

Company Registration No. 09879899 (England and Wales)

**NAVIGATOR TERMINALS LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2020**



# NAVIGATOR TERMINALS LIMITED

## COMPANY INFORMATION

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<b>Directors</b>	Mr Grant Rayner Mr Robin Gisby Mr Roderick Gadsby Mr James McPhillimy Mr Michael Brennan Mr Christopher Brookhouse
<b>Secretary</b>	Mr David Martin
<b>Company number</b>	09879899
<b>Registered office</b>	Oliver Road Grays Essex England RM20 3ED
<b>Independent auditors</b>	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors The Portland Building 25 High Street Crawley West Sussex UK RH10 1BG
<b>Bankers</b>	Royal Bank of Scotland plc London Corporate Banking Centre PO Box 39952 2½ Devonshire Square London UK EC2M 4XJ
<b>Solicitors</b>	Birkett Long LLP Christopher Martin Road Basildon Essex UK SS14 3EZ

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# NAVIGATOR TERMINALS LIMITED

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# **NAVIGATOR TERMINALS LIMITED**

## **STRATEGIC REPORT**

### **FOR THE YEAR ENDED 31 MARCH 2020**

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The directors present the strategic report of the company for the financial year ended 31 March 2020.

#### **Review of the business**

The principal activity of the company during the financial year was that of a holding company and to provide finance to its investments. The company operates as an intermediate holding company of the Navigator Terminals group.

The company's loss for the financial year was £16,006,000 (2019: £10,309,000).

The directors did not propose the payment of any dividend during the financial year (2019: £nil).

Net assets as at 31 March 2020 were £28,158,000 (2019: £48,409,000).

#### **Future developments**

Going forward, the directors expect profit to be generated by the subsidiary undertakings and for the results to be stable for the foreseeable future, but these in turn are dependent upon the results of its operating subsidiary companies.

#### **Principal risks and uncertainties**

As upper tier COMAH (Control of Major Accident Hazards) sites the key business risk continues to be management of our Health & Safety action plans whilst maintaining safe operating environment. Our primary focus continues to be the safety of our people, business processes and the environment.

During 2020 the COVID-19 pandemic has changed our risk profile, with the activation of our Crisis Management plan our focus is on Health and Well-being of all our staff and contractors whilst maintaining safe business continuity. Financial performance risk exposure increases related to costs and revenue have been managed to date and have included some opportunities however the coming period remains uncertain.

As we approach the end of 2020 and COVID-19 risks are still present we have the potential compliance risks of Brexit. We have evaluated potential risk and/or opportunity depending on the outcome of trade deals. We continue to be aligned with our customers and to establish contract and service alignment beyond January 2021.

The UK business risk register continues to be monitored by our Senior Management Group.

#### **Key performance indicators**

The key performance indication is that the company is able to service the funding requirements through interest and capital payments. This is achieved through successful operation of its investments, and that its net cash flow is in line or better than forecast. The directors confirm that the company was able to meet all of its funding requirements during the period under review.

# NAVIGATOR TERMINALS LIMITED

## STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

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### Financial risk management

#### *Currency risk*

The company is not exposed to significant currency risks.

#### *Interest rate risk*

The Company successfully refinanced its existing borrowing facilities in October 2018. The strategy was to reduce the overall financing cost to the business given the beneficial market rates available, which it managed to achieve. In May 2019, the company re-negotiated its facility to be able to draw up to £259,750,000 for any suitable acquisition project.

As a result, the Group has loan facilities for a total value of £259,750,000 repayable by 2025 (2019: £210,000,000 repayable by 2025). As at 31 March 2020, £188,050,000 has been drawn, out of which £183,750,000 is subject to an interest rate swap which swaps the Libor element for a fixed interest rate of 1.569%, and £4,300,000 is not subject to interest rate swaps. The total amount undrawn is £71,700,000. The directors do not consider interest risk in relation to drawn balance of £4,300,000, not covered by interest rate swap, significant.

The company is not exposed to the consequences of variable interest rates on inter-group liabilities.

#### *Credit risk*

The company does not have any significant concentrations of credit risk. Various corporate initiatives have been implemented to ensure early identification of possible exposure to customers who may be considered a credit risk.

#### *Liquidity risk*

The directors ensure adequate resources are available to meet the funding requirements of the company through forecasting and budgeting and ensuring support is available from fellow group undertakings.

The strategic report was approved by the Board of Directors and signed on its behalf by



Mr Robin Gisby

**Director**

25 November 2020

# NAVIGATOR TERMINALS LIMITED

## DIRECTORS' REPORT

### FOR THE YEAR ENDED 31 MARCH 2020

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The directors present their annual report and the audited financial statements for the year ended 31 March 2020.

#### Principal activities

The principal activity of the company during the year was that of a holding company, and is expected to remain so for the foreseeable future.

#### Directors

The directors who held office during the year and up to the date of signing the financial statements, unless where otherwise stated, were as follows:

Mr Grant Rayner	
Mr Robin Gisby	
Mr Roderick Gadsby	
Mr James McPhillimy	
Mr Michael Brennan	
Mrs Tamara Earley	(Resigned 23 June 2020)
Mr Christopher Brookhouse	(Appointed 23 June 2020)

The list of directors is correct and up to date with the filing records on the Companies House website.

#### Directors' indemnities

As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force during the financial period, and also as at the date of approval of these financial statements. The company also purchased and maintained throughout the financial period Directors' and Officers' liability insurance in respect of itself and its directors.

#### Statement of directors' responsibilities in respect of the financial statements

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 prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the 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;
- state whether applicable United Kingdom Accounting Standards, comprising of FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 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 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.

# **NAVIGATOR TERMINALS LIMITED**

## **DIRECTORS' REPORT (CONTINUED)**

**FOR THE YEAR ENDED 31 MARCH 2020**

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### **Directors' confirmations**

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

### **Going concern**

The financial statements have been prepared on a going concern basis which is subject to the continued support of Navigator Terminals Midco Limited which has confirmed it will provide such financial support as is required for at least 12 months from the date of signing these financial statements. Navigator Terminals Midco Ltd has issued a letter of support to that effect.

Going concern is dependent on whole group, and the group continues to be able to service its liabilities, including its borrowing requirements, from the cash generated by operations. The directors have concluded that preparing the financial statements on a going concern basis is appropriate. The company's activity has had no material impact due to the Covid-19 pandemic.

### **Political and charitable donations**

The company made no political donations in the current year nor in the prior year.

### **Dividends, future developments and financial risk management**

Please refer to the Strategic Report for the above.

### **Post reporting date events:**

#### **Covid-19**

The company's activity has had no material impact due to the Covid-19 pandemic. This is due to the fixed nature of contractual revenues of the trading entities in which the company holds investments in. Management continue to closely monitor the situation.

On behalf of the board



Mr Robin Gisby

**Director**

25 November 2020

# **NAVIGATOR TERMINALS LIMITED**

## **INDEPENDENT AUDITOR'S REPORT**

### **TO THE MEMBERS OF NAVIGATOR TERMINALS LIMITED**

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#### **Report on the audit of the financial statements**

##### **Opinion**

In our opinion, Navigator Terminals Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 31 March 2020; the statement of comprehensive income, the statement of changes in equity for the year ended; and the notes to the financial statements, which include a description of the significant accounting policies.

##### **Basis for opinion**

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

##### *Independence*

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

##### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the 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.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

##### **Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.



# **NAVIGATOR TERMINALS LIMITED**

## **INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

### **TO THE MEMBERS OF NAVIGATOR TERMINALS LIMITED**

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With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

#### *Strategic Report and Directors' Report*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 March 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

#### **Responsibilities for the financial statements and the audit**

##### *Responsibilities of the directors for the financial statements*

As explained more fully in the Statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

##### *Auditors' 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 auditors' 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

##### *Use of this report*

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

## **NAVIGATOR TERMINALS LIMITED**

### **INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

#### **TO THE MEMBERS OF NAVIGATOR TERMINALS LIMITED**

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#### **Other required reporting**

##### **Companies Act 2006 exception Reporting**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Matthew Hall (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Gatwick  
25 November 2020

# NAVIGATOR TERMINALS LIMITED

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2020

		Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
	Note	£'000	£'000
<b>Revenue</b>		-	53,827
Administrative expenses before exceptional item		(907)	(1,536)
Exceptional administrative expenses - impairment		-	(47,738)
Administrative expenses		(907)	(49,274)
Operational profit before exceptional item		(907)	52,291
Exceptional item - impairment		-	(47,738)
<b>Operating (loss)/profit</b>	<b>5</b>	(907)	4,553
Net finance costs	<b>8</b>	(16,332)	(16,596)
<b>Loss before taxation</b>		(17,239)	(12,043)
Tax on loss	<b>9</b>	1,233	1,734
<b>Loss for the financial year</b>		(16,006)	(10,309)
<b>Other comprehensive loss:</b>			
<b>Items that may be reclassified to profit or loss</b>			
Cash flow hedges:			
- Hedging loss arising in the year	<b>17</b>	(4,245)	(6,323)
<b>Total items that may be reclassified to profit or loss</b>		(4,245)	(6,323)
<b>Total other comprehensive loss for the year</b>		(4,245)	(6,323)
<b>Total comprehensive income/(loss) for the year</b>		(20,251)	(16,632)

The income statement has been prepared on the basis that all operations are continuing operations.

# NAVIGATOR TERMINALS LIMITED

## STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2020

	Note	2020 £'000	2019 £'000
<b>Non-current assets</b>			
Investments	10	293,326	293,326
<b>Current assets</b>			
Debtors	11	1,256	28
Cash and cash equivalents		28	162
		1,284	190
<b>Current liabilities</b>			
Creditors: amounts falling due within one year	12	(68,021)	(56,176)
Derivative financial instruments	14	(1,908)	(1,265)
		(69,929)	(57,441)
<b>Net current liabilities</b>		(68,645)	(57,251)
<b>Total assets less current liabilities</b>		224,681	236,075
<b>Non-current liabilities</b>			
Creditors: amounts falling due after more than one year	13	(187,862)	(182,608)
Derivative financial instruments	14	(8,661)	(5,058)
<b>Net assets</b>		28,158	48,409
<b>Equity</b>			
Called up share capital	15	64,370	64,370
Share premium account	16	11,631	11,631
Hedging reserve	17	(10,568)	(6,323)
Accumulated losses		(37,275)	(21,269)
<b>Total equity</b>		28,158	48,409

The financial statements on pages 8 to 19 were approved by the board of directors and authorised for issue on 25 November 2020 and were signed on its behalf by:



Mr Robin Gisby  
Director

Registration No. 09879899

# NAVIGATOR TERMINALS LIMITED

## STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2020

	Called up share capital £'000	Share premium account £'000	Hedging reserve £'000	Accumulated losses £'000	Total equity £'000
<b>Balance at 1 April 2018</b>	64,370	11,631	-	(10,960)	65,041
<b>Year ended 31 March 2019:</b>					
Loss for the year	-	-	-	(10,309)	(10,309)
Other comprehensive loss:					
Cash flow hedges losses	-	-	(6,323)	-	(6,323)
Total comprehensive expense for the year	-	-	(6,323)	(10,309)	(16,632)
<b>Balance at 31 March 2019</b>	64,370	11,631	(6,323)	(21,269)	48,409
<b>Year ended 31 March 2020:</b>					
Loss for the year	-	-	-	(16,006)	(16,006)
Other comprehensive loss:					
Cash flow hedges losses	-	-	(4,245)	-	(4,245)
Total comprehensive income for the year	-	-	(4,245)	(16,006)	(20,251)
<b>Balance at 31 March 2020</b>	64,370	11,631	(10,568)	(37,275)	28,158

# NAVIGATOR TERMINALS LIMITED

## STATEMENT OF CHANGES IN EQUITY (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

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### 1 General information

Navigator Terminals Limited is a wholly owned subsidiary of Navigator Terminals Midco Limited, and is a private company limited by shares, incorporated and domiciled in the UK. The address of its registered office is Oliver Road, Grays, Essex, England, RM20 3ED. The company's principal activities and nature of its operations are disclosed in the directors' report.

