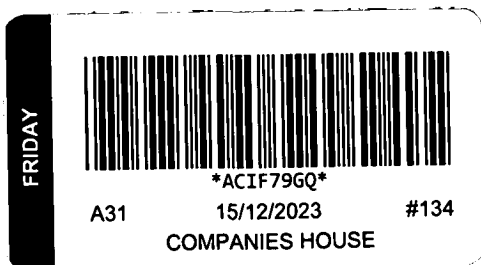


Company Registration No: 7438262

**THE MERSEY DOCKS AND HARBOUR
COMPANY LIMITED**

Report and Financial Statements

For the year ended 31 March 2023



THE MERSEY DOCKS AND HARBOUR COMPANY LIMITED

REPORT AND FINANCIAL STATEMENTS

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THE MERSEY DOCKS AND HARBOUR COMPANY LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

C Veritiero
L McIntyre

COMPANY SECRETARY

F A Khan

REGISTERED OFFICE

Maritime Centre
Port of Liverpool
Liverpool
L21 1LA

BANKERS

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

AUDITOR

BDO LLP
Statutory Auditor
3 Hardman Street
Spinningfields
Manchester
M3 3AT
United Kingdom

THE MERSEY DOCKS AND HARBOUR COMPANY LIMITED

STRATEGIC REPORT

The directors present their strategic report, directors' report and the audited financial statements of the Company for the year ended 31 March 2023.

PRINCIPAL ACTIVITIES

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

COMPANY OVERVIEW

The Company is a subsidiary of Peel Ports Group Limited ("the Group"). The Group's assets form a strategic hub centred on the Irish Sea, with locations in Liverpool, Dublin, Glasgow and along the Manchester Ship Canal. Linked by the Group's short sea shipping services, the Group's assets provide direct access to the significant hinterland of North West England and the main Roll-on/Roll-off (RoRo) services to Ireland. Additionally, the Port of Sheerness provides access to London and Clydeport to Central Scotland. Great Yarmouth, as an offshore supply base, is strategically located close to the oil, gas and windfarm installations in the Southern North Sea.

The Port of Liverpool, the largest port in the Group, is the UK's third largest port by tonnage and one of its most diversified, handling a wide range of cargos including agribulks (such as grain and animal feed), biomass, bulk liquids, bulk solids (including metals and aggregates), containers and forest products, as well as providing services to RoRo and cruise customers. Facilitating automotive imports and exports is an important part of the service provided by the Port of Sheerness, alongside a wide range of other commodities handled, with the River Medway also being the route for Liquefied Natural Gas (LNG) vessels heading to the National Grid LNG Terminal on the Isle of Grain. Clydeport operates a container terminal and a forest products terminal at Greenock as well as Greenock Ocean Terminal, a dedicated cruise vessel facility. The King George V facility in Glasgow handles a diverse range of commodities, including scrap and the importation of salt. Great Yarmouth is a significant base for the offshore energy industry, while also handling the import of commodities such as aggregates and timber products and the export of agricultural products.

The Company offers a value-added logistics solution to a customer's supply chain. This includes conservancy, pilotage, berthing, facilities rental, storage, cargo handling, marine services and shipping. Peel Ports Logistics offers other value-added services such as ships chartering and agency, as well as providing bulk solids cargo handling at its facilities at Runcorn and Ellesmere Port on the Manchester Ship Canal and the Humber Bulk Terminal on the South Bank of the Humber Estuary.

The Company's container handling offering is centred on the Port of Liverpool, which operates two container terminals, Liverpool2 and the Royal Seaforth Container Terminal ("RSCT").

RSCT was the Port of Liverpool's first container terminal. It has direct deep-sea and short-sea connections to a range of countries, including the USA, Canada, Spain, Italy, Portugal, Cyprus and Turkey, in addition to a number of feeder services connecting Liverpool with the Far East, India, Africa and South America.

Liverpool2 is a new in-river deep-water container terminal capable of accommodating the world's largest container vessels, though smaller post-Panamax vessels are the primary users of the terminal. The second and final phase of the construction was completed in the year ended 31 March 2022; this further increased the capacity of Liverpool2 and in the main, represented investment in additional quayside and landside cranes. In January 2020, the Group entered into a joint venture agreement with Terminal Investment Limited S.A.R.L. in respect of the cargo handling operations of the Liverpool2 deep-water container terminal at the Port of Liverpool. The arrangement is intended to enable the business to achieve its ambitious growth plans for Liverpool2. Terminal Investment Limited S.A.R.L. is a major investor in container terminals around the world and is majority owned by Mediterranean Shipping Company (MSC), the world's largest shipping line.

RSCT was the Port of Liverpool's existing container terminal. It has direct deep-sea and short-sea connections to a range of countries, including the USA, Canada, Spain, Italy, Portugal, Israel, Cyprus and Turkey, in addition to a number of feeder services connecting Liverpool with the Far East, India, Africa and South America.

As Statutory Harbour Authority and Competent Harbour Authority for the Port of Liverpool, the marine income from rates and dues remain with the Company.

THE MERSEY DOCKS AND HARBOUR COMPANY LIMITED

STRATEGIC REPORT (CONTINUED)

COMPANY OVERVIEW (CONTINUED)

The Group's two main terminals in Liverpool are complemented by facilities at Greenock in Scotland and Dublin in Ireland.

The combination of the Liverpool2 terminal with the Group's existing port assets and short sea shipping services in the Irish Sea and the Continent is expected to provide significant advantages to shipping lines, importers and exporters.

RESULTS AND DIVIDENDS

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

The directors proposed and paid interim dividends of £80.0m (2022: £80.0m).

REVIEW OF BUSINESS, DEVELOPMENTS AND PROSPECTS

Summary of results

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

	2023 £m	2022 £m	Change £m	%
Turnover	214.6	209.6	5.0	2.4
EBITDA ¹	150.1	136.0	14.1	10.4
Operating profit before exceptional items	106.3	97.1	9.2	9.5
Operating profit	106.3	90.2	16.1	17.8

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

Details of operating exceptional items of £nil (2022: £6.9m) can be found in note 7.

Net assets were £217.7m at 31 March 2023 (2022: £231.7m). In addition to the profit for the financial year of £67.1m (2022: £66.6m), the net asset position has changed primarily because of the payment of interim dividends of £80.0m (2022: £80.0m) and an actuarial loss, net of deferred tax, relating to defined benefit pension schemes of £1.1m (2022: gain of £14.8m).

¹ EBITDA of £150.1m (2022: £136.0m) is operating profit of £106.3m (2022: £90.2m) before depreciation of £43.8m (2022: £38.9m) and exceptional items of £nil (2022: £6.9m). The use of EBITDA as a primary measure of profitability, and its definition, is derived from the Group's banking covenants. EBITDA is also commonly used by peer group companies, though definitions across the sector may differ.

THE MERSEY DOCKS AND HARBOUR COMPANY LIMITED

STRATEGIC REPORT (CONTINUED)

REVIEW OF BUSINESS, DEVELOPMENTS AND PROSPECTS (CONTINUED)

Summary of key performance indicators

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

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

	2023	2022	Absolute Change	% Change	Method of calculation
Turnover (£m's)	214.6	209.6	5.0	2.4	Year-on-year change
EBITDA (£m's)	150.1	136.0	14.1	10.4	Operating profit before depreciation and exceptional items.
Tonnage throughput (millions)	28.4	30.9	(2.5)	(8.1)	Year-on-year change using standard tonnage measures for the Ports industry

Revenue has increased year-on-year by 2.4% to £214.6m, despite a 8.1% decrease in tonnage throughput to 28.4 million tonnes, primarily due to the availability of spot-market opportunities and sales mix benefits. The higher revenue, changes in the sales mix and other operating income have also contributed to an increase in EBITDA from £136.0m to £150.1m.

Other financial developments

In the year ended 31 March 2021, the Secretary of State for Transport awarded the Company a maximum of £17.2m from the UK Government's Port Infrastructure Fund, to support investment in border security infrastructure following the UK's departure from the EU on 1 January 2021. Work on the project was completed during the year ended 31 March 2023. As at 31 March 2023, the full £17.2m had been received from the Port Infrastructure Fund (2022: £15.5m).

PRINCIPAL RISKS AND UNCERTAINTIES

The Mersey Docks and Harbour Company Limited is a subsidiary of Peel Ports Group Limited. Peel Ports Group Limited and its subsidiaries ("the Group") operate as the Statutory Harbour Authority for the Port of Liverpool, the Manchester Ship Canal, the River Mersey, parts of the area along and around the River Clyde, Ardrossan Harbour, Twelve Quays at Birkenhead Docks and Heysham Port. In addition, the Group operates Great Yarmouth Port as an agent of Great Yarmouth Port Authority, the Statutory Harbour Authority for that port, on a long-term basis. Container facilities, freight forwarding and cargo handling services are also provided at Dublin Port under concession. References to "the Group" below are in respect of the Peel Ports Group group of companies, which the Company is part of.

Ukraine

At the time of preparing this report, the war in Ukraine is continuing following the territorial invasion by Russia. Most governments, including that of the UK, have imposed economic sanctions on Russia and this has placed certain obligations on the Group's ports with respect to vessels that seek to enter their areas of jurisdiction. The Group continues to engage with the Department for Transport and other statutory bodies to ensure that the Group complies with the sanctions. This may result in disruption to the handling of certain commodities, though there has been no material effect on the Group to date and it is anticipated that this will continue to be the case.

STRATEGIC REPORT (CONTINUED)

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

Operational

Health and safety – landside

The nature of the Group's activities is such that many operational tasks are hazardous, however, it is our view that all hazards can be controlled and all injuries can be prevented. All cargoes passing over the quay need to be handled with care and in accordance with risk assessments and safe systems of work. The Board of Directors is committed to ensuring that the Group complies with all appropriate health and safety requirements and to achieving continuous improvement to the effectiveness of the Group's health and safety management. The safety of its workforce, and anyone who enters the working environment, is an essential part of the Group's overall strategy.

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

The Group's operational approach to health and safety matters is overseen by an Environment, Health and Safety Governance Committee, chaired by the Group Chief Executive Officer. From April 2022, this Committee was joined by Unite the Union's National Officer to further enhance the engagement with employee representatives on health and safety priorities. In March 2022, a three-year Environment, Health and Safety strategy was announced based on eight themes, including the further development of mental health initiatives.

