ports being affected by several named storms in short succession.

The Group's five year plan includes initiatives that will help support the response to risks associated with climate change, including the use of technology and energy efficiency solutions.

On behalf of the Board



I G L Charnock
Director
11 September 2020

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. J Whittaker resigned as a director on 4 August 2020 and T E Allison resigned as a director on 17 August 2020.

The Company maintains directors' and officers' liability insurance, which provides insurance cover for the directors and officers of the Company against liabilities that 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 (2019: £nil).

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 each is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- each of the directors 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 has indicated its 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
11 September 2020

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 judgements and accounting estimates that are reasonable and prudent; 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 BIRKENHEAD PORT LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

In our opinion the financial statements of Birkenhead Port Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 March 2020 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, which comprise:

- the profit and loss account;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 14.

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 Financial Reporting Council's (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 BIRKENHEAD PORT 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 FRC'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

Rachel Argyle (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Liverpool, United Kingdom
11 September 2020

BIRKENHEAD PORT LIMITED**PROFIT AND LOSS ACCOUNT**
For the year ended 31 March 2020

	Note	2020 £m	2019 £m
TURNOVER	3	7.4	7.7
Cost of sales		(0.1)	(0.1)
OPERATING PROFIT AND PROFIT BEFORE TAXATION	7	7.3	7.6
Taxation	8	-	-
PROFIT FOR THE FINANCIAL YEAR		7.3	7.6

The above results are derived from continuing operations.

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March 2020

The Company has no recognised gains and losses other than those included in the results above.

	2020 £m	2019 £m
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	7.3	7.6

BIRKENHEAD PORT LIMITED**BALANCE SHEET**
As at 31 March 2020

	Note	2020 £m	2019 £m
CURRENT ASSETS			
Debtors	9	45.4	38.1
		<u>45.4</u>	<u>38.1</u>
CREDITORS: amounts falling due within one year	10	(43.1)	(35.1)
		<u>(43.1)</u>	<u>(35.1)</u>
NET ASSETS		<u>2.3</u>	<u>3.0</u>
CAPITAL AND RESERVES			
Called-up share capital	11	-	-
Profit and loss account		2.3	3.0
		<u>2.3</u>	<u>3.0</u>
TOTAL SHAREHOLDER'S FUNDS		<u>2.3</u>	<u>3.0</u>

The financial statements of Birkenhead Port Limited (company registration number 2981652) were approved and authorised for issue by the Board of Directors on 11 September 2020 and were signed on its behalf by:



I G L Charnock
Director

BIRKENHEAD PORT LIMITED**STATEMENT OF CHANGES IN EQUITY**
For the year ended 31 March 2020

	Called-up share capital £m	Profit and loss account £m	Total £m
As at 1 April 2018	-	2.5	2.5
Profit and total comprehensive income for the financial year	-	7.6	7.6
Dividends (note 11)	-	(7.1)	(7.1)
	<hr/>	<hr/>	<hr/>
As at 31 March 2019	-	3.0	3.0
Profit and total comprehensive income for the financial year	-	7.3	7.3
Dividends (note 11)	-	(8.0)	(8.0)
	<hr/>	<hr/>	<hr/>
As at 31 March 2020	-	2.3	2.3
	<hr/>	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 March 2020****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 Birkenhead Port 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.

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

The directors have obtained confirmation from the directors of Peel Ports Group Limited that the Group will provide such financial support as is necessary to ensure that the Company will be able to meet its third-party liabilities as they fall due during the twelve months following the date of the signing of the 2020 financial statements. In considering the appropriateness of the going concern basis of preparation, the directors have considered consolidated forecasts for Peel Ports Group Limited, which include the Company, for the next twelve months from the date of signing the 2020 financial statements. These 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, including those arising from the global Covid-19 pandemic. The Company is party to the cross-guarantee of the debt facility of Peel Ports Group Limited group ("the Group").

In considering the assumptions and conclusions of Group's management in making their assessment of going concern on a Group basis, the directors 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 2020:

- "the directors prepare and update detailed annual budgets, two year projections, and five year strategic plans. As these were prepared before the outbreak of the global Covid – 19 pandemic, management have reforecast the Group's projected results and modelled different scenarios in the absence of further mitigating actions that show that the Group has sufficient headroom to withstand significant further downward pressure on results from reduced volumes or customer opportunities not being converted, both in terms of available liquidity and the Group's covenant ratios. If the actual results are significantly worse than forecast, the group has the option of pursuing further mitigating measures that are under its own control to cut costs and preserve cash. These include further reductions in variable staff and other variable costs to match reduced activity.
- at the balance sheet date, the Group has net liabilities of £1,946.2m (2019: £1,772.5m) which are principally attributed to two factors. Firstly, the reorganisation of the Group in 2006 which was accounted for under merger accounting principles and resulted in the creation of a merger relief reserve of £506.1m. Secondly, the fair value of the Group's derivative financial instruments, primarily interest rate and index-linked cross currency swaps, which have a net liability of £1,032.3m (2019: £960.4m);

NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 March 2020****3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****Going concern (continued)**