### 2 Summary of significant accounting policies

#### 2.1 Statement of compliance

These financial statements have been prepared in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework" and the Companies Act 2006 as applicable to companies using FRS 101. The financial statements have been prepared under the historical cost convention.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year end 31 March 2020. These policies have been consistently applied to all the periods presented unless otherwise stated. The company's financial statements are presented in Sterling, and all values are rounded to the nearest thousand pounds (£000) except when otherwise indicated.

#### 2.2 Judgement 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 about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The following are the critical judgements that the directors have made in the process of applying the company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

##### *Impairment of investments*

Determining whether the company's investments have been impaired requires estimation of the investments' value in use. The value in use calculations require the entity to estimate the future cash flows expected to arise from the investments and suitable discount rates in order to calculate present values.

#### 2.3 New standards, amendments and IFRIC interpretations

IFRS 16 is a new accounting standard that is effective for the year ended 31 March 2020 and has not had any material impact on the company's financial statements – see note 3. There are no other amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 March 2020 that have had a material impact on the company's financial statements.

#### 2.4 Investments

Investments are stated at cost less provision for any impairment in value.

#### 2.5 Revenue

Revenue usually comprise of dividend income from investments which is recognised when the shareholders' right to receive payment has been established. The dividend was however, proposed post year end, and hence no revenue was recognised in the financial statements for the current year.

# NAVIGATOR TERMINALS LIMITED

## STATEMENT OF CHANGES IN EQUITY (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

### 2 Summary of significant accounting policies

(Continued)

#### 2.6 Basis of preparation

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year end 31 March 2020.

The financial statements have been prepared under the historic cost modified by revaluation of financial assets and financial liabilities held at fair value through profit and loss. The company is a member of the Navigator Terminals group of companies (see note 19), and has taken advantage of the following disclosure exemptions available under FRS 101, on the basis that the ultimate parent undertaking has included them within its own published consolidated financial statements:

- a. the requirements of IFRS 7 Financial Instruments: Disclosures;
- b. the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- c. the requirements of IAS 7 Statement of Cash Flows;
- d. the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- e. the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group;
- f. the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets;
- g. paragraph 17 of IAS 24 'Related party disclosures (key management compensation); and
- h. paragraph 73 (e) of IAS 16, taking exemption from the requirement to present comparatives for reconciliation of carrying amount at the beginning and end of the period in relation to the PPE, Intangible Assets and Investment property.

#### 2.7 Preparation of consolidated financial statements

The financial statements contain information about Navigator Terminals Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under Section 401 of the Companies Act 2006 from the requirements to prepare consolidated financial statements as it is a wholly-owned subsidiary of Navigator Terminals Holdings Limited, and is included in its consolidated financial statements, which are publicly available.

#### 2.8 Going concern

These financial statements were prepared on a going concern basis which assumes that the Company will continue in operations for the foreseeable future, i.e. for a period of not less than 12 months from the date of signing the financial statements. Navigator Midco Limited has confirmed that it will continue to support the Company to enable it to meet its liabilities for a period of at least 12 months from the date of signing these financial statements, and will not require repayment of the intercompany balance due within that period unless the Company has sufficient funds to do so. Going concern is dependent on whole group, and the group continues to be able to service its liabilities, including its borrowing requirements, from the cash generated by operations. The company's activity has had no material impact due to the Covid-19 pandemic. This is due to the fixed nature of contractual revenues of the trading entities in which the company holds investments in. Management continue to closely monitor the situation.

#### 2.9 Impairments

The company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the company makes an estimate of the asset's recoverable amount in order to determine the extent of the impairment loss. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognised in the Income Statement in those expense categories consistent with the function of the impaired asset.

# NAVIGATOR TERMINALS LIMITED

## STATEMENT OF CHANGES IN EQUITY (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

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### 2 Summary of significant accounting policies

(Continued)

#### 2.10 Debtors

Debtors are recognised and carried at the lower of their original invoiced value and recoverable amount. Where the time value of money is material, receivables are carried at amortised cost. Provision for impairment is made through the Income Statement when there is objective evidence that the company will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

#### 2.11 Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers, measured initially at fair value, net of transaction costs, and are measured subsequently at the amortised cost using the effective interest rate.

#### 2.12 Cash and cash equivalents

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

#### 2.13 Loans payable

Loans are recorded at the proceeds received. Finance charges, including premium payable on settlement are accounted for on an accrual basis in the income statement using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled.

#### 2.14 Derivative instruments and hedging

The company used derivative financial instruments in the form of interest rate swaps to reduce its exposure to interest rate fluctuations on the company's floating rate bank loan.

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into, and are subsequently measured at fair value.

Derivatives are carried as assets when the fair value is positive and liabilities when the fair value is negative. The fair value of interest rate swap contracts is determined by calculating the present value of the estimated future cashflows based on observable yield curves.

The company hedges its derivatives liabilities by interest rate swaps.

#### 2.15 Deferred tax

Deferred tax is recognised in respect of timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of 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 the timing differences are expected to reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

#### 2.16 Dividends payable

Dividend distribution to the company's shareholders is recognised as a liability in the company's financial statements in the period in which the dividends are approved by the company's shareholders and they are committed to making the payment. Interim dividends are recognised upon payment.



# **NAVIGATOR TERMINALS LIMITED**

## **STATEMENT OF CHANGES IN EQUITY (CONTINUED)** **FOR THE YEAR ENDED 31 MARCH 2020**

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### **2 Summary of significant accounting policies**

**(Continued)**

#### **2.17 Share capital**

Ordinary shares are classified as equity.

### **3 Adoption of new and revised standards and changes in accounting policies**

In the current year, the following new and revised Standards and Interpretations have been adopted by the company and have an effect on the current year or a prior year or may have an effect on future periods:

#### **IFRS 16 - Leases**

As noted in note 2.3 above, From 1 April 2019 IFRS 16 was newly adopted and all leases of property, plant and equipment held by the Group as lessee, which had been classed as operating leases, were reclassified as finance leases. However, this new standard has no impact on the company as the company has no leasing arrangements.

### **4 Critical accounting estimates and judgements**

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.

#### **Impairment**

The management of the Company reviews the business performance of Cash Generating Units (CGU). The recoverable amount of CGU is determined based on the value-in-use calculations. The calculations use pre-tax cashflow projections based on the financial budgets approved by management covering a five-year period. Growth rate of 2.5% and discount rate of 8.0% have been used for the five-year period under consideration. Cashflows beyond the five-year period are extrapolated using estimated growth rate of 2.5%. The growth rate does not exceed the long-term average growth rate for the business in which the company operates. An impairment occurs if the recoverable amount of the CGU is lower than its value-in-use.

### **5 Operating profit**

The Directors received no salary, fees or other benefits from the company in the performance of their duties in respect of their services to the company for the year end 31 March 2020.

Fees payable to the company's auditors for the audit of the company's financial statements are borne by a fellow group undertaking.

### **6 Staff costs**

The company has no employees and there were no staff costs for the years ended 31 March 2020 and 31 March 2019.

### **7 Directors' remuneration**

The directors do not receive any remuneration from the company (2019: nil). During the financial period there was no recharge between the companies.

## NAVIGATOR TERMINALS LIMITED

### STATEMENT OF CHANGES IN EQUITY (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

#### 8 Net finance costs

	2020 £'000	2019 £'000
<b>Interest on financial liabilities measured at amortised cost:</b>		
Interest and charges payable on bank loans	5,811	5,987
Interest payable on loans from group undertakings	9,527	9,391
Amortisation of arrangement fees	994	2,257
	<u>16,332</u>	<u>17,635</u>
<b>Interest on other financial liabilities:</b>		
Fair value gain on derivative financial instrument	-	(1,039)
	<u>16,332</u>	<u>16,596</u>

#### 9 Tax on profit/(loss)

	2020 £'000	2019 £'000
<b>Current tax</b>		
UK corporation tax on profits for the year	(1,494)	(1,431)
Adjustments in respect of prior periods	261	(303)
	<u>(1,233)</u>	<u>(1,734)</u>

The credit for the year can be reconciled to the loss per the statement of comprehensive income as follows:

	2020 £'000	2019 £'000
Loss before taxation	<u>(17,239)</u>	<u>(12,043)</u>
Profit multiplied by the standard rate of tax in the UK of 19.00% (2019: 19.00%)	(3,275)	(2,288)
Effect of expenses not deductible for tax purposes	1,781	11,084
Gains not taxable	-	(10,227)
Adjustments to tax charge in respect of prior years	261	(303)
	<u>(1,233)</u>	<u>(1,734)</u>

There is no deferred tax, provided or unprovided.

#### Factors affecting current and future tax

In the Spring Budget 2020, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020.

## NAVIGATOR TERMINALS LIMITED

### STATEMENT OF CHANGES IN EQUITY (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

#### 10 Investments

##### Shares in group undertakings

	2020 £'000	2019 £'000
<b>Cost or valuation</b>		
At 1 April & At 31 March	342,831	342,831
<b>Accumulated impairment</b>		
At 1 April	(49,505)	(1,767)
Impairment charge for the year	-	(47,738)
At 31 March	(49,505)	(49,505)
<b>Carrying amount</b>		
At 31 March	293,326	293,326

A list of investments in subsidiary undertakings, including name, and proportion of ownership interest, is noted below. All subsidiaries are incorporated in England and Wales unless otherwise stated.

##### Subsidiaries

Details of the company's subsidiaries as at 31 March 2020 are as follows:

Name of undertaking	Country of incorporation	Ownership interest (%)	Voting power held (%)	Nature of business
Navigator Terminals North Tees Limited	UK	(100)	(100)	Tank storage
Navigator Terminals UK Limited	UK	(100)	(100)	Holding Company
*Navigator Terminals B.V Limited	Netherlands	(100)	(100)	Tank storage
*Navigator Terminals Windmill Limited	UK	(100)	(100)	Tank storage
*Navigator Terminals Seal Sands Limited	UK	(100)	(100)	Tank storage

All holdings above are directly held by the company unless marked with an asterisk, which are held directly by Navigator Terminals UK Limited.

The directors believe that the carrying value of these investments is supported by their underlying net assets and future expected cashflows.

The registered office address of all subsidiaries is Oliver Road, Grays, Essex, United Kingdom, RM20 3ED.

## NAVIGATOR TERMINALS LIMITED

### STATEMENT OF CHANGES IN EQUITY (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

#### 11 Debtors

	2020 £'000	2019 £'000
VAT recoverable	3	8
Current tax recoverable	1,233	-
Prepayments	20	20
	<u>1,256</u>	<u>28</u>

Trade receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost.

#### 12 Creditors: amounts falling due within one year

	2020 £'000	2019 £'000
Trade payables	16	24
Amounts owed to fellow group undertakings	67,964	55,750
Accruals	41	402
	<u>68,021</u>	<u>56,176</u>

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

#### 13 Creditors: amounts falling due after more than one year

	2020 £'000	2019 £'000
<b>Secured borrowings at amortised cost</b>		
Bank loans	188,050	183,750
Amortised loan arrangement fee	(188)	(1,142)
	<u>187,862</u>	<u>182,608</u>

#### Analysis of borrowings

Borrowings are classified based on the amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting date, as follows:

	2020 £'000	2019 £'000
Non-current liabilities	<u>187,862</u>	<u>182,608</u>
Borrowings falling due after more than five years included above:		
Repayable after five years	<u>187,862</u>	<u>182,608</u>

## NAVIGATOR TERMINALS LIMITED

### STATEMENT OF CHANGES IN EQUITY (CONTINUED)

#### FOR THE YEAR ENDED 31 MARCH 2020

#### 13 Creditors: amounts falling due after more than one year

(Continued)

Bank borrowings relate to loan facilities granted by the bank for a total value of £259,750,000. As at 31 March 2020, £188,050,000 has been drawn. There is an amount netted off in the balance of £188,005 as part of related arrangement fee.