For the year ended 31 March 2023, the Group had targeted a Total Recordable Injury Rate (TRIR) of 0.44. TRIR includes lost time incidents, restricted workday incidents and medical treatment incidents. This target was achieved with a final TRIR of 0.44, which is also an improvement against the 0.53 recorded in the previous financial year. The Group will continue to set challenging targets so as to drive a culture of continuous improvement in this area.

The Group has continued to enhance its focus on health and safety in the year ended 31 March 2023, with further investment in staff development, training and safety equipment. Safety Bulletin communications advise employees of recent or emerging issues and a "Think Safe This Winter" campaign covered topics such as PPE, road safety, mental health and drug and alcohol awareness.

In January 2022, the EHS element of the Group's SAP deployment went live, which provided for more integrated reporting of EHS matters. In November 2022, to further enhance adoption of this system and to make it available to more users (including third parties), a new SAP EHS reporting application was introduced that can be accessed on any device. This new tool allows individuals to report EHS matters while away from their desk using any mobile device.

Further initiatives are planned with the objective of continuing the progress made so far in reducing the incidence of injury and ill-health.

Continued and targeted investment in this area will make a significant contribution to:

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

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

Health and safety – marine

Marine incidents, which could include vessels colliding or foundering, have the potential to cause injury or loss of life. The Group has in place several safety processes, including risk assessments, vessel traffic services, pilotage and hydrography to mitigate this risk.

Several of the Group's subsidiary port companies are Statutory Harbour Authorities with some also being designated Competent Harbour Authorities. As a Statutory Harbour Authority, they have a duty to conserve the harbour so that it is fit for use as a port and a duty of reasonable care to see that the harbour is in a fit condition for a vessel to utilise it safely.

In addition, as a Competent Harbour Authority, it has a duty to assess what, if any, pilotage services are required to secure the safety of ships, and to provide services as deemed necessary.

THE MERSEY DOCKS AND HARBOUR COMPANY LIMITED

STRATEGIC REPORT (CONTINUED)

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

Operational (continued)

Health and safety – marine (continued)

A local port marine safety management system, operated within the wider Group Marine Safety Management System, which is derived from formal risk assessments developed from formal hazard observations, is the principal control measure in place to ensure the entire operation is run at as low a risk as is reasonably practicable. A programme of internal marine safety management system audits, supported by external audits and an independent designated person, are utilised to maintain the integrity of the system. Each port maintains a Marine and Coastguard Agency (MCA) endorsed oil spill response plan with distinctive tiered plans, supported by external contractors at notice, depending on the size of the incident. A regular series of exercises to test readiness underpin these responses. A Group Emergency Plan, supported by Local Port Emergency Plans, lays out the organisation of the emergency response.

In September 2022, the Group started to roll out a new life jacket jointly developed over a two year period with Mullion Survival Technology that increases survival times in cold water. Initially intended for marine pilots, it could also be rolled out to other workers in water-based roles. The project was initiated after an audit of similar products available on the market concluded that existing jackets would not protect against the threat of cold-water shock.

Resilience of operational assets and the ability to deliver capital expenditure projects

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

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

Cyber security

Like most businesses, the Group faces risks associated with a cyber security breach. Threats can vary in their complexity and sophistication and can potentially have a negative impact on organisations of all sizes. Although the Group has successfully avoided any significant disruption from threats to date, a steady increase in the number of phishing scams and malicious software creation, mean that the Group will continue to be at risk of cyber-attack that could compromise the Group's IT environment. Over a number of years, the Group has increased its investment in this area to put in place appropriate resilience and recovery measures as well as a comprehensive employee training programme to raise awareness and defend against malicious attacks. This is reinforced by regular tests to ensure that employees remain vigilant. We employ a range of industry-standard security products, both internally and on our network perimeters. Formal security and IT conditions of use policies are established, which define security standards and acceptable use.

The Group has a dedicated Cyber Security and Information Security team who are responsible for identifying and resolving security incidents, and for advising on group policy with regards to information security. Strong relationships are maintained with the National Cyber Security Centre and the Cyber Compliance Team of the Department for Transport, and the Group is represented on the Maritime Information Exchange, which facilitates the sharing of threats and intelligence amongst members of the UK maritime security industry.

Technology and innovation

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

THE MERSEY DOCKS AND HARBOUR COMPANY LIMITED

STRATEGIC REPORT (CONTINUED)

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

Operational (continued)

Technology and innovation (continued)

In April 2022, the Group entered into a partnership with the University of Liverpool's Management School to enhance the Group's newly formed Innovation Forum. The Forum looks to bring together a broad range of suppliers including start-ups, entrepreneurs and consultants to explore the biggest issues in accessing and purchasing carbon-neutral solutions for the group's seven sites across the UK and Ireland. In late 2022, the inaugural Peel Ports Innovation Challenge took place at the Museum of Liverpool. This week-long challenge focused on sustainability within the Peel Ports Group and brought together students on the LCR Founders Project from both the University of Liverpool and Liverpool John Moore University to work in mixed teams to ideate and pitch back potential solutions in the areas of operational efficiency and sustainability, making a positive impact in the communities within which the Group operates and the future of the blue economy.

General Data Protection Regulation ('GDPR')

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

Environmental

Climate change

Climate change has become an increasingly important consideration across the world and is an important principal risk to which the Group is responding.

The UK Government has made a legally binding commitment to achieving a Net Zero Carbon economy by 2050. To achieve these targets, there will need to be significant changes across the economy and, by extension, the ports that serve it, as the changes implemented are likely to result in a reduction of fossil fuel-related products; conversely, the demand for greener alternative fuel cargoes, low-carbon transport solutions and auxiliary services supporting the energy transition are predicted to increase significantly.

In response to the UK Government's Net Zero legislation, in November 2021, the Group committed to becoming a Net Zero port operator by 2040, ten years ahead of the UK Government's national targets. The Group's ports provide critical infrastructure as the UK's gateway for food, medical, energy and fuel supplies. It is therefore important that as a responsible business, the Group acts as a catalyst for positive change in the UK's logistics market to tackle climate change by facilitating green transition through ports and adopting new technologies which are going to enable the shift to green supply chain practices.

The Net Zero 2040 commitment, and the transition to low carbon operations, will also present opportunities for the Group, such as the development of facilities to support offshore windfarms at Hunterston and Great Yarmouth, expanding solar power production, offering greener port-centric solutions to the Group's customers by offering sustainable and environmentally-friendly storage and warehousing facilities, energy and logistics solutions.

The scale of the challenge is significant and while progress has already been made, there is a considerable way to go to achieve the ambitious target that the Group has committed to.

The Group's three year business plan includes initiatives that will help support the response to risks associated with climate change, including the use of technology and energy efficiency solutions. A member of the Executive Management Board holds the responsibility for environmental matters and leading the Group's green initiatives, which is fully supported by the rest of the Board.

STRATEGIC REPORT (CONTINUED)

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

Environmental (continued)

Climate change (continued)

The Net Zero commitment is supported by a Climate Change Steering Group that brings together leaders from across the business to oversee the Group's efforts to prevent or minimise greenhouse gas emissions. Their area of focus includes:

- Educating the business on the facts surrounding climate change;
- Adapting our operations to reduce our carbon footprint;
- Embracing new, low carbon technologies;
- Promoting energy efficiency;
- Seeking opportunities from renewable energy;
- Exploring shoreside power provision for vessels;
- Transitioning from diesel to electric vehicles;
- Using alternative and low-carbon fuels for plant and equipment;
- Considering the embodied carbon of new infrastructure;
- Sustainable procurement and engagement with our supply chain; and
- Quantifying and enhancing carbon sequestration opportunities.

Among the initiatives already taken, the Group has substantively replaced its vehicle fleet with electric vehicles, as transitioned most of its straddle carriers and plant equipment from diesel to Hydrotreated Vegetable Oil (HVO), undertaken trials of greener fuels and electric alternatives for operational plant and machinery and invested in sustainable infrastructure, including energy efficient cranes and intelligent lighting, and is driving sustainability through our supply chain. In June 2022, the Group was recognised as the winner of the 'Sustainability' category at the 2022 Multimodal Awards in acknowledgement of its environmental efforts. The award acknowledged steps taken by the Group to become the first port operator to make a commitment towards becoming Net-Zero by 2040, and recognised its ongoing work to lower emissions. In August 2022, it was announced that the Port of Heysham had had reduced the carbon emissions of its landside plant and equipment by up to 90%. The port's vehicles, plant equipment, forklift trucks, tug masters and ancillary equipment are now operating on either electricity or Hydrotreated Vegetable Oil (HVO).

The Group expects to continue working on initiatives that will reduce its carbon footprint during the year ending 31 March 2024. Further information on the Group's response to Climate Change can be found in the consolidated accounts of Peel Ports Group Limited.

Commercial

COVID-19

Although the UK, like many other countries, is now operating with a much greater level of normality and stability following the global pandemic, COVID-19 continues to provide an unhelpful backdrop. This has particularly been the case with regards to China, where continuing "lockdowns" disrupted economic activity and global supply chains in 2022. It has been reported that the lifting of restrictions in China in late 2022, and the subsequent surge in infections, has not given rise to any new variants of concern. There is cautious optimism that this will continue to be the case. Globally, economies are still recovering from the disruption caused by the pandemic and some of the changes either brought about by or linked with the pandemic, such as people leaving and not returning to the workforce, may slow economic recovery.

THE MERSEY DOCKS AND HARBOUR COMPANY LIMITED

STRATEGIC REPORT (CONTINUED)

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

Commercial (continued)

Impact of the UK's exit from the European Union

To date, the Group has not encountered any material adverse impacts that might be directly attributable to the UK having left the EU on 1 January 2021. Prior to the date of departure from the EU, the Group had reviewed its operations in readiness for Brexit and obtained Authorised Economic Operator status for each of its principal ports. Available UK Government funding to invest further in port infrastructure, including to facilitate post-Brexit border checks, was awarded to a number of the Group's ports in the year ended 31 March 2021. At the Port of Liverpool, these works were completed in the year ended 31 March 2023. In April 2022, the UK Government postponed the post-Brexit border checks on goods arriving into the UK from the EU. Further guidance is awaited and in April 2023 it issued for consultation draft proposals for new post-Brexit border controls, a final version of which is expected in the second half of 2023. In January 2023, the UK Government formally approved the business case for the Liverpool City Region Freeport, which includes the Port of Liverpool and the Manchester Ship Canal within its 45km designated area. Once fully operational, it is estimated by the that the freeport create more new highly skilled jobs, deliver increased investment and generate additional economic activity for the Liverpool City Region's economy.