- as at 31 March 2020, the Group has borrowings of £2,020.3m (2019: £1,883.3m), which are subject to covenant restrictions. No breaches have occurred in the historical period or are forecast to occur. After taking account of potential changes in trading performance, the Group's forecasts and projections indicate that it is expected to continue to comply with covenant requirements for a period of at least 12 months from the date of approval of the financial statements;
- other than £6.8m of bank loans which are due for repayment in the year ending 31 March 2021, the Group's loans and loan note instruments have repayment dates between 1 April 2021 and 30 September 2046;
- the four-yearly payment of swap accretion, held as a liability of £50.7m as at 31 March 2020, is scheduled to be paid on 1 October 2020 from available facilities;
- in the year ended 31 March 2020, turnover increased by £32.8m to £792.3m, despite the effects of three named storms in February and the disruption to supply chains caused by the Covid-19 global pandemic in February and March 2020. Group operating profit before exceptional costs decreased from £169.9m to £153.6m, though this reflects a £25.8m increase in the depreciation charge in the year ended 31 March 2020 due to the Group's continued investment in capital expenditure and the write down of certain obsolete assets following a comprehensive review undertaken as the Group moved to a new financial system. The Group continues to benefit from a diversified service offering and robust customer base;
- cash inflows generated in the year, together with utilisation of existing capital expenditure facilities, enabled the Group to finance tangible fixed asset additions of £128.9m (2019: £102.2m) (cash outflow) and to invest £7.3m in the acquisition of Quality Freight (UK) Limited in May 2019;
- at the balance sheet date the Group held £91.1m (2019: £101.3m) of cash balances and had undrawn loan facilities of £115.0m available; a further £110.0m of liquidity facility is available for the payment of interest. Subsequent to the year-end, the Group has raised a further £50m of finance, providing additional liquidity.
- Despite the significant disruption to the global economy caused by the global Covid-19 pandemic, the above considerations together with the Group's robust business model underpinned by long-term customers with a high percentage of secure, and typically RPI-linked, revenue and the ability of management to take appropriate steps to mitigate as far as possible the downside scenarios presented by the pandemic, provides confidence that the Group has the resources and flexibility to respond timely to events as they occur. The group has already instigated certain costs saving and capital expenditure reduction initiatives.
- As a result of the actions already taken to date and further contingency plans to react to a more adverse scenario, management have concluded that the group should generate sufficient cash and EBITDA to continue as a going concern and to avoid breaching its loan covenants. Liquidity risk is principally managed by maintaining cash and borrowing facilities at a level that is forecast to provide reasonable headroom in excess of the expected future needs of the group."

After making enquiries, the directors have formed a judgment, at the time of approving the financial statements, that there is a reasonable expectation that the Company has adequate resources, and financial support, 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.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Taxation

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

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

- 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 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

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 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

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.

As has been noted elsewhere in this annual report, the Covid-19 global pandemic has caused unprecedented disruption to economies around the world and this has caused significant uncertainty for all companies. Consideration has been given as to how this might impact the critical accounting judgements and estimates of the Company, with no material areas having been identified.

(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 directors do not consider there to be any estimates or assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

5. DIRECTORS' EMOLUMENTS

No directors received any emoluments in respect of their services to the Company (2019: £nil).

6. EMPLOYEE INFORMATION

The Company had no employees during the year or the previous year and as a result incurred no employee costs (2019: £nil).

7. OPERATING PROFIT AND PROFIT BEFORE TAXATION

The auditor's remuneration for audit work, carried out on behalf of the Company, in the year to 31 March 2020, of £4,000 (2019: £4,000) was borne by a fellow subsidiary undertaking. 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.

8. TAXATION

	2020 £m	2019 £m
Current tax		
UK corporation tax	-	-

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

8. TAXATION (CONTINUED)

Reconciliation of total tax charge

Total tax was lower (2019: lower) than that arising from applying the standard rate of UK corporation tax of 19% (2019: 19%). The differences are explained below:

	2020 £m	2019 £m
Profit before taxation	7.3	7.6
Profit before taxation multiplied by the standard rate of UK corporation tax of 19% (2019: 19%)	1.4	1.4
Group relief claimed without payment	(1.4)	(1.4)
Total tax	-	-

9. DEBTORS

	2020 £m	2019 £m
Amounts falling due within one year:		
Amounts owed by group undertakings	45.4	38.1

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2020 £m	2019 £m
Amounts owed to group undertakings	43.1	35.1

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

11. CALLED-UP SHARE CAPITAL

	2020 £	2019 £
Allotted, called-up and fully paid		
2 ordinary shares of £1 each	2	2

Equity dividends

	2020 £m	2019 £m
Interim ordinary dividends	8.0	7.1

12. 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 2020, this amounted to £2,020.3m (2019: £1,883.3m).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

13. IMMEDIATE AND ULTIMATE PARENT UNDERTAKING

The directors regard Tokenhouse Limited as the ultimate holding company and Peel Port Operations 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.

14. ULTIMATE CONTROLLING PARTY

Tokenhouse Limited, a company 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, 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.