The loan facility is repayable by 2025. Interest is charged on amounts drawn under the facilities based on a margin plus Libor. The margin from November 2018 was 1.50% as the Company refinanced its loan facilities. The margin increases to 1.60% in 2020, 2.00% in 2022, 2.25% in 2023 and 3.00% in 2024. Facility amounts not drawn are subject to a commitment fee which is calculated as 35% of the applicable margin. Of the facility amount currently drawn, £183,750,000 is subject to an interest rate swap which swaps the Libor element for a fixed interest rate of 1.569%.

The facilities are secured by fixed and floating charges over all property of the Group.

#### 14 Derivative financial instruments

The derivative financial instruments are carried at their fair value as detailed below.

	Fair value 2020 £'000	Fair value 2019 £'000
Fair value loss on interest swap	10,568	6,323
	<u>10,568</u>	<u>6,323</u>
	2020 £'000	2019 £'000
Amount falling due within one year	1,908	1,265
Amounts falling due later than one year	8,660	5,058
	<u>10,568</u>	<u>6,323</u>

Interest rate swaps are valued at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates. Included in the amounts falling due within one year is an adjustment for DVA of £689,000, reducing the liability, to reflect the change in credit rating of the company.

As per the refinancing of the senior loan facility in October 2018, and a re-negotiation in May 2019, a new interest rate swap was entered into to convert the floating rate, which is three months LIBOR to fixed rates of 1.569% in relation to £183,750,000 of the notional principal amount of £188,050,000. The directors do not consider interest risk in relation to drawn balance of £4,300,000, not covered by interest rate swap, significant.

The company settles the difference between the fixed and floating interest rate on a net basis.

The fair value of the swap at 31 March 2020 was a liability of £10,568,000 (2019: £6,323,000). Net gains of £nil (2019: £1,039,000) were recognised in the income statement which relates to closing the swaps as part of refinancing in October 2018.

The new swaps are being accounted for under hedge accounting and a loss of £4,245,000 (2019: £6,323,000) has been reflected in the Statement of comprehensive income.

# NAVIGATOR TERMINALS LIMITED

## STATEMENT OF CHANGES IN EQUITY (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

<b>15</b>	<b>Called up share capital</b>	<b>2020</b>	<b>2019</b>
		<b>£'000</b>	<b>£'000</b>
	<b>Ordinary share capital</b>		
	<b>Authorised and fully paid</b>		
	64,370,281 (2019: 64,370,281) Ordinary Shares of £1 each	64,370	64,370
	<b>Alloted and fully paid</b>		
	64,370,281 (2019: 64,370,281) Ordinary Shares of £1 each	64,370	64,370
		<u>          </u>	<u>          </u>
<b>16</b>	<b>Share premium account</b>	<b>2020</b>	<b>2019</b>
		<b>£'000</b>	<b>£'000</b>
	Premium arising on the issue of equity shares	11,631	11,631
		<u>          </u>	<u>          </u>
<b>17</b>	<b>Hedging reserve</b>	<b>2020</b>	<b>2019</b>
		<b>£'000</b>	<b>£'000</b>
	At beginning of year	(6,323)	-
	Loss on cash flow hedge	(4,245)	(6,323)
		<u>          </u>	<u>          </u>
	At end of year	(10,568)	(6,323)
		<u>          </u>	<u>          </u>

## 18 Events after the end of the reporting period

### Covid-19

The company's activity has had no material impact due to the Covid-19 pandemic. This is due to the fixed nature of contractual revenues of the trading entities in which the company holds investments in. Management continue to closely monitor the situation.

## 19 Ultimate and immediate parent undertakings

The directors regard Navigator Terminals Midco Limited, a company incorporated in England and Wales as the immediate parent undertaking, and Navigator Terminals Holdings Limited, a company registered in Jersey, as the ultimate parent undertaking and controlling party.

Copies of the consolidated financial statements of Navigator Terminals Holdings Limited (the smallest and largest group of which the company is a member and for which group financial statements are prepared) can be obtained from the registered address, 3rd Floor, 37 Esplanade, St Helier, Jersey, JE1 1AD.

Copies of the consolidated financial statements of Navigator Terminals Holdings Limited have also been filed with the financial statements of Navigator Terminals Midco Limited and Navigator Terminals Limited and are available from the Registrar of Companies (England and Wales).

**Company Registration No. 119964 (Jersey)**

**NAVIGATOR TERMINALS HOLDINGS LIMITED**  
**ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2020**

# **NAVIGATOR TERMINALS HOLDINGS LIMITED**

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# NAVIGATOR TERMINALS HOLDINGS LIMITED

## STRATEGIC REPORT

### FOR THE YEAR ENDED 31 MARCH 2020

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*The directors present their strategic report of the group for the financial year ended 31 March 2020.*

#### **Principal activities**

The principal activity of the Group is and will continue to be operation of bulk liquid storage facilities. The Group stores mainly gasoline and diesel for road transport use as well as chemicals, oil, biofuel and gas.

Navigator Terminals is one of UK's largest independent bulk liquid storage provider with approximately 1.3 million cubic metres of storage (2019: approximately 1.3 million cubic metres of storage).

#### **Review of business**

The group produced a strong operating performance during financial year 2020 and made significant progress in delivering a variety of capital growth projects. Although revenue declined in the year this was more than offset by a reduction in operating costs, driven by a LEAN programme leading to an increase in operating profit. Revenues at Thames terminal declined in the year due to a reduction in the volume of throughput passing through the terminal as compared to prior years. This reduction in throughput was related to general market conditions in relation to the road fuels market and was not at this time impacted by Covid-19. North Tees terminal benefitted from favourable movements in crude oil storage rates towards the end of the financial year and increased crude product movements over the jetty. Seal Sands and Windmill terminals continued to perform strongly and in line with prior year performance. As at March 2020 the business had not felt any significant impact from the covid-19 pandemic. Navigator continues to generate strong cash inflow from operating activities.

Approximately £6.2m of growth investment capex projects were successfully completed across Thames, North Tees and Seal Sands terminals. These growth projects will enable Navigator to continue to improve its operating performance into future years.

A fair value review was conducted during the period to test for impairment in the goodwill, intangible assets and PPE recognised as part of the Navigator acquisition in 2016. The recoverable amount of goodwill compares the 'carrying value' to the 'recoverable amount', which is the higher of 'value in use' (VIU) and fair value less cost to sell. The group has concluded that VIU is higher, and this is calculated by reference to the present value of future cash flows and underlying assumptions. As a result of this review, a non-cash impairment charge in relation to North Tees business unit of £12,865,000 and Thames business unit of £22,451,000 (2019: £50,652,000 in relation to North Tees business unit and £nil in relation to Thames business unit) was recognised. As a result the Group incurred a total impairment of £35,316,000 (2019: 50,652,000).

The main driver behind the impairment of Navigator Terminals North Tees Limited has been due to the crude market staying in backwardation for majority of the year. The crude market returned to contango shortly prior to year end, however the directors have adapted a prudent view of crude storage revenues over the short to medium term. The crude storage conversion programme remains under review. As a result, the value-in-use calculations do not currently assume an increase in crude storage capacity beyond what is currently available. This will be reassessed in future periods once further progress has been made on the conversion programme.

The main driver behind the impairment of Navigator Terminals Thames B.V. Limited was low throughput and conditions in the market at the balance sheet date and anticipated throughput levels reducing as compared to the prior year forecast, the directors have adopted a prudent view of throughput levels over the short to medium term.

The increase in discount rate at the balance sheet date largely relates to the Conditional Equity Market Risk Adjustment (CEMRA) being included in the WACC as at that date. Due to the impact of Covid-19, the listed market observed security price movements as at 31 March 2020 which reflect an implicit discount rate higher than that implied by the using the long-term average Equity Market Risk Premium (EMRP) at the balance sheet date. The directors consider that subsequent to the year end the EMRP has normalised back to pre Covid-19 levels and the CEMRA is no longer being observed in the listed market security prices.

# **NAVIGATOR TERMINALS HOLDINGS LIMITED**

## **STRATEGIC REPORT (CONTINUED)**

### **FOR THE YEAR ENDED 31 MARCH 2020**

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Net finance expenses were £16,178,000 (2019: £16,241,000), which included a gain on an unrealised mark to market valuation of the interest swap of £nil (2019: £1,039,000).

The overall results of the Group show a loss for the financial year of £28,062,000 (2019: £50,258,000).

Net liabilities at 31 March 2020 were £11,780,000 (2019: net assets of £11,463,000) with net current liabilities of £5,992,000 (2019: £5,228,000).

#### **Dividends**

The directors did not propose any payment of dividend during the financial year (2019: £nil).

#### **Future developments**

The directors expect profits to be generated by the subsidiary undertakings and for the results to be stable for the foreseeable future, but these in turn are dependent upon the results of its operating subsidiary companies. The business has had no material impact due to COVID-19 and does not expect so due to fixed nature of contractual revenues of its operating subsidiary companies.

Bulk liquid storage is essential to the UK economy, providing an essential interface between sea, road, rail and pipelines. Trade flows are becoming increasingly global with low-cost production sited away from regions of highest consumption. Storage capacity is therefore expanding to meet rising demand.

#### **Principal risks and uncertainties**

As upper tier COMAH (Control of Major Accident Hazards) sites the key business risk continues to be management of our Health & Safety action plans whilst maintaining safe operating environment. Our primary focus continues to be the safety of our people, business processes and the environment.

During 2020 the COVID-19 pandemic has changed our risk profile, with the activation of our Crisis Management plan our focus is on Health and Well-being of all our staff and contractors whilst maintaining safe business continuity. Financial performance risk exposure increases related to costs and revenue have been managed to date and have included some opportunities however the coming period remains uncertain.

As we approach the end of 2020 and COVID-19 risks are still present we have the potential compliance risks of Brexit. We have evaluated potential risk and/or opportunity depending on the outcome of trade deals. We continue to be aligned with our customers and to establish contract and service alignment beyond January 2021.

The UK business risk register continues to be monitored by our Senior Management Group.

#### **Financial risk management**

The economic developments of all companies' within the Group are monitored on a regular basis and the consequences of potential risks are analysed.

Our financial risks are described in detail in note 4 to the Consolidated financial statements.

#### **Capital management**

Navigator Terminals is a capital-intensive group. The financing policy is directed at establishing and maintaining an optimal financing structure that takes due account of the current asset base and the current and future investment programs.

A solid capital structure supports the Group's objective to create long-term shareholder value while meeting the agreed covenants and other requirements with its other capital providers. Navigator Terminals Group aims to maintain a healthy financial position through capital-disciplined investment decisions, effective working capital management, long-term funding and a balanced dividend policy. It is continuously reviewing its capital structure options, including but not limited to equity or other capital instruments, to effectively finance the business.

# NAVIGATOR TERMINALS HOLDINGS LIMITED

## STRATEGIC REPORT (CONTINUED)

**FOR THE YEAR ENDED 31 MARCH 2020**

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### **Key performance indicators**

Customers enter into long-term contracts for exclusive use of the tanks with a core level of throughput (effectively take or pay contracts). The pricing increases annually due to the contracted inflationary uplifts. The operating cost base may be considered relatively fixed given that most elements are not subject to throughput-based variance. Consequently, the directors are of the opinion that analysis using KPIs other than revenues and profitability is not necessary for an understanding of the development, performance or position of the business. The management team monitors compliance with loan covenants quarterly and reviews forecast cashflow monthly. The management team takes a 'Safety First' approach to the business and pays particular attention to safety-related key performance indicators. These are reviewed for continuous improvement and reported to the Board on a regular basis.