Economic activity levels

The regional ports within the Group each form part of a wider transport infrastructure. The key operational risks and uncertainties relate to the dependency upon the economic activity of the businesses and consumers within the geographic proximity of the ports. These consumers and businesses generate the trade which flows through the ports and when they are subject to economic cycles or, at the extreme, to failure, there is an unavoidable impact on the ports. In addition, the Group may be exposed to declining volumes in certain sectors, downward pricing pressure or the loss of major contracts. This potential risk is particularly the case as the global economy continues to deal with the after-effects of the COVID-19 pandemic and the continuing war in Ukraine.

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

Financial

Liquidity, cash flow and interest risks

The key financial risk arises from the level of long-term debt held by the Group and the interest arising thereon. The Group's loans and loan note instruments with repayment dates between 1 April 2024 and 30 September 2046 ("long-term debt") amount to £2,437.3m (2022: £2,284.3m). The cash flow risk arising in connection with interest charges is mitigated through the use of interest rate and index-linked swaps.

The directors consider that the combination of the swap instruments, stable trading of the ports business, effective working capital management and the investment in the asset base assists in managing the risks arising from the level of debt and variability in interest rates. The Group's bank loans and swap instruments are spread over a large number of banks. As at 31 March 2023, within the current facility agreements, there were undrawn funds of £150.0m available in addition to cash of £177.7m on the Group's balance sheet. In addition, the Group has in place £130.0m of debt service reserve liquidity facilities to cover annual interest costs and a £10.0m overdraft facility. Consideration of this in the context of going concern can be found in note 3.

Credit risk

Financial risk also arises from credit extended to customers. This risk is mitigated by using strict credit control procedures, the imposition of appropriate credit limits and obtaining third party credit references. The Group's ports play an essential role in maintaining the UK's (and Global) supply chains, including the supply of essential supplies to organisations such as the National Health Service. It is, therefore, important that the Group is able to secure payments due from customers in order to ensure it can operate effectively and pay suppliers on a timely basis. The Group engages proactively with customers to mitigate the risks arising and takes appropriate action when necessary. The Group has no material concentration of credit risk.

THE MERSEY DOCKS AND HARBOUR COMPANY LIMITED

STRATEGIC REPORT (CONTINUED)

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

Financial (continued)

Credit risk (continued)

Investment activity is reviewed on a regular basis and cash and cash equivalents are placed with approved counterparties, whose credit ratings are in accordance with internal treasury policies.

The Group monitors the credit rate of derivative counterparties on a regular basis and ensures no positions are entered into with counterparties with credit ratings that are below assigned limits.

Capital risk

The Group keeps its funding structure under review with the objective of maximising shareholder value and the capacity to meet its operational requirements and to facilitate the execution of its strategy. The Group's external loan covenants impose certain restrictions on the Group relating to capital which are regularly monitored by management. The Group's management carefully monitors the headroom against its covenants and a number of potential actions could be taken in the event that these are necessary. These include, among other things, aggressive management of working capital, deferral of uncommitted capex, deferral of recruitment activity and other cost reduction measures. The Group was in compliance with these covenants during 2022 and 2023. As referred to in note 3 to the financial statements, there is significant headroom in the forecast covenants.

Pensions risk

The Company operates a defined benefit pension scheme and is party to the Pilots National Pension Fund, an industry-wide defined benefit pension scheme. Modest changes to the assumptions used to value each schemes' assets and liabilities can have a significant effect on the asset or liability that the Group records. As at 31 March 2023, the Company balance sheet recorded a pension liability of £20.7m (2022: £24.8m). Changes in actuarial assumptions, in particular the discount rate in response to changes in bond yields, together with employer contributions of £6.6m have seen the liability decrease over the year.

The arrangements and the assumptions used are more fully explained in note 19 of the financial statements. It is also explained in note 19 that the assumptions used, and balance sheet positions, as determined by FRS 102 are not representative of the funding position of the defined benefit pension schemes, which are subject to triennial actuarial valuations.

Contribution rates are agreed with the trustees of each of the Company's schemes to enable deficits to be recovered over appropriate periods of time, by reference to the triennial actuarial valuations. The triennial valuation of the Peel Ports Group Final Salary Pension Scheme, as at 5 April 2021, was completed in the year ended 31 March 2022. As a result of the triennial valuation, new recovery plans have been put in place increasing deficit contributions from £0.6m to £3.9m per annum with the objective of the Company's sections of that scheme being fully funded on a technical provisions basis by November 2024. The Company engages constructively with the Trustees of each of the defined benefit pension schemes that it is party to. In the year ended 31 March 2023, the Company paid employer contributions to defined benefit pension schemes of £6.7m (2022: £3.0m).

Going concern

As referred to in note 3 to the financial statements, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and for this reason they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

SECTION 172 STATEMENT

The Company is a wholly owned subsidiary of Peel Ports Group Limited, in whose accounts for the year ended 31 March 2023 the statement is presented.

The directors of the Company are also directors of Peel Ports Group Limited.

The directors of the Company consider that the directors of Peel Ports Group Limited have due regard to the long-term interests of the Company when making decisions and that the engagement with, and consideration of the interests of, the Group's stakeholders, also reflects the position of the Company.

THE MERSEY DOCKS AND HARBOUR COMPANY LIMITED

STRATEGIC REPORT (CONTINUED)

SECTION 172 STATEMENT (CONTINUED)

SECTION 172 STATEMENT FOR THE PEEL PORTS GROUP LIMITED GROUP OF COMPANIES

Section 172 ('S172') of the Companies Act 2006 requires a director of a company to act in the way he or she considers, in good faith, would most likely promote the success of the company for the benefit of its members as a whole. In doing this, with respect to Peel Ports Group Limited, S172 requires a director to have regard, among other matters, to the:

- likely consequences of any decisions in the long term;
- interests of the Group's employees;
- need to foster the Group's business relationships with suppliers, customers and other stakeholders;
- impact of the Group's operations on the community and environment;
- desirability of the Group maintaining a reputation for high standards of business conduct; and
- need to act fairly as between members of the Group.

In discharging its S172 duties, the Board of Directors ("the Board") has had regard to the factors set out above, although at times some factors may have been given greater weighting than others.

Appropriate regard was also given to other factors considered relevant to the decision being made, for example our relationship with regulators, industry bodies and other business relationships. We acknowledge that every decision the Board has made will not necessarily result in a positive outcome for all of our stakeholders and the Board frequently has to make difficult decisions based on competing priorities. However, by giving consideration to key stakeholder groups and aligning our activities with our strategic plan, as well as the Group's culture and values, we aim to balance those different perspectives in the best interests of the Group over the long term.

We identify our key stakeholders as employees, defined benefit pension schemes, customers, suppliers, communities, the environment, government, local authorities and regulators, financial investors and shareholders.

As the Board of Directors includes representatives of the Group's three shareholders, Australian Super, Lemon 2021 Ltd (a joint venture between APG Infrastructure and Global Infrastructure Partners) and Peel Group, they are more directly able to engage on matters relevant to them. In so doing, the Board is also cognisant of the importance of considering the needs of other stakeholders when making decisions.

The Board will sometimes engage directly with stakeholders on certain issues, but the size and distribution of our stakeholders, and of the Group, means that stakeholder engagement often takes place at an operational level. To support directors and assist them in complying with their duties, management provides feedback on their engagement with relevant stakeholders when matters are put forward for Board consideration.

The Executive Management Board is chaired by the Chief Executive Officer and attended by the Chief Financial Officer, both of whom are also directors of the Company and attend meetings of the Board. The Executive Management Board also comprises senior group management, including the Group Director overseeing Health and Safety and Environmental Matters, as well as the senior management responsible for each of the Ports and Shipping segments. Within the Ports segment, each port cluster group has its own management teams with delegated levels of authority. Engagement with stakeholders may take place at a port cluster level, business segment level or at senior group management level, depending on the nature of the stakeholder relationship and delegated levels of responsibility. This approach is intended to ensure alignment of engagement and decision-making with the long-term strategic objectives of the Group and greater responsiveness to the needs of stakeholders. Through the participation of the Chief Executive Officer and Chief Financial Officer at Shareholder Board and Executive Management Board level, together with reports and attendance at meetings by other members of senior management, the Board is able to exercise oversight and challenge as appropriate.

The Board considers information from across the organisation to help it understand the impact of the Group's operations, and the interests and views of our key stakeholders. It also reviews strategy, financial and operational performance, as well as information covering areas such as key risks, and legal and regulatory compliance.

The Board are aware that they set the tone for the overall control environment across the whole Group and, therefore, they review and, where appropriate, approve key policies such as anti-bribery and corruption, the policy on modern slavery, the Group's code of conduct and the supplier code of conduct. These policies are designed to ensure that the Group maintains the highest standards of conduct in its business dealings with stakeholders and internally within the Group. The Group's policies are disseminated to all employees when they join the Group and to existing employees through regular communication and training where appropriate. They are also available on the Group's intranet and, where appropriate, on the Group's external website.

THE MERSEY DOCKS AND HARBOUR COMPANY LIMITED

STRATEGIC REPORT (CONTINUED)

SECTION 172 STATEMENT (CONTINUED)

SECTION 172 STATEMENT FOR THE PEEL PORTS GROUP LIMITED GROUP OF COMPANIES (CONTINUED)

Principal decisions taken by the Board

We consider the principal decisions to be those decisions taken by the Board directly, which should not be delegated to either the management or a committee of the Board, and which may have a potentially material impact on the Group's strategy, a stakeholder group or the long-term value creation of the Group. We have grouped the Board's principal decisions into the following categories:

- Financial results (the full and half year results);
- Capital allocation (the approval of the annual budget, the recommendation of the full-year dividend and declaration of an interim dividend);
- Material funding and treasury matters;
- Tax strategy;
- M&A activity;
- Review of matters reserved for the Board;
- Board member changes;
- Material supplier contracts;
- Strategy review (the review of the Group's rolling three year business plan); and
- Group statements (the approval of the Group's modern slavery statement and gender pay report).

Principal decisions taken by the Board during the year ended 31 March 2023, and how they have had regard to the interests of stakeholders, include:

Approval of the three year business plan

The Board has approved the updated existing three year business plan, covering the period from 1 April 2022 to 31 March 2025. In addition to setting challenging growth targets, the business plan also incorporates initiatives designed to support other business priorities, including the objective of becoming a Net Zero company by 2040.

Approval of the annual pay award

The Board annually approves the annual pay award for the Group's employees. Like many companies in the current period of high inflation, the Board has to balance a number of competing considerations in reaching its conclusion. Following the 2022 pay award communications, the Group experienced a period of industrial action at the container terminals at the Port of Liverpool by members of Unite the Union. The action from September to November 2022, which disrupted container operations, was concluded following a period of constructive negotiation and an increased pay award. Following the conclusion of the industrial action, the Group and Unite the Union committed to work in partnership to support key customers and restore confidence in operations at the Liverpool container terminals. The Board recognises that the high inflationary environment is challenging for many people and businesses. Growing the business allows the Group to both retain existing and recruit new employees and to create greater opportunities for pay increases, with the Group's commitment to annual pay increases over the last decade being reflective of the strong growth that the Group has delivered.

Investment in port infrastructure to support customers

As an infrastructure business, the Group considers very carefully the likely consequences of any major decision it makes in the long-term, with the overall objective of generating and preserving value. The Board reviews and, where appropriate, approves capital projects that exceed a certain monetary threshold in a comprehensive manner, considering the rationale for investment in the context of the long-term cash flows anticipated to be generated by the project, the likely impact upon the Group's relationships with its customers and employees, and the risk profiles of the relevant market, customers and suppliers. The impact that the investment would have on the Group's existing infrastructure assets is also a key consideration.

THE MERSEY DOCKS AND HARBOUR COMPANY LIMITED

STRATEGIC REPORT (CONTINUED)

SECTION 172 STATEMENT (CONTINUED)

SECTION 172 STATEMENT FOR THE PEEL PORTS GROUP LIMITED GROUP OF COMPANIES (CONTINUED)

Principal decisions taken by the Board (continued)

Investment in port infrastructure to support customers (continued)

The Group invested a total of £135.2m (2022: £122.8m) in net capital expenditure in the year ended 31 March 2023.

During the year ended 31 March 2023, the Board approved a number of proposals to invest in port assets that directly and indirectly support customers who use those ports. This included investment in new straddle carriers at the Port of Liverpool, the enhancement of core infrastructure assets across the Group's ports and the redevelopment of Inchgreen, part of Clydeport in Scotland, in collaboration with Inverclyde Council.

When considering such proposals, the Board receives detailed papers that includes the proposal's business case and key financial information, a statement as to the effect that the proposal will have on energy usage, customer expectations and business risks and opportunities. Where a proposal involves significant capital expenditure to support a particular customer, the Board will consider whether it is supported by a long-term commitment from the customer that is aligned with the Group's long-term revenue and growth objectives.

Stakeholders

Details of the Group's key stakeholders and how we engage with them, and have regard to, are set out below.

Employees

Our employees are key to our success and we want them to be safe, well trained and successful, individually and as a team. We engage with our employees in a number of ways, including face-to-face briefings, newsletters, an intranet, social media and through engagement with unions. If an employee is not comfortable raising an issue with the Group directly, they can engage indirectly (and anonymously) via an Ethics Hotline, details of which are set out in the Group's Code of Conduct. The Group undertakes periodic environment, health and safety "climate surveys" amongst its employees. This feedback from our employees allows the Group to continuously improve and develop, particularly in relation to its health and safety processes and practices. In March 2022, the Unite National Officer joined the Group's Environment, Health and Safety Governance Committee in order to further enhance engagement with employees on health and safety priorities.

Key areas of focus include health and well-being, development opportunities, job security, pay and benefits.

Examples of ways in which the Group has responded to the expectations of employees include having continuous improvement of health and safety practices at the core of everything we do, publication of gender pay reports and development opportunities such as apprenticeship programmes. In February 2023, aligned with celebrating the National Apprenticeship Week, the Group announced that it had become a member of The 5% Club. This is a committed group of employer members that exists to increase the number, quality and range of earn & learn opportunities across the UK.

Although the majority of those who provide labour services to the Group are employees, there are many individuals who are engaged through third party labour providers. Such workers are often under our supervision and will be party to many of the same stakeholder engagement considerations as direct employees, including through their inclusion in Health and Safety statistics.

Defined benefit pension schemes

The Group is party to a number of defined benefit pension schemes, including industry-wide schemes such as the Pilots National Pension Fund. We take seriously our commitments to these pension schemes, which serve to provide benefits for current and former employees of the Group. We engage with these pension schemes on a regular basis through trustee meetings and involvement in industry-wide groups such as the Association of Participating Bodies of the Pilots National Pension Fund. Key areas of focus include the funding of the pension schemes and the covenant strength of the companies that provide this funding.

The Group continues to fulfil its funding commitments and, through focusing on the growth and financial strength of the business, continues to maintain and build its covenant strength.

THE MERSEY DOCKS AND HARBOUR COMPANY LIMITED

STRATEGIC REPORT (CONTINUED)

SECTION 172 STATEMENT (CONTINUED)

SECTION 172 STATEMENT FOR THE PEEL PORTS GROUP LIMITED GROUP OF COMPANIES (CONTINUED)

Stakeholders (continued)

Customers

We aim to deliver a high level of service to our customers. We build strong lasting relationships and spend time with them to understand their needs and listen to how we can improve our offer and service to them. We use this knowledge to inform our decision-making, for example to tailor our proposition to suit customer demands.

The Group has responded to the expectations and requirements of its customers through investment in major capital expenditure projects, such as the Liverpool2 container terminal and in respect of preparing the Group's ports for the UK's departure from the European Union.

Suppliers

The Group's procurement function is engaged with building strong relationships with our suppliers to develop mutually beneficial and lasting partnerships. Engagement with suppliers is primarily through a series of interactions and formal reviews. Key areas of focus include building long-term partnerships, fair terms and conditions and health and safety. The Board recognises that relationships with key suppliers are important to the Group's long-term success.

Twice yearly in-scope group companies report on payment practices and terms, with payments within agreed terms an important objective for the group. The Group also works with suppliers on ensuring compliance with the Modern Slavery Act, the Group's statement on which can be found on its website.

The Group has a Supplier Code of Conduct that suppliers are asked to sign up to. This covers areas such as compliance with laws and regulations, health and safety and working conditions, environmental matters, child labour, forced labour, freedom of association, discrimination, wages and benefits, working hours, bribery, confidentiality, data protection, conflicts of interest and local communities.

Communities

We engage with the communities in which we operate to build trust and understand the local issues that are important to them. Key areas of focus include how we can support and resolve any concerns that local communities may have with regard to the operation of our ports, create opportunities to recruit local people and help to look after the environment.

Our ports employ a significant number of people from the communities in which they are based. We engage constructively with local community groups and individuals where they may have concerns regarding our operations, so we can be a good neighbour to those who live near our ports. By their nature, ports are busy places with the transit of goods and services in and out. As a responsible operator, it is important that we manage these interactions in a way that minimises the external impacts to our local communities. This is a continual process as we refine and review our working practices and look to keep improving. Unfortunately, in some instances, our activities give rise to concerns and complaints from our local communities. We will always investigate these complaints and look for opportunities to reduce these external impacts. Often a complaint is found to be caused by something that has changed and, in some instances, that change is short-term, such as changes in the dominant wind direction or a particular visitor to a site. In other instances, we may be able to change or adapt our operations to reduce an impact, whilst keeping operations ongoing. For our larger ports, we have engaged in the port Master Planning process and produced port plans. These plans are consulted on with the local stakeholders and help to coordinate medium-term planning. These documents clearly set out our strategic plans for our sites and help to inform port users, employees and local communities as to how they can expect to see the port develop over the following years.

We also support local charities and community projects.

THE MERSEY DOCKS AND HARBOUR COMPANY LIMITED

STRATEGIC REPORT (CONTINUED)

SECTION 172 STATEMENT (CONTINUED)

SECTION 172 STATEMENT FOR THE PEEL PORTS GROUP LIMITED GROUP OF COMPANIES (CONTINUED)

Stakeholders (continued)

Environment

The environment has been considered to be strongly related to communities and they are often considered together, although we are ever more conscious that the environment also impacts our customers and suppliers and is of increasing importance to our employees as well. The Group is committed to developing its business to meet the needs of its customers in a sustainable way, with initiatives such as reducing our carbon footprint through better energy management and recycling schemes. The annual Group Environment Plan sets out a number of initiatives to manage the effect that the business has on the environment, including the development of port air quality strategies, sustainable procurement policies and resource management policies as well as initiatives around waste management, storage of fuels and chemicals, drainage, conservation of nature, wildlife and habitats, and the beneficial use of dredge material. In addition, the Group is committed to becoming a Net Zero company by 2040.

One of our biggest opportunities to reduce our environmental impact is to look at our procurement and capital investment programmes. What we buy has a direct relationship on what we consume and ultimately generate as waste. By influencing our purchasing decisions, we can potentially change our buying habits and reduce our environmental impact. Looking at the whole-life costs of a purchase we can look past the upfront purchase price and consider both the running and disposal costs of the purchase. We may also look to favour or rule out certain purchases due to their environmental credentials. This will apply to all purchases and contracts we engage in (including leasing).

Our capital investment programme is where we are investing for the long-term in our sites. The decisions we make during the capital investment process impacts our operations for years to come. It is therefore important that we take the opportunity to design in efficiencies (best available technologies, controls etc.) from the start of a project. By reviewing and adapting our current processes we can ensure that we look at and have the opportunity to design in both sustainable development principles and consideration of the environmental impacts of our operations.

The Group also engages with key environmental stakeholders such as the Environmental Agency, the Department for Environment, Food and Rural Affairs and the Marine Management Organisation. Engaging with these stakeholders is important to ensure that planning and licenses are granted and that we are able to meet legislative requirements.

Government, local authorities and regulators

We engage with the government, local authorities and regulators through a range of industry consultations and meetings to communicate our views to policy makers relevant to our business. When planning development projects, we work closely with local authorities to ensure that an appropriate solution is delivered for our customers within planning requirements. Key areas of focus are compliance with laws and regulations and health and safety. The Board is updated on legal and regulatory developments and takes these into account when considering future actions.