The strategic report was approved by the Board of Directors and signed on its behalf by



Mr Robin Gisby

**Director**

25 November 2020

# NAVIGATOR TERMINALS HOLDINGS LIMITED

## DIRECTORS' REPORT

### FOR THE YEAR ENDED 31 MARCH 2020

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The directors present their annual report and audited consolidated financial statements for the year ended 31 March 2020.

#### Directors

The directors who held office during the year and up to the date of signing the consolidated financial statements, unless otherwise stated, were as follows:

Mr Robin Gisby  
Mr Grant Rayner  
Mr Roderick Gadsby  
Mr James McPhillimy  
Mr Michael Brennan

Mrs Tamara Earley

Mr Christopher Brookhouse

(Resigned 23 June 2020)

(Appointed 23 June 2020)

#### Directors' indemnity

As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third party indemnity provision. The indemnity was in force during the financial period, and also as at the date of approval of these financial statements. The company also purchased and maintained throughout the financial period Directors' and Officers' liability insurance in respect of itself and its directors.

#### Supplier payment policy

The group's current policy concerning the payment of trade creditors is to follow the CBI's Prompt Payers Code (copies are available from the CBI, Centre Point, 103 New Oxford Street, London WC1A 1DU).

The group's current policy concerning the payment of trade creditors is to:

- settle the terms of payment with suppliers when agreeing the terms of each transaction;
- ensure that suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and
- pay in accordance with the company's contractual and other legal obligations.

#### Political and charitable donations

The Group made political or charitable donations of £4,421 in the current year (2019: £4,460).

#### Dividends, future developments and Financial risk management

Please refer to the Strategic Report for the above.

#### Post reporting date events

##### COVID-19

The Group's trading activity has had no material impact due to the Covid-19 pandemic due to the fixed nature of contractual revenues. Management continue to closely monitor the situation.

#### Going concern

The group meets its day-to-day working capital requirements through its bank facilities. The group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the group should be able to operate within the level of its current facilities. Having assessed the principal risks and the other matters, the directors considered it appropriate to adopt the going concern basis of accounting in preparing its consolidated financial statements. The subsidiary companies' trading activities have had no material impact due to the COVID-19 pandemic due to the fixed nature of their contractual revenues. Management continue to closely monitor the situation.

Further information on the Group's borrowings is given in note 17.

# NAVIGATOR TERMINALS HOLDINGS LIMITED

## DIRECTORS' REPORT (CONTINUED)

### FOR THE YEAR ENDED 31 MARCH 2020

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#### Statement of directors' responsibilities in respect of the financial statements

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

Companies (Jersey) Law 1991 requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the group financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and of the profit or loss of the group for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 group will continue in business.

The directors are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's transactions and disclose with reasonable accuracy at any time the financial position of the group and enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991.

#### Directors' confirmations

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the group's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the group's auditors are aware of that information.

#### Independent auditors

The auditors, PricewaterhouseCoopers LLP, were re-appointed during the period and have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the next annual general meeting.

On behalf of the board



Mr Robin Gisby

Director

25 November 2020

# **NAVIGATOR TERMINALS HOLDINGS LIMITED**

## **INDEPENDENT AUDITOR'S REPORT**

### **TO THE MEMBERS OF NAVIGATOR TERMINALS HOLDINGS LIMITED**

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#### **Report on the audit of the financial statements**

##### **Opinion**

In our opinion, Navigator Terminals Holdings Limited's group financial statements (the "financial statements"):

- give a true and fair view of the state of the group's affairs as at 31 March 2020 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

We have audited the financial statements, included within the Annual Report and Consolidated Financial Statements (the "Annual Report"), which comprise: the consolidated statement of financial position as at 31 March 2020; the consolidated income statement and the consolidated statement of comprehensive income, the consolidated statement of cash flows, and the consolidated statement of changes in equity for the year ended; and the notes to the financial statements, which include a description of the significant accounting policies.

##### **Basis for opinion**

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

##### *Independence*

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

##### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the 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 group'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.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern.

##### **Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

# NAVIGATOR TERMINALS HOLDINGS LIMITED

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### TO THE MEMBERS OF NAVIGATOR TERMINALS HOLDINGS LIMITED

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With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the Companies (Jersey) Law 1991 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

#### *Strategic Report and Directors' Report*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 March 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

#### **Responsibilities for the financial statements and the audit**

##### *Responsibilities of the directors for the financial statements*

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

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

##### *Auditors' 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 auditors' 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

##### *Use of this report*

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Article 113A of the Companies (Jersey) Law 1991 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

## **NAVIGATOR TERMINALS HOLDINGS LIMITED**

### **INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

#### **TO THE MEMBERS OF NAVIGATOR TERMINALS HOLDINGS LIMITED**

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##### **Other required reporting**

###### **Companies (Jersey) Law 1991 exception reporting**

Under the Companies (Jersey) Law 1991 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit.

We have no exceptions to report arising from this responsibility.



Matthew Hall

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Recognized Auditors

Gatwick

25 November 2020



# NAVIGATOR TERMINALS HOLDINGS LIMITED

## CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2020

			31 March 2020 £'000	31 March 2019 £'000
	Note	£'000	£'000	£'000
<b>Revenue</b>	<b>5</b>		60,720	61,075
Administrative expenses before exceptional item		(42,953)		(44,732)
Exceptional items	<b>6</b>	(34,486)		(50,652)
Total administrative expenses			(77,439)	(95,384)
<b>Operating profit before exceptional item</b>		17,767		16,343
<b>Operating loss</b>	<b>7</b>		(16,719)	(34,309)
Net finance income and expense	<b>8</b>		(16,178)	(16,241)
Other income	<b>9</b>		129	3,620
Loss before taxation			(32,768)	(46,930)
Tax on loss	<b>10</b>		4,706	(3,328)
Loss for the financial year			(28,062)	(50,258)

The notes on pages 16 - 45 are integral part of these consolidated financial statements.

# NAVIGATOR TERMINALS HOLDINGS LIMITED

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2020

	2020 £'000	2019 £'000
<b>Loss for the year</b>	<b>(28,062)</b>	<b>(50,258)</b>
<b>Other comprehensive income/(expense)</b>		
Cash flow hedges loss arising in the year	(4,245)	(6,323)
Actuarial gain/(loss) on defined benefit pension schemes	11,165	(996)
Tax relating to other comprehensive income/(expense)	(2,518)	112
<b>Other comprehensive income/(expense) for the year</b>	<b>4,402</b>	<b>(7,207)</b>
<b>Total comprehensive expense for the year</b>	<b>(23,660)</b>	<b>(57,465)</b>

# NAVIGATOR TERMINALS HOLDINGS LIMITED

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2020

			31 March 2020		31 March 2019
	Note	£'000	£'000	£'000	£'000
<b>Non-current assets</b>					
Intangible assets	11		74,524		98,766
Property, plant and equipment	12		254,182		245,006
Pensions	29		20,712		8,335
			<u>349,418</u>		<u>352,107</u>
<b>Current assets</b>					
Trade and other receivables	13	9,155		7,717	
Cash and cash equivalents		8,240		11,380	
		<u>17,395</u>		<u>19,097</u>	
<b>Total assets</b>			<u>366,813</u>		<u>371,204</u>
<b>Current liabilities</b>					
Trade and other payables	14	20,562		23,061	
Derivative financial instruments	15	1,908		1,264	
Lease liabilities	16	917		-	
		<u>23,387</u>		<u>24,325</u>	
<b>Non-current liabilities</b>					
Derivative financial instruments	15	8,660		5,059	
Lease liabilities	16	13,335		-	
Interest bearing loans	17	316,217		310,963	
Deferred tax liability	18	16,994		19,394	
		<u>355,206</u>		<u>335,416</u>	
<b>Total liabilities</b>			<u>378,593</u>		<u>359,741</u>
<b>NET (LIABILITIES) / ASSETS</b>			<u>(11,780)</u>		<u>11,463</u>

# NAVIGATOR TERMINALS HOLDINGS LIMITED

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 31 MARCH 2020

			31 March 2020		31 March 2019
	Note	£'000	£'000	£'000	£'000
<b>Equity attributable to owners of the parent</b>					
Share capital	19		64,370		64,370
Share premium account	20		11,631		11,631
Hedging reserve	21		(10,568)		(6,323)
Acquisition reserve	22		23,193		23,193
Accumulated losses			(100,406)		(81,408)
<b>TOTAL EQUITY</b>			<u>(11,780)</u>		<u>11,463</u>

The financial statements on pages 9 to 45 were approved by the board of directors and authorised for issue on 25 November 2020 and were signed on its behalf by:



Mr Robin Gisby  
Director

# NAVIGATOR TERMINALS HOLDINGS LIMITED

## CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2020

		2020	2019
	Notes	£'000	£'000
<b>Cash flows from operating activities</b>			
Loss for the year		(28,062)	(50,258)
Impairment losses	7	35,316	50,652
Loss on sale of fixed assets	7	138	-
Interest paid	8	16,587	16,241
Exchange differences on financing transactions	8	(197)	-
Income tax (credit)/expense	10	(4,706)	3,328
Amortisation of intangible assets	11	1,791	1,791
Depreciation of property, plant and equipment	12	8,682	7,597
		<u>29,549</u>	<u>29,351</u>
Increase in trade and other receivables		(758)	(615)
Decrease in trade and other payables		(2,631)	(5,610)
Decrease in provisions and employee benefits		(212)	(1,338)
		<u>25,948</u>	<u>21,788</u>
Income taxes paid		(889)	(1,959)
Interest paid on leases		(411)	-
		<u>24,648</u>	<u>19,829</u>
<b>Net cash inflow from operating activities</b>			

# NAVIGATOR TERMINALS HOLDINGS LIMITED

## CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

	Notes	2020 £'000	2019 £'000
<b>Net cash inflow from operating activities</b>		24,648	19,829
<b>Investing activities</b>			
Purchase of property, plant and equipment		(15,622)	(14,149)
<b>Net cash used in investing activities</b>		(15,622)	(14,149)
<b>Financing activities</b>			
Proceeds from borrowings		4,300	183,750
Repayment of borrowings		-	(174,038)
Interest paid on bank loan		(5,811)	(5,985)
Interest paid on convertible loans		(9,337)	(10,701)
Lease payments		(1,318)	-
<b>Net cash used in financing activities</b>		(12,166)	(6,974)
<b>Net decrease in cash and cash equivalents</b>		(3,140)	(1,294)
<b>Cash and cash equivalents at beginning of year</b>		11,380	12,674
<b>Cash and cash equivalents at end of year</b>		8,240	11,380

# NAVIGATOR TERMINALS HOLDINGS LIMITED

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2020

	Called up share capital £'000	Share premium account £'000	Acquisition reserves £'000	Hedging Reserves £'000	Accumulated losses £'000	Total equity £'000
<b>Balance at 1 April 2018</b>	64,370	11,631	23,193	-	(30,266)	68,928
<b>Year ended 31 March 2019:</b>						
Loss for the year	-	-	-	-	(50,258)	(50,258)
Other comprehensive expense:						
Actuarial loss on defined pension scheme	-	-	-	-	(996)	(996)
Cash flow hedges loss	-	-	-	(6,323)	-	(6,323)
Tax relating to other comprehensive expense	-	-	-	-	112	112
<b>Total comprehensive expense for the year</b>	-	-	-	(6,323)	(51,142)	(57,465)
<b>Balance at 31 March 2019</b>	64,370	11,631	23,193	(6,323)	(81,408)	11,463
<b>Year ended 31 March 2020:</b>						
Loss for the year	-	-	-	-	(28,062)	(28,062)
Other comprehensive (expense)/income:						
Cash flow hedges loss arising in the year	-	-	-	(4,245)	-	(4,245)
Actuarial gain on defined pension scheme	-	-	-	-	11,165	11,165
Tax relating to other comprehensive income	-	-	-	-	(2,518)	(2,518)
<b>Total comprehensive expense for the year</b>	-	-	-	(4,245)	(19,415)	(23,660)
Other movements	-	-	-	-	417	417
<b>Balance at 31 March 2020</b>	64,370	11,631	23,193	(10,568)	(100,406)	(11,780)

# NAVIGATOR TERMINALS HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

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### 1 General Information

Navigator Terminals Holdings Limited is a private company limited liability company, limited by shares, incorporated and domiciled in Jersey. The address of its registered office is 3rd Floor, 37 Esplanade, St Helier, Jersey JE1 1AD. The principal activity of the company during the year was that of a holding company, and is expected to remain so for the foreseeable future.

The principal accounting policies adopted in the preparation of the consolidated financial statements are set out in note 32.

The consolidated financial statements are presented in sterling, which is also the group's functional currency.

Amounts are rounded to the nearest thousand, unless otherwise stated.

#### *Basis of preparation*

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) interpretations as adopted by the European Union and with the Companies (Jersey) Law 1991 applicable to companies reporting under IFRS. The financial statements have been prepared on a going concern basis, under the historical cost convention.

The preparation of financial statements in compliance with adopted IFRS requires the use of certain critical accounting estimates. It also requires group management to exercise judgment in applying the Group's accounting policies. The areas where significant judgments and estimates have been made in preparing the financial statements and their effect are disclosed in note 3.

#### *Basis of measurement*

The consolidated financial statements have been prepared on a historical cost basis, except for the following items (refer to individual accounting policies for details):

- Financial instruments – fair value through profit or loss

#### *Going concern*

The group meets its day-to-day working capital requirements through its bank facilities. The group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the group should be able to operate within the level of its current facilities. Having assessed the principal risks and the other matters, the directors considered it appropriate to adopt the going concern basis of accounting in preparing its consolidated financial statements. The subsidiary companies' trading activities have had no material impact due to the COVID-19 pandemic due to the fixed nature of their contractual revenues. Management continue to closely monitor the situation.

Further information on the Group's borrowings is given in note 17.

#### *New standards, amendments and IFRIC interpretations*

IFRS 16 is a new accounting standard that is effective for the year ended 31 March 2020 and has had a material impact on the Group's financial statements – see note 31. There are no other amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 March 2020 that have had a material impact on the company's financial statements.



# NAVIGATOR TERMINALS HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 MARCH 2020

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#### 2 Adoption of new and revised standards and changes in accounting policies

In the current year, the following new and revised Standards and Interpretations have been adopted by the company and have an effect on the current period or a prior period or may have an effect on future periods:

##### IFRS 16 - Leases

From 1 April 2019 all leases of property, plant and equipment held by the Group as lessee, which had been classed as operating leases, were reclassified as finance leases. Finance leases were capitalised, at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, were included in other short-term and long-term payables. Each lease payment was allocated between the liability and finance cost. The finance cost was charged to the income statement over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases was depreciated over the asset's useful life, or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

#### 3 Critical accounting estimates and judgements

The Group 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:

##### Critical judgements

The Group 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.

##### (a) Fair value measurement

A number of assets and liabilities included in the group's financial statements require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

- *Level 1:* Quoted prices in active markets for identical items (unadjusted)
- *Level 2:* Observable direct or indirect inputs other than Level 1 inputs
- *Level 3:* Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

# NAVIGATOR TERMINALS HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 MARCH 2020

#### 3 Critical accounting estimates and judgements

(Continued)

##### **(b) Impairment**

The management of the Group reviews the business performance of Cash Generating Unit (CGU). The recoverable amount of CGU is determined based on the value-in-use calculations. The calculations use pre-tax cash flow projections based on the financial budgets approved by management covering a five-year period. Growth rate of 2.5% and discount rate of 8.0% have been used for the five-year period under consideration. Cash flows beyond the five-year period are extrapolated using estimated growth rate of 2.5%. The growth rate does not exceed the long-term average growth rate for the business in which the Group operates. An impairment occurs if the recoverable amount of the CGU is lower than its value-in-use.

The Group 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:

If the growth rate used in value in use calculations was 1% lower than the managements assumption (1.5% instead of 2.5%), the Company would have incurred an impairment of £48,449,000, an increase in impairment of £25,998,000.

If the growth rate used in value in use calculations was 1% higher than the managements assumption (3.5% instead of 2.5%), the Company would have had a headroom of £15,127,000, a decrease in impairment of £37,578,000.

##### **(c) Useful economic lives of property, plant and equipment, and right-of-use assets**

The annual depreciation charge for property, plant and equipment 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, based on technological advancement, future investments, economic utilisation and the physical condition of the assets.

See note 12 for the carrying amount of the property plant and equipment and note 32.21 for the useful economic lives for each class of assets.

##### **(d) Lease accounting**

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

- To determine the incremental borrowing rate, the company:
- Where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- Uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the company, which does not have recent third-party financing; and
- Makes adjustments specific to the lease, e.g. term, currency and security. The company used incremental borrowing rates specific to each lease and the rates range between 2.26%-3.71% translating to an average rate of 2.76%. (For further details please refer to note 31).

Increasing the IBR by 1% results in the lease liability to decrease by £1,033,000 to £13,219,000 and decreasing the IBR by 1% results in the lease liability to increase by £1,164,000 to £15,416,000.

# NAVIGATOR TERMINALS HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 MARCH 2020

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#### 4 Financial risk management

Financial risks are identified by the Board and risk management policies are discussed.

The areas involving the most significant financial risks are trade and other receivables and liquidity risks. The Group does not consider exposure to foreign currency exchange risk significant.

The Group successfully refinanced its existing borrowing facilities in October 2018. The strategy was to reduce the overall financing cost to the business given the beneficial market rates available, which it managed to achieve. In May 2019, the company re-negotiated its facility to be able to draw up to £259,750,000 for any suitable acquisition project.

As a result, the Group has loan facilities for a total value of £259,750,000 repayable by 2025 (2019: £210,000,000 repayable by 2025). As at 31 March 2020, £188,050,000 has been drawn, out of which £183,750,000 is subject to an interest rate swap which swaps the Libor element for a fixed interest rate of 1.569%, and £4,300,000 is not subject to interest rate swaps. The total amount undrawn is £71,700,000. The directors do not consider interest risk in relation to drawn balance of £4,300,000, not covered by interest rate swap, significant.

The Group is not exposed to the consequences of variable interest rates on inter-group liabilities.

The group's credit risk arises primarily from trade, pension asset and other receivables. The maximum exposure to these risks is the carrying amount of these financial assets amounting to £42,241,000 at 31 March 2020 (2019: £27,432,000). The group constantly monitors the outstanding receivables. As of 31 March 2020, there was a specific provision of £nil (2019: £17,000) and the Board did not consider any general provision necessary.

The primary objective of liquidity management is providing sufficient cash and cash equivalents at all times to enable the group to meet its payment obligations. The liquidity requirements are monitored constantly and funding is planned in such a way as to avoid excessive short-term financing needs. Active cash management is a daily responsibility. The long-term liquidity risk is assessed prior to every major capital commitment and the current financing policy is reviewed on the basis of this assessment and reviewed where necessary.

Foreign exchange rates differences are recognised in the Consolidated income statement in the periods in which they arise.

Finance costs consist primarily of interest on loans drawn. Interest expenses are recognised in the periods to which they relate, taking into account effective interest rate.

# NAVIGATOR TERMINALS HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

### 5 Revenue

	31 March 2020 £'000	31 March 2019 £'000
Chemical	14,587	14,590
Petroleum	34,889	35,406
Biofuels	4,214	4,103
Crude oils	2,562	1,449
Other	4,468	5,527
	<u>60,720</u>	<u>61,075</u>

Revenue represents the amounts derived from the supply of tank storage and other services, less discounts and is stated net of value added tax.

The majority of the income relates to the provision of storage. This is recognised in the relevant period that the storage is provided. Other services such as overtime and handling are recognised as the service is provided to the customer.

The entire revenue is earned within the UK.

### 6 Exceptional items

	2020 £'000	2019 £'000
Impairment	35,316	50,652
Sale of product	(830)	-
	<u>34,486</u>	<u>50,652</u>

See Strategic Report for details of impairment. The sale of product is income from products the company extracted while cleaning a tank to make it fit for purpose.

### 7 Operating loss

	31 March 2020 £'000	31 March 2019 £'000
Operating loss for the year is stated after charging/(crediting):		
Fees payable to the group's auditor for the audit of the parent company and subsidiaries, (including consolidated financial statements)	188	180
Depreciation of owned property, plant and equipment	8,682	7,597
Loss/(profit) on disposal of property, plant and equipment	138	(44)
Amortisation of intangible assets	1,791	1,791
Operating lease charges	-	886
	<u></u>	<u></u>

# NAVIGATOR TERMINALS HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

### 8 Net finance income and expense

	31 March 2020 £'000	31 March 2019 £'000
Recognised in income statement		
<b>Finance expense</b>		
Loan interest	15,182	15,263
Interest on lease liabilities	411	-
Amortisation of arrangement fee	994	2,257
	<u>16,587</u>	<u>17,520</u>
<b>Other finance income:</b>		
Gain on interest rate swap	-	(1,039)
Net pension finance income	(212)	(240)
Exchange differences on financing transactions	(197)	-
	<u>(409)</u>	<u>(1,279)</u>
Other finance income		
	<u>(409)</u>	<u>(1,279)</u>
<b>Total net finance expense recognised in profit or loss</b>	<u>16,178</u>	<u>16,241</u>

Interest rate swaps are valued at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

As per the refinancing of the senior loan facility in October 2018, and a re-negotiation in May 2019, a new interest rate swap was entered into to convert the floating rate, which is three months LIBOR to fixed rates of 1.569% in relation to £183,750,000 of the notional principal amount of £188,050,000. The directors do not consider interest risk in relation to drawn balance of £4,300,000, not covered by interest rate swap, significant.

The Group settles the difference between the fixed and floating interest rate on a net basis.

The fair value of the swap at 31 March 2020 was a liability of £10,568,000 (2019: £6,323,000). Net gains of £nil (2019: £1,039,000) were recognised in the income statement in the prior period which relates to closing the swaps as part of refinancing in October 2018.

The new swaps are being accounted for under hedge accounting and a loss of £4,245,000 (2019: £6,323,000) has been reflected in the Statement of comprehensive income.

### 9 Other income

	31 March 2020 £'000	31 March 2019 £'000
Customer compensation	-	2,000
Property damage insurance proceeds	129	1,620
	<u>129</u>	<u>3,620</u>

# NAVIGATOR TERMINALS HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

### 10 Tax on loss

	31 March 2020 £'000	31 March 2019 £'000
<b>Current tax</b>		
UK corporation tax on loss for the current period	319	1,251
Adjustments in respect of prior periods	(107)	(336)
Total UK current tax	212	915
<b>Deferred tax</b>		
Origination and reversal of timing differences	(4,376)	2,413
Adjustment in respect of prior periods	(542)	-
Total deferred tax	(4,918)	2,413
Total tax (credit)/charge	(4,706)	3,328

The actual tax (credit)/charge for the year can be reconciled to the expected credit for the year based on the profit or loss and the standard rate of tax as follows:

	31 March 2020 £'000	31 March 2019 £'000
Loss before tax for the year	(32,768)	(46,930)
Loss before tax activities multiplied by standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	(6,226)	(8,917)
Tax effect of expenses that are not deductible in determining taxable profit	2,377	12,804
Tax effect of income not taxable in determining taxable profit	(208)	-
Adjustments in respect of prior years	(649)	(336)
Effect of change in corporation tax rate	-	90
Revision in base	-	(313)
Taxation (credit)/charge for the year	(4,706)	3,328

### Factors affecting current and future tax

In the Spring Budget 2020, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020.