Financial investors

Through the group's wholly-owned subsidiary companies, Peel Ports PP Finance Limited and Peel Ports Limited, the Group raises debt and undertakes related hedging with a wide range of counterparties. This includes private placement borrowing, which is undertaken by Peel Ports PP Finance Limited, and bank borrowing, which is undertaken by Peel Ports Limited.

We rely on the support of our financial investors and we aim to maintain a timely, open and constructive dialogue with them. In addition to twice yearly presentations on the financial performance of the Group and key developments, we engage with our financial investors on an ad hoc basis through a Financial Investor relationship programme. Key areas of focus are the use to which we put financial investment, financing and refinancing opportunities, the Group's ability to pay interest payments/debt repayments when they fall due and covenant compliance.

THE MERSEY DOCKS AND HARBOUR COMPANY LIMITED

STRATEGIC REPORT (CONTINUED)

SECTION 172 STATEMENT (CONTINUED)

SECTION 172 STATEMENT FOR THE PEEL PORTS GROUP LIMITED GROUP OF COMPANIES (CONTINUED)

Stakeholders (continued)

Shareholders

As owners of our Group we rely on the support of shareholders and their opinions are important to us. Our shareholders appoint representatives to sit on the Board. Where matters to be discussed are in respect of shareholder reserved matters, those relating to the conduct of the shareholders' agreement, these are discussed at meetings of the Board of Directors of the Group's immediate parent undertaking, Peel Ports Holdings (CI) Limited, in respect of which the shareholders are each represented among the directors and in which company each invests directly. The Group Chief Executive Officer and Group Chief Financial Officer, both of whom are directors of Peel Ports Group Limited, attend meetings of the Peel Ports Holdings (CI) Limited Board, but they are not directors of that company. Discussions with shareholders cover a wide range of topics including environment, health and safety ('EHS'), financial performance, strategy, outlook and governance.

On behalf of the Board



C Veritiero

Director

21 July 2023

THE MERSEY DOCKS AND HARBOUR COMPANY LIMITED

DIRECTORS' REPORT

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

DIRECTORS

The directors of the Company who served during the year and thereafter are listed on page 3. On 1 April 2022, C Veritiero was appointed as a director and I G L Charnock resigned as a director. I McLaren was appointed as a director on 30 May 2022 and resigned on 19 June 2023. M Whitworth resigned as a director on 30 September 2022. L McIntyre was appointed as a director on 1 July 2023.

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

RECOMMENDED DIVIDEND

No final dividend is proposed (2022: £nil).

DISABLED PERSONS

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

EMPLOYEE ENGAGEMENT

A statement in respect of employee engagement is included with the Section 172 statement in the Strategic Report.

STATEMENT ON BUSINESS RELATIONSHIPS

A statement in respect of business relationships is included with the Section 172 statement in the Strategic Report.

STREAMLINED ENERGY AND CARBON REPORTING ('SECR')

The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2018 require the disclosure of annual UK energy consumption and greenhouse gas emissions from SECR regulated sources. The Company is exempt from reporting these disclosures as it is included within the information disclosed in the consolidated financial statements of Peel Ports Group Limited.

AUDITOR AND THE DISCLOSURE OF INFORMATION TO THE AUDITOR

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

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

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

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

THE MERSEY DOCKS AND HARBOUR COMPANY LIMITED

DIRECTORS' REPORT (CONTINUED)

On behalf of the Board

A handwritten signature in black ink, appearing to read 'C Veritiero'.

C Veritiero
Director
21 July 2023

THE MERSEY DOCKS AND HARBOUR COMPANY LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable law and regulations.

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

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

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

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

THE MERSEY DOCKS AND HARBOUR COMPANY LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE MERSEY DOCKS AND HARBOUR COMPANY LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of The Mersey Docks and Harbour Company Limited ("the Company") for the year ended 31 March 2023 which comprise the Profit and Loss Account, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

Independence

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. 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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

THE MERSEY DOCKS AND HARBOUR COMPANY LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE MERSEY DOCKS AND HARBOUR COMPANY LIMITED (CONTINUED)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Other Companies Act 2006 reporting

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

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

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

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

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

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Based on our understanding and accumulated knowledge of the Company and the sector in which it operates we considered the risk of acts by the Company which were contrary to applicable laws and regulations, including fraud and whether such actions or non-compliance might have a material effect on the financial statements. There included but were not limited to those that relate to the form and content of the financial statements, such as the Company accounting policies, United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice) and the UK Companies Act 2006; the taxation legislation; those that relate to the payment of employees; and industry related such as compliance with health and safety legislation. All team members were briefed to ensure they were aware of any relevant regulations in relation to their work.

THE MERSEY DOCKS AND HARBOUR COMPANY LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE MERSEY DOCKS AND HARBOUR COMPANY LIMITED (CONTINUED)

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting inappropriate journal entries and management bias in accounting estimates, accounting treatment for revenue recorded as miscellaneous income and as well as inappropriate revenue cut-off. Our audit procedures included, but were not limited to:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are those that relate to Ports and Docks, the financial reporting framework FRS 102 and the relevant tax compliance regulations in the jurisdictions in which the Company operates;
- We understood how the Company is complying with the relevant frameworks by making enquiries of management and those responsible for legal and compliance procedures. We corroborated these enquiries through review of Board minutes, as well as observation in Audit Committee meetings at a wider Peel Ports Group level;
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by assessing the risk of fraud absent of controls, and then identifying controls which are in place at the entity level and whether the design of those controls is sufficient for the prevention and detection of fraud, utilising internal and external information to perform our fraud risk assessment;
- We agreed financial statement disclosures to underlying supporting documentation;
- We challenged assumptions and judgements made by management in their significant accounting estimates, in particular in relation to the valuation of defined benefit pension schemes and revenue recognition;
- We performed testing of journal entries, in particular any journal entries posted with unusual account combinations, unusual manual journals to revenue, unusual manual journals to cash or including specific keywords;
- We tested a sample of one-off revenue transactions to ensure revenue has been recognised appropriately on these contracts;
- We tested a sample of revenue around the year end to ensure revenue has been recognised in the correct period;
- We held discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud; and
- We reviewed minutes of Board meetings throughout the period.

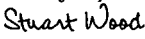
Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at:

<https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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

DocuSigned by:

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Stuart Wood (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor
Manchester, UK

21 July 2023

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

THE MERSEY DOCKS AND HARBOUR COMPANY LIMITED

PROFIT AND LOSS ACCOUNT

For the year ended 31 March 2023

	Note	2023 £m	2022 £m
TURNOVER	5	214.6	209.6
Exceptional cost of sales	7	-	(1.2)
Other cost of sales		(109.5)	(100.4)
Cost of sales		(109.5)	(101.6)
GROSS PROFIT		105.1	108.0
Exceptional items	7	-	(5.7)
Other administrative expenses		(12.0)	(12.1)
Administrative expenses		(12.0)	(17.8)
Other operating income	8	13.2	-
OPERATING PROFIT	8	106.3	90.2
Net interest expense	9	(40.1)	(31.3)
PROFIT BEFORE TAXATION		66.2	58.9
Taxation	10	0.9	7.7
PROFIT FOR THE FINANCIAL YEAR		67.1	66.6

The above results are derived from continuing operations.

THE MERSEY DOCKS AND HARBOUR COMPANY LIMITED

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2023

	Note	2023 £m	2022 £m
Profit for the financial year		67.1	66.6
<i>Other comprehensive (expense)/income:</i>			
Remeasurement of net defined benefit liability	18	(1.5)	19.8
Total tax on components of other comprehensive income	10(d)	0.4	(5.0)
Deferred tax – change in rate	10(d)	-	4.1
Other comprehensive (expense)/income for the year, net of tax		(1.1)	18.9
Total comprehensive income for the year		<u>66.0</u>	<u>85.6</u>

THE MERSEY DOCKS AND HARBOUR COMPANY LIMITED

BALANCE SHEET **As at 31 March 2023**

	Note	2023 £m	2022 £m
FIXED ASSETS			
Investments	11	-	-
Tangible assets	12	669.6	652.4
		<u>669.6</u>	<u>652.4</u>
CURRENT ASSETS			
Stocks	13	2.2	2.0
Debtors - due in less than one year	14	1,235.6	835.8
- due after more than one year	14	77.2	77.2
Cash at bank and in hand		10.9	15.5
		<u>1,325.9</u>	<u>930.5</u>
CREDITORS: amounts falling due within one year	15	(489.3)	(235.1)
NET CURRENT ASSETS		<u>836.6</u>	<u>695.4</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		1,506.2	1,347.8
CREDITORS: amounts falling due after more than one year	16	(1,267.8)	(1,091.3)
POST-EMPLOYMENT PENSION LIABILITY	18	(20.7)	(24.8)
NET ASSETS		<u>217.7</u>	<u>231.7</u>
CAPITAL AND RESERVES			
Called-up share capital	19	7.9	7.9
Share premium account	19	18.1	18.1
Capital redemption reserve	19	1.3	1.3
Profit and loss account		190.4	204.4
TOTAL SHAREHOLDER'S FUNDS		<u>217.7</u>	<u>231.7</u>

The financial statements of The Mersey Docks and Harbour Company Limited (company registration number 7438262), were approved and authorised for issue by the Board of Directors on 21 July 2023 and were signed on its behalf by:



C Veritiero
Director

THE MERSEY DOCKS AND HARBOUR COMPANY LIMITED

STATEMENT OF CHANGES IN EQUITY For the year ended 31 March 2023

	Called-up share capital £m	Share premium account £m	Capital redemption reserve £m	Profit and loss account £m	Total £m
As at 31 March 2021	<u>7.9</u>	<u>18.1</u>	<u>1.3</u>	<u>198.9</u>	<u>226.2</u>
Profit for the financial year	-	-	-	66.6	66.6
Other comprehensive income	-	-	-	18.9	18.9
Total comprehensive income	<u>-</u>	<u>-</u>	<u>-</u>	<u>85.5</u>	<u>85.5</u>
Dividends (note 19)	-	-	-	(80.0)	(80.0)
Total transactions with owners, recognised directly in equity	-	-	-	(80.0)	(80.0)
As at 31 March 2022	<u>7.9</u>	<u>18.1</u>	<u>1.3</u>	<u>204.4</u>	<u>231.7</u>
Profit for the financial year	-	-	-	67.1	67.1
Other comprehensive income	-	-	-	(1.1)	(1.1)
Total comprehensive income	<u>-</u>	<u>-</u>	<u>-</u>	<u>66.0</u>	<u>66.0</u>
Dividends (note 19)	-	-	-	(80.0)	(80.0)
Total transactions with owners, recognised directly in equity	-	-	-	(80.0)	(80.0)
As at 31 March 2023	<u><u>7.9</u></u>	<u><u>18.1</u></u>	<u><u>1.3</u></u>	<u><u>190.4</u></u>	<u><u>217.7</u></u>

THE MERSEY DOCKS AND HARBOUR COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

1. GENERAL INFORMATION

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

2. STATEMENT OF COMPLIANCE

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of preparation

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

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

Going concern

The directors have obtained confirmation from the directors of Peel Ports Group Limited that the Group will provide such financial support as is necessary to ensure that the Company will be able to meet its third-party liabilities as they fall due during the twelve months following the date of the signing of the 2023 financial statements. In considering the appropriateness of the going concern basis of preparation, the directors have considered consolidated forecasts for Peel Ports Group Limited, which include the Company, for the next twelve months from the date of signing the 2023 financial statements. These include detailed cash flow forecasts and working capital availability. These forecasts show that sufficient resources remain available to the business for the next twelve months after taking account of reasonably possible changes in trading performance. The Company is party to the cross-guarantee of the debt facility of Peel Ports Group Limited group ("the Group").

In considering the assumptions and conclusions of Group's management in making their assessment of going concern on a Group basis, the directors are cognisant of the following going concern disclosure, which appears in the financial statements of Peel Ports Group Limited for the year ended 31 March 2023:

- the directors prepare and update detailed annual budgets and two year projections that support the going concern assessment. For the period extending at least 12 months from the date of signing of these accounts, the Group has modelled different scenarios in the absence of further mitigating actions that show that the Group has sufficient headroom to withstand significant downward pressure on results from reduced volumes or customer opportunities not being converted, both in terms of available liquidity and the Group's covenant ratios. If the actual results are significantly worse than forecast, the group has the option of pursuing further mitigating measures that are under its own control to cut costs and preserve cash. These include reductions in variable staff and other variable costs to match reduced activity, a decreased level of capital expenditure or the deferment/cancellation of shareholder distributions;
- at the balance sheet date, the Group has net liabilities of £1,610.4m (2022: £1,868.2m) which are principally attributed to two factors. Firstly, the reorganisation of the Group in 2006 which was accounted for under merger accounting principles and resulted in the creation of a merger relief reserve of £506.1m. Secondly, the fair value of the Group's derivative financial instruments, primarily interest rate and index-linked cross currency swaps, which have a net liability of £675.1m (2022: £931.3m);

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Going concern (continued)

- as at 31 March 2023, the Group had borrowings of £2,314.2m (2022: £2,161.3m), which are subject to covenant restrictions. No breaches have occurred in the historical period or are forecast to occur. After taking account of potential changes in trading performance, the Group's forecasts and projections indicate that it is expected to continue to comply with covenant requirements for a period of at least 12 months from the date of approval of the financial statements;
- during the year ended 31 March 2023, the Group drew down £350m of private placement debt with maturities ranging from 7 to 12 years, the raising of which had been completed in March 2022; this was used in part to repay US private placement notes that had been fixed at Sterling value of £220m by derivative financial instruments and that matured in December 2022. In addition, the Group raised an additional £77m through the extension of an existing loan;
- as at 31 March 2023, there is £101.2m of bank loans that are due for repayment in the year ending 31 March 2024 and a further £1.8m due for repayment in the six months ending 30 September 2024; all other loans and loan note instruments have repayment dates between 1 October 2024 and 30 September 2046. Subsequent to the year-end, an existing £2.5m facility was extended for a further five years and increased to £25.0m;
- in the year ended 31 March 2023, turnover from continuing operations increased by £78.5m to £696.3m and group operating profit before exceptional costs increased by £21.9m to £228.1m. This reflected a strong focus on cost management and the continuing benefit of having a diversified service offering and robust customer base;
- cash inflows generated in the year, together with utilisation of existing capital expenditure facilities, enabled the Group to finance net tangible fixed asset additions of £135.2m (2022: £122.8m) (cash outflow)²;
- as at the balance sheet date, the Group held £177.7m (2022: £108.1m) of cash balances and had undrawn loan facilities of £150.0m available and an overdraft facility of £10.0m; a further £130.0m of liquidity facility is available for the payment of interest;
- there is confidence that the Group has the resources and flexibility to respond timely to events as they occur; the Group's robust business model is underpinned by long-term customers with a high percentage of secure, and typically RPI-linked, revenue;
- management have concluded that the Group should generate sufficient EBITDA and cash to continue as a going concern and avoid breaching its loan covenants. Liquidity risk is principally managed by maintaining cash and borrowing facilities at a level that is forecast to provide reasonable headroom in excess of the expected future needs of the Group.

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

Exemptions for qualifying entities under FRS 102

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

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

² Net capital expenditure of £135.2m (2022: £122.8m) is the sum of payments to acquire tangible fixed assets of £136.0m (2022: £127.2m) less receipts from the sale of tangible fixed assets of £0.8m (2022: £4.4m).

THE MERSEY DOCKS AND HARBOUR COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

THE MERSEY DOCKS AND HARBOUR COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Consolidation

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

Foreign currencies

(i) *Functional and presentation currency*

The financial statements are presented in pound sterling and rounded to millions.

The Company's functional and presentation currency is the pound sterling.

(ii) *Transactions and balances*

Foreign currency transactions are translated into functional currency using the spot exchange rates at the dates of transactions.

At each period-end foreign currency monetary items are translated using the closing rate. Non-monetary items are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation of period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

Revenue recognition

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

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

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

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

When a third-party is involved in providing goods or services to the Company's customers, consideration is given to whether the Company is a principal or an agent in these transactions by evaluating the nature of the commitment to the customer. The Company is a principal if it controls the promised goods or services before transferring them to the Company. If the Company's role is to arrange for a third-party to provide the goods or services, then the Company is acting as an agent and will record revenue at the net amount it retains for its agency services.

Finance income

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

THE MERSEY DOCKS AND HARBOUR COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employee benefits

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

(i) Short-term benefits

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

(ii) Defined contribution pension plans

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

(iii) Defined benefit pension plans

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

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

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

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

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

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

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

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

Exceptional items

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

Finance costs

Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the profit and loss account using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise. Accrued finance costs attributable to borrowings where the maturity at the date of issue is less than 12 months are included in accrued charges within current liabilities. For all other borrowings, accrued finance charges and issue costs are added to the carrying value of those borrowings.

THE MERSEY DOCKS AND HARBOUR COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Finance costs (continued)

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

Taxation

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

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

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

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

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

Investments

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

Tangible fixed assets

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

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

- operational buildings at rates varying between 1% and 4% per annum;
- plant and machinery at rates varying between 10% and 25% per annum;
- freehold and leasehold land is not depreciated; and
- no depreciation is charged on capital work-in-progress until the assets are available for use. On completion, such assets are transferred to the appropriate category of tangible fixed assets.

THE MERSEY DOCKS AND HARBOUR COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tangible fixed assets (continued)

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

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

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

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

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

Leased assets

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

Stocks

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

Financial instruments

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

(i) Financial assets

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2023

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

(ii) Financial liabilities

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

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

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

Government grants

Grants are recognised at their fair value where there is reasonable assurance that the grant will be received and the Group will comply with all conditions pertaining to the grant.

Grants are recognised in the profit and loss account on a systematic basis that matches the timing of the related expenditure that they are intending to compensate in line with the performance conditions of the grant funding. Where the performance conditions have not been satisfied, grants are credited to a deferred income account until they are.

Share capital

Ordinary shares are classified as equity.

Distributions to equity holders

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

Related party transactions

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

The war in Ukraine continues to cause disruption to global economies and this has created significant uncertainty for many companies. Consideration has been given as to how this might impact the critical accounting judgements and estimates, with the most likely significant affect being in respect of the valuation of defined benefit pension scheme assets and liabilities. Volatility in investment markets as a result of economic uncertainty can affect both the valuation of pension scheme assets and the assessment of liabilities.

THE MERSEY DOCKS AND HARBOUR COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

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

Critical judgements in applying the Company's accounting policies

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

Useful economic lives of tangible assets (notes 3 and 12)

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, economic utilisation and the physical condition of the assets. See note 12 for the carrying amount of tangible fixed assets and note 3 for the useful economic lives for each class of asset. The depreciation charge for the year ended 31 March 2023 was £43.8m (2022: £38.9m).

Discount rates and other assumptions used to determine the carrying amount of the Company's defined benefit pension obligation (note 18)

The Company's defined benefit pension obligation is discounted at a rate set by reference to market yields at the end of the reporting period on high quality corporate bonds. Significant judgement is required when setting the criteria for bonds to be included in the population from which the yield curve is derived. The most significant criteria considered for the selection of bonds include the issue size of the corporate bonds, quality of the bonds and the identification of outliers which are excluded. As an indication of the sensitivity of the resulting liability to changes in the discount rate, it is estimated that a 0.5% decrease in the rate applied would increase the liability approximately 7%.

In addition, the Company has to make assumptions regarding a number of other factors including life expectancy, salary increases and inflation rates. The Company takes actuarial advice when determining the appropriate assumptions to use. Further information on the Company's defined benefit pension arrangements can be found in note 18.

5. TURNOVER

Turnover arises in the UK from the following sources:

	2023 £m	2022 £m
Port operations	214.6	209.6

The Company operates a "value added model" business based on port-centric solutions that reflects the integral part the port plays in customer supply chains, with the objective of adding value at each touchpoint. As Statutory Harbour Authority (SHA) and Competent Harbour Authority (CHA), the Company derives revenue from the levying of dues for the use of harbours and the provision of services such as pilotage, mooring and towage. Short and long-term rentals in combination with other services, including additionally cargo handling, allow customers to benefit from the proximity of the port to major cities, industrial areas and motorway networks. Logistics services, including those provided by other group companies such as chartering, agency and transport, extend the value chain offered by the Company. The Company does not distinguish between each of these elements of port turnover, which in combination support the objective of attracting and maintaining commodity volume throughput.