# NAVIGATOR TERMINALS HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

### 11 Intangible assets

	Goodwill	Software	Customer relationships	Total
	£'000	£'000	£'000	£'000
<b>Cost</b>				
At 1 April 2019 and 31 March 2020	58,123	1,190	71,200	130,513
<b>Accumulated amortisation and impairment</b>				
At 1 April 2019	13,119	557	18,071	31,747
Amortisation charged for the year	-	91	1,700	1,791
Impairments	19,104	-	3,347	22,451
At 31 March 2020	32,223	648	23,118	55,989
<b>Net book value:</b>				
At 31 March 2020	25,900	542	48,082	74,524
At 31 March 2019	45,004	633	53,129	98,766

### 12 Property, plant and equipment

	Freehold buildings	Right of Use Assets	Plant & Machinery	Assets under construction	Total
	£'000	£'000	£'000	£'000	£'000
<b>Cost</b>					
At 1 April 2019	132,950	-	183,874	7,367	324,191
Effects of IFRS 16 Adoption	-	15,159	-	-	15,159
Additions	1,527	-	2,482	11,613	15,622
Disposals	(12)	-	(426)	-	(438)
Reclassification	-	-	(1,517)	-	(1,517)
Transfer	212	-	6,583	(6,795)	-
At 31 March 2020	134,677	15,159	190,996	12,185	353,017
<b>Accumulated depreciation and impairment</b>					
At 1 April 2019	13,308	-	63,482	2,395	79,185
Depreciation charged in the year	365	1,085	7,232	-	8,682
Impairments	-	8,410	2,129	2,326	12,865
Disposals	(12)	-	(368)	-	(380)
Reclassification	-	-	(1,517)	-	(1,517)
At 31 March 2020	13,661	9,495	70,958	4,721	98,835
<b>Net book value:</b>					
At 31 March 2020	121,016	5,664	120,038	7,464	254,182
At 31 March 2019	119,642	-	120,392	4,972	245,006

# NAVIGATOR TERMINALS HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

### 12 Property, plant and equipment

(Continued)

For a full note on impairments of intangible and tangible assets, please refer to the Review of business note in the Strategic Report and note 25.

Reclassification relates to a prior year disposal in Navigator Terminals Thames B.V. Limited. The asset had been substantially depreciated but was still included in the "Cost" and "Accumulated depreciation and impairment" balances. This has no effect on the Net Book Value, and the amount is not considered to be material for the users of the financial statements, hence prior year figures are not restated.

Property, plant and equipment includes right-of-use assets, as follows:

	31 March 2020 £'000	31 March 2019 £'000
<b>Right-of-use assets</b>		
Land	5,022	-
Jetty	445	-
Others	197	-
	<u>5,664</u>	<u>-</u>

### 13 Trade and other receivables

	31 March 2020 £'000	31 March 2019 £'000
<b>Amounts falling due within one year:</b>		
Trade receivables	4,960	4,460
Corporation tax recoverable	2,157	1,482
Other receivables	-	577
Prepayments and accrued income	1,791	1,193
Other taxes and social security	247	5
<b>Total trade and other receivables</b>	<u>9,155</u>	<u>7,717</u>

Trade and other receivables are non-interest bearing. As of 31 March 2020, there were specific provisions totalling £nil (2019: £17,000); and the Board did not consider a general provision necessary.

Ageing trade and other receivables

	Current £'000	31-60 days £'000	61 - 90 days £'000	Over 90 days £'000	Total £'000
Trade receivables	4,023	823	43	71	4,960
Less provision for bad debt	-	-	-	-	-
	<u>4,023</u>	<u>823</u>	<u>43</u>	<u>71</u>	<u>4,960</u>



# NAVIGATOR TERMINALS HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

### 13 Trade and other receivables (Continued)

Bad debt provision	£'000	£'000
<b>At 1 April 2019 and 2018</b>	17	29
Charged to the income statement	-	17
Utilised during the year	(17)	(29)
<b>At 31 March 2020 and 2019</b>	-	17

Trade receivables disclosed above include an amount of £71,000 (2019: £nil) which is more than 120 days overdue. However, no provision has been made in the accounts for bad debt.

14 Trade and other payables	31 March 2020 £'000	31 March 2019 £'000
Trade payables	2,121	3,532
Other payables	9	86
Amounts owed to related parties	2,296	2,271
Other taxation and social security	545	226
Accruals and deferred income	15,591	16,946
	<u>20,562</u>	<u>23,061</u>

Amounts owed to group undertakings are unsecured, interest free, and repayable on demand.

### 15 Derivatives financial instruments

Financial liabilities	31 March 2020 £'000	31 March 2019 £'000
Fair value loss on interest swap		
Amounts falling due within one year	1,908	1,264
Amounts falling due later than one year	8,660	5,059
	<u>10,568</u>	<u>6,323</u>

# NAVIGATOR TERMINALS HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

### 15 Derivatives financial instruments

(Continued)

Interest rate swaps are valued at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates. Included in the amounts falling due within one year is an adjustment for DVA of £689,000, reducing the liability, to reflect the change in credit rating of the company.

As per the refinancing of the senior loan facility in October 2018, and a re-negotiation in May 2019, a new interest rate swap was entered into to convert the floating rate, which is three months LIBOR to fixed rates of 1.569% in relation to £183,750,000 of the notional principal amount of £188,050,000. The directors do not consider interest risk in relation to drawn balance of £4,300,000, not covered by interest rate swap, significant.

The Group settles the difference between the fixed and floating interest rate on a net basis.

The fair value of the swap at 31 March 2020 was a liability of £10,568,000 (2019: £6,323,000). Net gains of £nil (2019: £1,039,000) were recognised in the income statement which relates to closing the swaps as part of refinancing in October 2018.

The new swaps are being accounted for under hedge accounting and a loss of £4,245,000 (2019: £6,323,000) has been reflected in the Statement of comprehensive income.

### 16 Lease liabilities

Lease liabilities are classified based on the amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting date, as follows:

	31 March 2020 £'000	31 March 2019 £'000
Current liabilities	917	-
Non-current liabilities	13,335	-
	<u>14,252</u>	<u>-</u>

Amounts recognised in profit or loss include the following:

	31 March 2020 £'000	31 March 2019 £'000
Interest on lease liabilities	<u>411</u>	<u>-</u>

# NAVIGATOR TERMINALS HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

### 17 Interest bearing loans

The book value of loans is as follows

	31 March 2020 £'000	31 March 2019 £'000
Secured bank loans	188,050	183,750
Deferred loan issue costs	(188)	(1,142)
Shareholder loan notes	128,355	128,355
	<u>316,217</u>	<u>310,963</u>

#### Bank loan

Bank borrowings relate to loan facilities granted by the banks for a total value of £259,750,000. As at 31 March 2020, £188,050,000 has been drawn. There is an amount netted off in the balance of £188,005 as part of related arrangement fee. The group drew down an additional £4.3 million as part of the facility.

The loan facility is repayable by 2025. Interest is charged on amounts drawn under the facilities based on a margin plus Libor. The margin from November 2018 was 1.50% as the company refinanced its loan facilities. The margin increases to 1.60% in 2020, 2.00% in 2022, 2.25% in 2023 and 3.00% in 2024. Facility amounts not drawn are subject to a commitment fee which is calculated as 35% of the applicable margin, which was 0.665% of the undrawn amount until October 2018 and thereafter 0.520% during the remaining financial period. Of the facility amount currently drawn the amount of £183,750,000 is subject to an interest rate swap which swaps the Libor element for a fixed interest rate of 1.569%.

The facilities are secured by fixed and floating charges over all property of the Group.

#### Shareholder loan notes

Amounts owed to related parties comprise listed Unsecured Shareholder Loan Notes with a maximum issue limit of £150,000,000. £103,047,000 were issued for cash consideration and £25,308,000 were issued for non-cash consideration. These notes bear interest at 7.175% per annum and are redeemable in full at par on the earlier of either 31 March 2046, or immediately prior to change in control of, or an initial public offering in relation to the company, Navigator Terminals Holdings Limited. There was £2,296,000 (2019: £2,271,000) of accrued interest on these notes outstanding at the period end.

The carrying amounts of the group's borrowings are denominated in sterling.

Amounts included above which fall due after five years are as follows:

	31 March 2020 £'000	31 March 2019 £'000
Over 5 years	<u>(316,217)</u>	<u>(310,963)</u>

# NAVIGATOR TERMINALS HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

### 18 Provisions

Deferred tax liability	2020 £'000	2019 £'000
At 1 April	19,394	17,093
(Credit)/expense to the income statement (note10)	(4,918)	2,413
Expense/(credit) within other comprehensive income	2,518	(112)
At 31 March	16,994	19,394

#### Factors affecting current and future tax

In the Spring Budget 2020, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020.

The balance comprises temporary differences attributable to:

	2020 £'000	2019 £'000
Accelerated capital allowances	(5,349)	(5,668)
Retirement benefit obligations	(3,489)	(885)
Other timing differences	(9,947)	(10,962)
Deferred revenue	1,791	(1,879)
At 31 March	(16,994)	(19,394)

### 19 Share capital

	31 March 2020 £'000	31 March 2019 £'000
<b>Ordinary share capital</b>		
<b>Issued and fully paid</b>		
64,370,182 (2019: 64,370,182) ordinary shares of £1 each	64,370	64,370
	64,370	64,370

51,678,182 ordinary £1 shares were issued at par on 30 March 2016 for cash.

Premium arising on issue of equity shares - 12,692,000 ordinary £1 shares were issued on 8 April 2016 for non-cash consideration valued at £24,323,216 giving rise to the share premium account of £11,631,000.

# NAVIGATOR TERMINALS HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

### 20 Share premium account

	31 March 2020 £'000	31 March 2019 £'000
At the beginning and end of the year	11,631	11,631

Premium arising on issue of equity shares - 12,692,000 ordinary £1 shares were issued on 8 April 2016 for non-cash consideration valued at £24,323,216 giving rise to the share premium account of £11,631,000.

### 21 Hedging reserve

	31 March 2020 £'000	31 March 2019 £'000
At the beginning of the year	(6,323)	-
Loss on cash flow hedges	(4,245)	(6,323)
At the end of the year	(10,568)	(6,323)

### 22 Acquisition reserves

	£'000
At the beginning of the year	23,193
At the end of the year	23,193

The acquisition reserve represents the difference between the total fair value of the business acquired, North Tees, of £72,824,000 less the share capital as recorded by the parent for the acquisition of its interest in North Tees of £24,323,216 and the shareholder loan notes issued, valued at £25,308,000.

### 23 Employees benefit expenses

The average monthly number of persons (including directors) employed by the Group during the year was:

	31 March 2020 Number	31 March 2019 Number
Administration	61	91
Operation	146	106
Total average headcount	207	197

# NAVIGATOR TERMINALS HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

### 23 Employees benefit expenses

(Continued)

From April 2019 Shared Service and Administrative staff have been reclassified the same way as payroll is processed. All the costs are recharged to the company's operating subsidiary companies, and hence no further disclosure is included within these financial statements. The remuneration is disclosed within the financial statements of the operating subsidiary companies. This is not a retrospective adjustment because it is not a change in policy, rather a change in categorisation, hence prior year figures are not restated.

	31 March 2020 £'000	31 March 2019 £'000
Wages and salaries	10,420	8,021
Defined contribution pension cost	1,085	186
Defined benefit scheme cost (note 29)	-	900
Social security contributions and similar taxes	1,157	917
	<u>12,662</u>	<u>10,024</u>

### 24 Directors' remuneration

	31 March 2020 £'000	31 March 2019 £'000
Salary	521	518
Other long-term benefits	2	2
	<u>523</u>	<u>520</u>

Directors' remuneration and emoluments have been borne by group companies.

# NAVIGATOR TERMINALS HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 MARCH 2020

#### 25 Goodwill and impairment

Management reviews the business performance based on each cash generating unit (CGU). It has currently identified each terminal as a CGU. Goodwill is monitored by the Management at CGU level.

The recoverable amount of all CGUs has been determined based upon value-in-use calculations. These calculations use pre-tax cash flow projections based upon financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rate stated below. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

For each of the CGUs with significant amount of goodwill, the key assumptions of long-term growth rate and discount rate used in the value-in-use calculations are as follows.

Cash Generating Unit	Thames	Seal Sands	North Tees	Windmill
WACC (Post-tax)	8.00%	8.00%	8.00%	8.00%
WACC (Pre-tax)	9.24%	9.29%	8.24%	9.30%
Terminal Growth rate	2.50%	2.50%	2.50%	2.50%

The recoverable amount of CGUs would equal their carrying amount if the key assumptions were to individually change to as follows:

WACC (Post-tax)	7.36%	8.64%	4.51%	13.68%
WACC (Pre-tax)	8.45%	10.08%	4.50%	16.37%

The above assumptions have been used for the analysis of each CGU. The terminal growth rate is the average annual growth rate over the five-year forecast period. It is based on past performance and Management's expectation of market development.

The impairment charge arose in Thames terminal due to a combination of an increase in the applicable discount rate relating to conditions in the listed market at the balance sheet date and anticipated throughput levels reducing as compared to the prior year forecast.

Further impairment arose in North Tees terminal due to the implied value-in-use calculation remaining below the value of carrying value created subsequent to the full write down of carrying value in prior year impairments. The crude market has returned to a contango position. The crude storage conversion programme remains under review. As a result, the value-in-use calculations do not currently assume an increase in crude storage capacity beyond what is currently available. This will be reassessed in future periods once further progress has been made on the conversion programme.

The directors do not believe there are any reasonably foreseeable circumstances that will give rise to any further impairments in value. The directors have adopted a prudent view of trading conditions over the short to medium term, but these assumptions remain subject to any potential impact from Covid-19.

# NAVIGATOR TERMINALS HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

### 26 Subsidiaries

The entities within Navigator Terminals Group, all of which have been included in these consolidated financial statements, are as follows:

Name	Country of incorporation	% Held at 31 March 2020
*Navigator Terminals Windmill Limited	United Kingdom	100
*Navigator Terminals Seal Sands Limited	United Kingdom	100
*Navigator Terminals Thames B.V. Limited	Netherlands	100
Navigator Terminals UK Limited	United Kingdom	100
Navigator Terminals North Tees Limited	United Kingdom	100
Navigator Terminals Limited	United Kindom	100
Navigator Terminals Midco Limited	United Kingdom	100

Navigator Terminals Holdings Limited is the ultimate parent company of the group and directly holds shares in Navigator Terminals Midco Limited.

Navigator Terminals Midco Limited directly holds shares in Navigator Terminals Limited.

Navigator Terminals Limited directly holds shares in Navigator Terminals North Tees Limited and Navigator Terminals UK Limited.

Holdings marked with an asterisk are held via Navigator Terminals UK Limited.

The proportion of the voting rights does not differ from the proportion of the ordinary shares held.

The registered addresses of the ultimate parent company and the subsidiaries were as listed below.

Navigator Terminals Holdings Limited - 3rd Floor, 37 Esplanade, St Helier, Jersey, JE1 1AD.

All subsidiaries - Oliver Road, Grays, Essex, United Kingdom, RM20 3ED.

### 27 Contingent liabilities

#### *Guarantees*

The Group's bankers have guaranteed amounts to the extent of £20,000 (March 2019: £20,000) that may, in the normal course of trade, be payable in respect of customs duty and these obligations have been indemnified by the Group.

#### *Tax Group Liability*

There is an income tax group with all Navigator UK trading companies. Under the Tax Collection Act, the members of the tax group are entitled to utilise tax losses from other participating companies. The Group and the individual Navigator UK trading companies in the corporation tax group are both severally and jointly liable for the tax payable by the combination.



# NAVIGATOR TERMINALS HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

### 28 Capital commitments

Capital commitments at the end of the financial period for which no provision has been made, are as follows:

	31 March 2020 £'000	31 March 2019 £'000
Contracted	2,777	2,985

The group had the following future minimum lease payments under non-cancellable operating leases.

	2020		2019	
	Land and buildings £'000	Others £'000	Land and buildings £'000	Others £'000
Not later than one year	-	-	823	263
Later than one year and not later than five years	-	-	1,416	300
Later than five years	-	-	1,815	-
	<u>-</u>	<u>-</u>	<u>4,054</u>	<u>563</u>

The future minimum lease payments under non-cancellable operating leases have been replaced by adaption of IFRS 16. Please see note 31.

### 29 Pensions

The group participates in the Navigator Terminals UK Pension and Life Assurance Scheme (formerly Vopak Terminals UK Pension and Life Assurance Scheme 2005). The scheme is provided for certain employees of Navigator Terminals UK Limited, Navigator Terminals Windmill Limited, Navigator Terminals Thames Limited B.V. and Navigator Terminals Seal Sands Limited. The scheme is a funded, defined benefit scheme which provides pension and other related benefits based on final pensionable pay.

Plan assets held in the fund are governed by local regulations and practice for the United Kingdom. Responsibility for the governance of the plan – including investment decisions and contribution schedules lies with the board of Trustees which is represented by member nominated trustees and company nominated trustees.

The risks of the scheme are as follows:

**Investment Risk:** There is a risk that the future investment returns on assets and future income will be insufficient to meet the Trustees' funding objectives. Given the nature of the investments held, there is a risk that volatility of asset values could lead to an increased contribution requirement in the future.

**Investment mismatch:** Falls in asset values may not be matched by similar falls in liabilities.

**Mortality risk:** There is a risk that unanticipated future changes in mortality will increase the cost of the benefits. It is possible that mortality rates will continue to improve more rapidly than expected.

**Inflation risk:** There is the risk that future price inflation is higher than anticipated resulting in higher liabilities.

The Scheme closed to future accrual with effect from 1 January 2017. Prior to this date, a lump sum payment of £3,000,000 was made to fund the shortfall in the Scheme as at 12 November 2015.

# NAVIGATOR TERMINALS HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 MARCH 2020

#### 29 Pensions

(Continued)

An IAS 19 valuation of the Navigator Terminals UK Pension and Life Assurance Scheme was performed by Mr. G Whittaker FIA. The latest full actuarial valuation of the Navigator Terminals UK Pension and Life Assurance Scheme was carried out by the scheme actuary, Mr C Hunter FIA, as at 31 December 2017. The major financial assumptions adopted for assessing the schemes liabilities as at 31 March 2020 were as follows:

	31 March 2020	31 March 2019
	%	%
Rate of increase in salaries	N/A	N/A
Rate of increase in pensions in payment	2.30	2.80
Discount rate	2.30	2.40
Inflation assumption	2.70	3.45
Expected return on plan assets	2.30	2.40

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice. The expected return on plan assets is set equal to the discount rate for IAS 19 purposes. The rate of increase in pensions in payment is the weighted average rate applying across the Navigator scheme for pensions already in payment.

The assumed life expectancies are:

Longevity at age 65 for current pensioners (now aged 65)		
- Male	22.0 years	22.2 years
- Females	23.9 years	24.1 years
Longevity at age 65 for future pensioners (now aged 45)		
- Male	23.7 years	23.9 years
- Females	25.7 years	25.9 years

	31 March 2020	31 March 2019
	£'000	£'000
The fair value of plan assets as at 31 March 2020 was:		
Equity instruments	18,714	22,461
Bonds	61,546	58,599
Cash and other	6,947	3,483
	<u>87,207</u>	<u>84,543</u>

# NAVIGATOR TERMINALS HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

### 29 Pensions

(Continued)

	Impact of defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	1.00%	Decrease by 16.90%	Increase by 22.80%
Inflation	1.00%	Increase by 10.60%	Decrease by 9.80%
Life expectancy	Increase by 1 year	Increase by 4.0%	
	Assets £'000	Liabilities £'000	Total £'000
<b>1 April 2019</b>	84,543	(76,208)	8,335
Benefits paid	(5,041)	5,041	-
Employer contributions	1,000	-	1,000
Settlement loss	-	(113)	(113)
Curtailed gain	-	817	817
Interest	1,981	(1,769)	212
Re-measurement gain	4,724	5,737	10,461
<b>31 March 2020</b>	<u>87,207</u>	<u>(66,495)</u>	<u>20,712</u>
Net interest gain	<u>212</u>		

### Defined benefit schemes

#### Valuation

The weighted-average duration of the defined benefit obligation is estimated to be 22 years at 31 March 2020.

	31 March 2020 £'000	31 March 2019 £'000
<i>Amounts recognised in the income statement</i>		
Current service cost	-	(900)
Net interest on defined benefit asset	(1,769)	(1,920)
Restriction on net interest income credited to the income statement	1,981	2,160
<b>Total income/(costs)</b>	<u>212</u>	<u>(660)</u>

# NAVIGATOR TERMINALS HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

### 29 Pensions

(Continued)

	31 March 2020 £'000	31 March 2019 £'000
<i>Amounts taken to other comprehensive income</i>		
Actuarial gain / (loss) on defined benefit obligation	6,441	(4,274)
Return on Assets Greater than Discount Rate	4,724	3,281
Total income/(costs)	11,165	(993)

For movement on deferred tax, please refer to (note 18)

The amounts included in the statement of financial position arising from the company's obligations in respect of defined benefit plans are as follows:

	31 March 2020 £'000	31 March 2019 £'000
Present value of defined benefit obligations	(20,712)	(8,335)
Surplus in scheme	(20,712)	(8,335)

The defined benefit obligations arise from plans which are wholly or partly funded.

### 30 Related party transactions

	Sales of services		Amounts owed by related parties		Interest on shareholders' notes		Amounts owed to related parties	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Greenery Fuels Limited	31,061	34,278	-	481	-	-	-	-
North Leaf Capital Partners GP Limited	-	-	-	-	3,748	3,252	52,445	2,772
First Sentier Investors RE Limited	-	-	-	-	3,748	3,252	52,445	2,772
Greenery International Limited	-	-	3,026	-	1,841	1,797	25,760	1,362

North Leaf Capital Partners, First Sentier Investors and Greenery International are all shareholders in Navigator Terminals Holdings Limited.

Details of directors' remunerations are given in note 24.

The Group has not made any allowance for bad or doubtful debts in respect of related party debtors nor has any guarantee been given or received during 2020 regarding related party transactions.

# NAVIGATOR TERMINALS HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 MARCH 2020

#### 31 Effect of adoption of IFRS 16 – Leases

As indicated in note 2, the company has adopted IFRS 16 Leases retrospectively from 1 April 2019 but has not restated comparatives for the 2019 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 April 2019. The new accounting policies are disclosed in note 32.20.

On adoption of IFRS 16, the company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 April 2019.

#### i) Practical expedients applied

In applying IFRS 16 for the first time, the company has used the following practical expedients permitted by the standard:

- Relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 April 2019;
- Excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- Using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The company has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the company relied on its assessment made applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease.