6. EMPLOYEES AND DIRECTORS

Employees

The average monthly number of persons employed by the Company during the year was 444 (2022: 349). As explained further below, the employee numbers and staff costs presented are in respect of those persons employed by the Company whose staff costs are not recharged to The Mersey Docks and Harbour Company (RSCT).

THE MERSEY DOCKS AND HARBOUR COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2023

6. EMPLOYEES AND DIRECTORS (CONTINUED)

The staff costs for the above persons were:

	2023 £m	2022 £m
Wages and salaries	17.0	15.6
Social security costs	2.0	1.6
Defined benefit pension fund cost (note 18)	0.5	0.5
Other pension costs – defined contribution pension schemes (note 18)	1.1	0.9
Total staff costs	20.6	18.6
Amounts capitalised	(3.6)	(3.2)
	<u>17.0</u>	<u>15.4</u>

Directors

No director received any emoluments for their services to the Company (2022: £nil). Directors who are remunerated by other undertakings in the Peel Ports Group Limited group of companies are not disclosed in these financial statements. Those directors have to account in turn to those undertakings. Additionally, the emoluments of directors who are remunerated for services to the Group as a whole are not disclosed in these financial statements. It is not practicable to allocate their remuneration between their services to the Company, to the other companies in the group or to their Group role.

7. EXCEPTIONAL ITEMS

	2023 £m	2022 £m
COVID-19 related costs	-	0.3
Restructuring costs	-	0.8
Other exceptional costs	-	5.8
	<u>-</u>	<u>6.9</u>
Cost of sales	-	1.2
Administrative expenses	-	5.7
	<u>-</u>	<u>6.9</u>

No exceptional items have been reported in the year ended 31 March 2023. Exceptional costs of £6.9m were reported in respect of the year ended 31 March 2022. These included £0.3m of additional operating costs that were necessary in order for the port to continue operating safely throughout the COVID-19 pandemic, £0.8m relating to streamlining and reorganisation of activities and £5.8m of other exceptional costs, which included settlement of a legal claim and storm damage.

THE MERSEY DOCKS AND HARBOUR COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

8. OPERATING PROFIT

	2023 £m	2022 £m
Operating profit is stated after charging/(crediting):		
Depreciation – owned assets	43.8	38.9
Operating lease charges	10.9	9.7
Grant amortisation	(13.2)	-
	<u>43.8</u>	<u>38.9</u>

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

The analysis of auditor's remuneration is as follows:	2023 £m	2022 £m
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	0.1	0.1
	<u>0.1</u>	<u>0.1</u>

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

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

	2023 £m	2022 £m
Income includes:		
Pilotage	19.6	20.3
	<u>19.6</u>	<u>20.3</u>
Expenditure includes:		
Pilotage*	19.6	17.5
	<u>19.6</u>	<u>17.5</u>

*Excludes defined benefit pension payments to the Pilots National Pension Fund of £2.7m (2022: £2.4m).

9. NET INTEREST EXPENSE

	2023 £m	2022 £m
a) Interest payable and similar charges:		
Loans from group undertakings	(42.6)	(31.8)
Amortisation of finance costs	(1.0)	(1.0)
	<u>(43.6)</u>	<u>(32.8)</u>
b) Other finance costs:		
Net interest expense on post-employment benefits (note 18)	(0.6)	(0.9)
	<u>(0.6)</u>	<u>(0.9)</u>
c) Interest receivable and similar income:		
Loans from group undertakings	3.8	2.1
Loans from related undertakings	0.3	0.3
	<u>4.1</u>	<u>2.4</u>
Net interest expense:		
Total interest payable and similar charges (note 9(a))	(43.6)	(32.8)
Other finance costs (note 9(b))	(0.6)	(0.9)
Interest receivable and similar income (note 9(c))	4.1	2.4
	<u>(40.1)</u>	<u>(31.3)</u>

THE MERSEY DOCKS AND HARBOUR COMPANY LIMITED

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For the year ended 31 March 2023

10. TAXATION

a) Analysis of tax credit in the year

	2023 £m	2022 £m
Current tax		
UK Corporation tax – current year	-	-
UK Corporation tax – adjustment in respect of prior years	-	-
Total current tax	-	-
Deferred tax		
Origination and reversal of timing differences	(1.5)	-
Adjustment in respect of prior years	0.6	(11.2)
Change in tax rate	-	3.5
Total deferred tax	(0.9)	(7.7)
Total tax credit	(0.9)	(7.7)

b) Reconciliation of total taxation

Total taxation is lower (2022: lower) than that arising from applying the standard rate of UK corporation tax of 19% (2022: 19%). The differences are explained below:

	2023 £m	2022 £m
Profit before taxation	66.2	58.9
Profit before taxation multiplied by the standard rate of UK corporation tax of 19% (2022: 19%)	12.6	11.2
Effects of:		
(Income not taxable) / expenses not deductible for tax purposes	(3.4)	0.6
Group relief claimed without payment	(10.3)	(11.8)
Change in tax rate	(0.4)	3.5
Adjustment in respect of prior years	0.6	(11.2)
Total tax credit	(0.9)	(7.7)

c) Factors affecting future tax charges

In the Spring Budget 2021, the UK Government announced that from 1 April 2023, the corporation tax rate would increase to 25%. This new law was substantively enacted on 24 May 2021. As a result, deferred tax balances are stated at 25% for the years ended 31 March 2022 and 31 March 2023.

THE MERSEY DOCKS AND HARBOUR COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

10. TAXATION (CONTINUED)

d) Deferred tax

The net deferred tax asset/(liability) as at 31 March is as follows:

	2023 £m	2022 £m
Accelerated capital allowances	7.5	5.5
Short-term timing differences	(2.8)	(3.0)
Post-employment benefits	5.2	6.2
	<u>9.9</u>	<u>8.7</u>

The net deferred tax asset of £9.9m (2022: £8.7m asset) is recorded in debtors due in less than one year (2022: debtors due in less than one year) on the balance sheet (see note 14).

There are no unused tax losses or unused tax credits. The company has deferred tax not recognised relating to carried forward corporate interest restrictions of £10.5m (2022: £10.5m).

Movements in deferred tax

	Asset £m
As at 1 April 2022	8.7
Credited to the profit and loss account (note 10(a))	0.9
Credited to other comprehensive income	0.3
	<u>9.9</u>
As at 31 March 2023	<u>9.9</u>

11. FIXED ASSET INVESTMENTS

	Investment in subsidiary undertakings £m	Total £m
Cost and net book amount		
As at 31 March 2022 at 31 March 2023	<u>-</u>	<u>-</u>

Subsidiary undertakings

Details of the Company's principal subsidiary undertakings, each of which is wholly owned and incorporated in the United Kingdom, are provided below:

Name of undertaking	Principal activity
Peel Ports Containers Limited	Intermediate Holding Company
The Mersey Docks and Harbour Company (RSCT) Limited*	Container Terminal Operator

Joint venture undertakings

Details of the Company's joint venture undertakings, each of which is incorporated in the United Kingdom, are provided below:

Name of undertaking	Principal activity
The Mersey Docks and Harbour Company (L2) Limited*	Container Terminal Operator
MDHC Container Services Limited*	Labour provider

*Held indirectly.

THE MERSEY DOCKS AND HARBOUR COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

11. FIXED ASSET INVESTMENTS (CONTINUED)

On 15 January 2020, the Company and Peel Ports Containers Limited entered into a joint venture agreement with Terminal Investment Limited S.A.R.L. in respect of The Mersey Docks and Harbour Company (L2) Limited ('MDHC (L2)'). Also on 15 January 2020, the business of the operation of the Liverpool2 deep-water container terminal at the Port of Liverpool was transferred from the Company to MDHC (L2). Certain employees of the Company were transferred, pursuant to TUPE regulations, to MDHC Container Services Limited at the same time. MDHC Container Services Limited provides labour and other services to both the Liverpool2 terminal and RSCT at the Port of Liverpool. As Statutory Harbour Authority and Competent Harbour Authority for the Port of Liverpool, the marine income from rates and dues remain with the Company.

The registered address of the subsidiary and joint venture undertakings is: Maritime Centre, Port of Liverpool, Liverpool, L21 1LA.

In addition to the above investments, the Company also holds investments in a number of wholly-owned subsidiary companies with a total cost value of £nil. These subsidiaries, which are dormant and have never traded, are: Birkenhead West Float No 1 Newco Limited, Birkenhead West Float No 2 Newco Limited, Birkenhead West Float No 3 Newco Limited, Birkenhead West Float No 4 Newco Limited, Birkenhead West Float No 5 Newco Limited, Birkenhead West Float No 6 Newco Limited, Birkenhead West Float No 7 Newco Limited, Birkenhead East Float Newco Limited, Birkenhead East Float (North Vittoria) Newco Limited and Birkenhead East Float (South Vittoria) Newco Limited. Their registered address is: c/o Maple Corporate Services Ltd, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

12. TANGIBLE FIXED ASSETS

	Land and buildings - freehold £m	Plant and machinery £m	Capital work-in- progress £m	Total £m
Cost				
At 1 April 2022	630.0	413.2	33.8	1,077.0
Additions	7.5	1.1	52.5	61.1
Disposals	-	(0.1)	-	(0.1)
Transfer from capital work-in-progress	43.1	17.4	(60.5)	-
At 31 March 2023	680.6	431.6	25.8	1,138.0
Depreciation				
At 1 April 2022	263.4	161.2	-	424.6
Charge for year	24.4	19.4	-	43.8
At 31 March 2023	287.8	180.6	-	468.4
Net book value				
At 31 March 2023	392.8	251.0	25.8	669.6
At 31 March 2022	366.6	252.0	33.8	652.4

Cumulative finance costs capitalised included in the cost of tangible fixed assets amount to £13.3m (2022: £13.3m).

Non-depreciable land

Included within tangible fixed assets is freehold land, which is not subject to depreciation, amounting to £68.0m (2022: £68.0m).