#### ii) Measurement of lease liabilities

Operating lease commitments disclosed as at 1 April 2019:

	£ '000
IAS 17 operating lease commitments based on gross cash flows disclosed as at PY End	4,617
Less : Discounted using the group's incremental borrowing rate of 2.76%	-1,306
Add : Adjustments due to different treatments of extension and termination options	11,848
(Less): short-term leases not recognised as a liability	0
(Less): low-value leases not recognised as a liability	0
<b>Lease liability recognised as at 1 April 2019</b>	<b>15,159</b>
	0
Of which:	0
Current lease liabilities	906
Non-current lease liabilities	14,253
<b>Total</b>	<b>15,159</b>

#### iii) Measurement of right-of-use assets

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 March 2019.

# NAVIGATOR TERMINALS HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

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### 32 Accounting policies

#### 32.1 Principal consolidation

Where the Group has control over an investee, it is classified as a subsidiary. The Group controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

De-facto control exists in situations where the company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de-facto control exists the company considers all relevant facts and circumstances, including:

- The size of the company's voting rights relative to both the size and dispersion of other parties who hold voting rights
- Substantive potential voting rights held by the company and by other parties
- Other contractual arrangements
- Historic patterns in voting attendance.

The consolidated financial statements present the results of the company and its subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between Group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the acquisition method. In the statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date on which control ceases.

#### 32.2 Going concern

The group meets its day-to-day working capital requirements through its bank facilities. The group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the group should be able to operate within the level of its current facilities. Having assessed the principal risks and the other matters, the directors considered it appropriate to adopt the going concern basis of accounting in preparing its consolidated financial statements. The subsidiary companies' trading activities have had no material impact due to the COVID-19 pandemic due to the fixed nature of their contractual revenues. Management continue to closely monitor the situation.

Further information on the Group's borrowings is given in note 17.

#### 32.3 Revenue

Revenue represents the fair value of the consideration received or receivable for services provided in the normal course of business, stated net of discounts and value added taxes. When it is probable that the future economic benefits will flow to the group, the recognition in the statement of income is in proportion to the stage of the rendered performance as at the end of the reporting period. Tank rentals, including minimum guaranteed throughputs, are recognised on a straight-line basis over the contractual period. Revenues from excess throughputs and other services are recognised on completion of the services.

IFRS 15, 'Revenue from contracts with customers', deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service.

Variable consideration is included in the transaction price if it is highly probable that there will be no significant reversal of the cumulative revenue recognised when the uncertainty is resolved.

# NAVIGATOR TERMINALS HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

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### 32 Accounting policies

(Continued)

#### 32.4 Foreign currency translation

a. Functional and presentation currency

Items included in the financial statements of the Group are measured using the currency of the primary economic environment in which the Group operates ('the functional currency'). The financial statements are presented in 'Pounds Sterling' (£), which is also the Group's functional currency.

b. Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges. All other foreign exchange gains and losses are presented in the income statement within 'Other (expenses)/income'.

#### 32.5 Goodwill

Goodwill represents the excess of the cost of a business combination over the total acquisition date fair value of the identifiable assets, liabilities and contingent liabilities acquired.

For business combinations cost comprises the fair value of assets given, liabilities assumed and equity instruments issued, plus the amount of any non-controlling interests in the acquiree plus, if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree. Contingent consideration is included in cost at its acquisition date fair value and, in the case of contingent consideration classified as a financial liability, remeasured subsequently through profit or loss. Direct costs of acquisition are recognised immediately as an expense.

Goodwill is capitalised as an intangible asset with any impairment in carrying value being charged to the consolidated statement of comprehensive income. Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is credited in full to the consolidated statement of comprehensive income on the acquisition date.

#### **Impairment of non-financial assets (excluding inventories, investment properties and deferred tax assets)**

Impairment tests on goodwill and other intangible assets with indefinite useful economic lives are undertaken annually at the financial year end. Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the smallest group of assets to which it belongs for which there are separately identifiable cash flows; its cash generating units ('CGUs'). Goodwill is allocated on initial recognition to each of the group's CGUs that are expected to benefit from a business combination that gives rise to the goodwill.

Impairment charges are included in income statement, except to the extent they reverse gains previously recognised in other comprehensive income. An impairment loss recognised for goodwill is not reversed.

# NAVIGATOR TERMINALS HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

### 32 Accounting policies

(Continued)

#### 32.6 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The group adds to the carrying amount of an item of fixed assets the cost of replacing parts of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefit to the group. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to *the Consolidated income statement during the period in which they are incurred.*

Freehold land is not depreciated. The assets are depreciated on a straight-line basis over the assets estimated useful life as follows:

Freehold buildings	10-40 years
Right of Use Assets	3-93 years
Plant & Machinery	8-40 years
Fixtures, fittings, tools and equipment	3-20 years
Assets under construction	Not depreciated until brought into use

The assets' residual values, useful lives and depreciation methods are reviewed and adjusted prospectively, if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within the Consolidated income statement.

#### 32.7 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. *Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.*

#### 32.8 Trade receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. The Group classifies its financial liabilities into one of two categories, *fair value through profit or loss* and *other financial liabilities*, depending on the purpose for which the liability was acquired.

#### 32.9 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the consolidated balance sheet, bank overdrafts are shown within borrowings in current liabilities.



# NAVIGATOR TERMINALS HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

### 32 Accounting policies

(Continued)

#### 32.10 Investment in financial assets

The Group classifies its financial assets in the following categories:

- Amortised cost.
- Fair value through profit or loss (FVTPL)
- Fair value through other comprehensive income (FVOCI)

The classification depends on the purpose for which the financial assets were acquired i.e. the entity's business model for managing the financial assets and/or the contractual cash flow characteristics of the financial asset. Regular way purchases and sales of financial assets are recognised on trade date, being the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the company has transferred substantially all the risks and rewards of ownership. At initial recognition, the company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

#### 32.11 Impairment of financial assets

The Group assesses on a forward-looking basis the expected credit loss associated with its financial assets. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

#### 32.12 Financial liabilities

The group classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired.

Other than financial liabilities in a qualifying hedging relationship (see below), the group's accounting policy for each category is as follows:

##### *Fair value through profit or loss*

This category comprises only out-of-the-money derivatives (see "Financial assets" for in the money derivatives). They are carried in the consolidated statement of financial position at fair value with changes in fair value recognised in the consolidated statement of comprehensive income. The group does not hold or issue derivative instruments for speculative purposes, but for hedging purposes. Other than these derivative financial instruments, the group does not have any liabilities held for trading nor has it designated any financial liabilities as being at fair value through profit or loss.

#### 32.13 Other financial liabilities

Other financial liabilities include the following items:

- Bank borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest-bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the consolidated statement of financial position. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.
- Liability components of convertible loan notes are measured as described further below.
- Trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

# NAVIGATOR TERMINALS HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

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### 32 Accounting policies

(Continued)

#### 32.14 Equity instruments

Financial instruments issued by the group are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset.

The group's ordinary shares are classified as equity instruments.

#### 32.15 Borrowing costs

Borrowing costs are capitalised, net of interest received on cash drawn down yet to be expended when they are directly attributable to the acquisition, contribution or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

#### 32.16 Derivatives and hedging activities

The Group has not applied hedge accounting, and all derivatives are measured at fair value through profit and loss. Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

#### 32.17 Income tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

##### **Deferred tax**

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

# NAVIGATOR TERMINALS HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

### 32 Accounting policies

(Continued)

#### 32.18 Defined benefit and contribution schemes

Contributions to defined contribution pension schemes are charged to the consolidated statement of comprehensive income in the year to which they relate.

Defined benefit scheme surpluses and deficits are measured at:

- The fair value of plan assets at the reporting date; less
- Plan liabilities calculated using the projected unit credit method discounted to its present value using yields available on high quality corporate bonds that have maturity dates approximating to the terms of the liabilities and are denominated in the same currency as the post-employment benefit obligations; less
- The effect of minimum funding requirements agreed with scheme trustees.

Re-measurements of the net defined obligation are recognised directly within equity. The re-measurements include:

- a. Actuarial gains and losses
- b. Return on plan assets (interest exclusive)
- c. Any asset ceiling effects (interest exclusive).

Service costs are recognised in profit or loss, and include current and past service costs as well as gains and losses on curtailments.

Net interest expense/(income) is recognised in consolidated income statement, and is calculated by applying the discount rate used to measure the defined benefit obligation (asset) at the beginning of the annual period to the balance of the net defined benefit obligation (asset), considering the effects of contributions and benefit payments during the period.

Gains or losses arising from changes to scheme benefits or scheme curtailment are recognised immediately in profit or loss.

Settlements of defined benefit schemes are recognised in the period in which the settlement occurs.

#### **Other long-term service benefits**

Other employee benefits that are expected to be settled wholly within 12 months after the end of the reporting period are presented as current liabilities.

Other employee benefits that are not expected to be settled wholly within 12 months after the end of the reporting period are presented as non-current liabilities and calculated using the projected unit credit method and then discounted using yields available on high quality corporate bonds that have maturity dates approximating to the expected remaining period to settlement and are denominated in the same currency as the post-employment benefit obligations.

#### 32.19 Dividend

Dividend income is recognised when the right to receive payment is established. Dividend distributions to the Group's shareholders are recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Group's shareholders.

# NAVIGATOR TERMINALS HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

### 32 Accounting policies

(Continued)

#### 32.20 Leased assets

The Group leases its jetty, land and vehicles. Rental contracts for vehicles are typically made for periods of 3 years but may have extension options. The jetty lease is renewed every 3 years.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Until the 2019 financial year, leases of property, plant and equipment were classified as operating leases. From 1 April 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the company under residual value guarantees; and
- Payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

#### 32.21 Externally acquired intangible assets

Externally acquired intangible assets are initially recognised at cost and subsequently amortised on a straight-line basis over their useful economic lives.

Intangible assets are recognised on business combinations if they are separable from the acquired entity or give rise to other contractual/legal rights. The amounts ascribed to such intangibles are arrived at by using appropriate valuation techniques (see note 3 Critical estimates and judgements).

The significant intangibles recognised by the group, their useful economic lives and the methods used to determine the cost of intangibles acquired in a business combination are as follows:

Intangible assets	Useful economic life	Valuation method
Software	10-11 years	Replacement cost
Customer relationships	Term of contract (up to 36 years)	Estimated discounted cash flow

# NAVIGATOR TERMINALS HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

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### 32 Accounting policies

(Continued)

#### 32.22 Asset retirement obligations

A provision is recognised when it is determined that an obligation has arisen as a result of a past event, the obligation can be reliably estimated, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions represent legal or constructive obligations associated with decommissioning assets at the end of their useful lives and environmental remediation costs (asset retirement obligations).

We record a liability for asset retirement obligations at the time we incur that liability, which is generally when the asset is purchased, constructed or leased, when we have a legal or constructive obligation to incur costs to retire the asset and when a reasonable estimate of the fair value of the obligation can be made.

Where a reasonable estimate of the fair value of the obligation cannot be made, we do not record a provision for asset retirement obligations. Reasonable estimates of the obligation may not be possible due to changes in laws or regulations, changes in technology, changes in scope of required remediation, fluctuations in costs or lack of active markets for the assets.

Where a reasonable estimate of the timing of the obligation cannot be made, we do not record a provision for asset retirement obligations. Reasonable estimates of the timing may not be possible due to asset maintenance. Navigator applies a rigorous inspection schedule to determine future planned maintenance including major capital items such as replacement tank floors and ceilings. As a result of this capital assets have indeterminate lives for the purposes of calculating asset retirement obligations.

### 33 Events after the reporting date

#### Covid-19

The Group's trading activity has had no material impact due to the Covid-19 pandemic due to the fixed nature of contractual revenues of the operating subsidiary companies. Management continue to closely monitor the situation.