THE MERSEY DOCKS AND HARBOUR COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

12. TANGIBLE FIXED ASSETS (CONTINUED)

Port Infrastructure Fund

In the year ended 31 March 2021, the Secretary of State for Transport awarded the Company a maximum of £17.2m from the UK Government's Port Infrastructure Fund, to support investment in border security infrastructure following the UK's departure from the EU on 1 January 2021. Work began on the project in the year ended 31 March 2021 and was completed during the year ended 31 March 2023. As at 31 March 2023, the full £17.2m had been received from the Port Infrastructure Fund (2022: £15.5m).

13. STOCKS

	2023 £m	2022 £m
Raw materials and consumables	2.3	2.0

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

14. DEBTORS

Amounts falling due within one year:	2023 £m	2022 £m
Trade debtors	18.0	14.6
Amounts owed by group undertakings	1,172.2	780.9
Amounts owed by related undertakings (note 22)	4.4	2.6
Deferred tax (note 9(d))	9.9	8.7
Corporation tax	3.3	3.3
Other debtors	5.2	4.7
Prepayments and accrued income	22.6	21.0
	<u>1,235.6</u>	<u>835.8</u>
Amounts falling due after more than one year:		
Amounts owed by group undertakings	73.6	73.6
Amounts owed by related undertakings (note 22)	3.6	3.6
	<u>77.2</u>	<u>77.2</u>

The allowance for bad debt provision included in trade debtors above is £0.2m (2022: £0.4m). The amounts that are past due but not impaired are immaterial for separate disclosure in the financial statements.

THE MERSEY DOCKS AND HARBOUR COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2023 £m	2022 £m
Group loans	6.3	6.4
Loans and other borrowings (note 17)	6.3	6.4
Trade creditors	14.2	20.8
Amounts owed to group undertakings	409.6	147.2
Amounts owed by related undertakings (note 22)	0.5	-
Other taxes and social security	5.7	1.9
Other creditors	28.4	4.0
Accruals and deferred income	24.6	54.8
	<u>489.3</u>	<u>235.1</u>

Details of security on the above borrowings are disclosed in note 17.

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

	2023 £m	2022 £m
Group loans	1,267.1	1,077.3
Secured borrowings	0.7	0.7
Loans and other borrowings (note 17)	1,267.8	1,078.0
Accruals and deferred income	-	13.2
	<u>1,267.8</u>	<u>1,091.2</u>

Details of security on the above borrowings are disclosed in note 17.

17. LOANS AND OTHER BORROWINGS

	2023 £m	2022 £m
(a) Loans and other borrowings		
Group loans	1,273.4	1,083.7
Secured borrowings	0.7	0.7
	<u>1,274.1</u>	<u>1,084.4</u>
(b) Maturity of loans and borrowings:		
In less than one year – Group loans	6.3	6.4
In more than one year, but not more than five years – Group loans	580.1	497.2
In more than five years - Group loans	687.0	580.1
In more than five years - 3.625% irredeemable debentures	0.7	0.7
Financial liabilities, net of unamortised issue costs and finance charges allocated to future periods	<u>1,274.1</u>	<u>1,084.4</u>

THE MERSEY DOCKS AND HARBOUR COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

17. LOANS AND OTHER BORROWINGS (CONTINUED)

	2023 £m	2022 £m
Unamortised issue costs	3.9	3.7

Secured borrowings of £0.7m (2022: £0.7m) include 3.625% irredeemable debentures which are secured by a fixed charge over certain securities and a floating charge over Peel Ports (IDS) Limited. The debentures were delisted from the London Stock Exchange on 8 August 2016.

Group loans of £1,273.4m (2022: £1,087.4m) are amounts advanced to the Company by fellow subsidiary undertakings. The loans bear interest at a floating SONIA rate plus margin and are repayable over terms maturing between 1 April 2024 and 13 December 2033.

18. POST-EMPLOYMENT BENEFITS

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

Amounts recognised in profit and loss account are as follows:

	2023 £m	2022 £m
Defined benefit schemes		
- Scheme administrative costs (note 18(a))	0.5	0.5
Defined contribution scheme (note 18(b))	1.1	0.9
Total charge in operating profit	1.6	1.4
Defined benefit schemes		
- Net interest expense (note 18(a))	0.6	0.9
Total charge	2.2	2.3

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

	2023 £m	2022 £m
Post-employment pension liability	20.7	24.8

a) Defined benefit pension schemes

Administration and valuations

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

18. POST-EMPLOYMENT BENEFITS (CONTINUED)

a) Defined benefit pension schemes (continued)

Administration and valuations (continued)

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

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

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

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

Defined benefit pension schemes operated by the Company

Peel Ports Final Salary Pension Scheme (“PPFSPS”)

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

The most recent full triennial actuarial valuations for each of the five sections of the PPFSPS, including the MDHC Weekly Staff Section and the MDHC Salaried Officers Section (together, “the MDHC Sections”), were as at 5 April 2021. As at the latest actuarial valuation, the value of the assets within the MDHC Sections was £181.5m, which was sufficient to cover 93% of the benefits that had been accrued to members, after allowing for expected future increases in earnings. The total deficit was £12.7m.

The main assumptions applied in the 2021 triennial valuation were that the pre-retirement discount rate would be calculated as the fixed interest gilt yield plus 2.5% per annum, the post-retirement discount rate would be calculated as the fixed interest gilt yield curve plus 0.5% per annum and that RPI would be determined from the gilt market implied break-even inflation, based on Bank of England published data. CPI inflation is RPI minus 0.5%. For liability maturities ranging from 5 to 25 years, this would approximate to a range of 0.87%-1.92% for the post-retirement discount rate, 2.87%-3.92% for the pre-retirement discount rate and 3.59%-3.76% for RPI.

The recovery plan agreed with the Trustee commits the Group to continue to make annual deficit recovery payments each year. The recovery plan is designed to address the respective funding positions of each section so as to achieve fully funded status by the end of the recovery plan period (30 November 2024). Additionally, the Company will continue to pay the scheme administrative expenses of the PPFSPS. During the year, the Company made contributions of £3.9m (2022: £0.6m). The latest recovery plan commits to total annual contributions of £3.9m. The triennial valuation as at 5 April 2024 is expected to be completed by the end of 2024.

THE MERSEY DOCKS AND HARBOUR COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2023

18. POST-EMPLOYMENT BENEFITS (CONTINUED)

a) Defined benefit pension schemes (continued)

Defined benefit pension schemes operated by the Company (continued)

Peel Ports Final Salary Pension Scheme ("PPFSPS") (continued)

At 31 March 2023, the Company's share of the deficit, on a FRS 102 accounting standards basis, was £1.6m (2022: £6.5m), which is included in the amount recognised in the balance sheet.

Industry-wide defined benefit pension schemes

The Pilots National Pension Fund ("PNPF")

The Pilots National Pension Fund ("PNPF") is a multi-employer industry-wide defined benefit pension scheme that is accounted for on a defined benefits basis. The trustee assessed and indicated the Company's share of the deficit as at 31 December 2010 to be 13.1%. Although the respective shares of the deficit as at 31 December 2010 hasn't changed, the Trustee has taken into account changes in the membership of the PNPF since the original recovery plan was introduced when allocating the share of the additional deficit arising from the most recent actuarial triennial valuation. Membership changes since the original plan will include the extent to which ports have active pilots, with active pilots continuing to accrue benefits and therefore increase the deficit, actual experience with mortality rates and pilot members who have transferred out of the PNPF to alternative pension arrangements. The latest valuation shows that the PNPF's deficit is approximately £20m higher than was expected by the original recovery plan. The Trustee has indicated that the Company's share of the new additional deficit is 18.7% and this has been applied when determining the additional future deficit repair contributions payable to the Fund, as set out further below.

The most recent formal actuarial valuation, completed by an independent actuary, is as at 31 December 2019. As at that date, the scheme had assets with a market value of £322m, representing 67% of the benefits accruing to members. The total deficit was £159m. The main assumptions in the actuarial valuation were that long-term investment rates, and the discount rate, would be based on a fixed interest gilt yield curve plus 4.6% per annum for pre-retirement and plus 1.0% per annum for post-retirement, giving rates of 5.8% and 2.2% respectively. Pensionable salary increases were set at CPI, which is based on the Bank of England RPI curve less 1.0%, an assumed rate of 2.0% per annum. Price inflation is based on the Bank of England RPI curve less 0.3% per annum for RPI and less 1.0% for CPI, giving assumed rates of 3.0% and 2.0% respectively. The recovery plan is designed to address the funding position so as to achieve fully funded status by 31 December 2028. During the year ended 31 March 2023, the Company made contributions of £2.8m (2022: £2.4m) to the PNPF.

As the deficit is approximately £20m higher than that expected by the existing 2013 Recovery Plan, the 31 December 2019 triennial actuarial valuation introduced a new additional recovery plan, the 2019 Recovery Plan, so as to retain the target of the PNPF being fully funded by 2028. The triennial valuation as at 31 December 2022 is expected to be completed by late 2023.

At 31 March 2023, the Company's share of the deficit, on an FRS 102 accounting standards basis, was £19.2m (2022: £18.0m), which is included in the amounts recognised in the balance sheet.

Merchant Navy Officers Pension Fund ("MNOPF")

The scheme closed to future accrual with effect from 31 March 2016 with a Defined Contribution Section being introduced for future pension accrual. The Company's share of the scheme has been assessed by the trustee and actuary to be 0.14%. The Company has no active members within the Defined Contribution Section.

During the year, the Company made contributions of £nil (2022: £nil) to the Defined Benefit Section in relation to the past-service deficit. The Group's share of the MNOPF Defined Benefit Section's scheme assets and liabilities is accounted for on a defined benefits basis.

The most recent triennial valuation of the Defined Benefit Section was carried out at 31 March 2021, when the Section had assets of £3,250m, representing 102% of the benefits accrued to members as at that date. The total surplus was £58m. The main assumptions were that the discount rate would be based on gilts plus 0.875% at 31 March 2021, trending linearly down to gilts plus 0.25% from 2025, RPI would be derived from the break-even RPI curve and CPI would be 1.0% below RPI to 2030 and in line with RPI thereafter. As there are sufficient assets to cover the Fund's technical provisions, no deficit recovery payment plan is required. The triennial valuation as at 31 March 2024 is expected to be completed by early 2025.

At 31 March 2023, the Company's share of the deficit on an FRS 102 accounting standards basis was £nil (2022: £0.1m), which is included in the amount recognised in the balance sheet.

THE MERSEY DOCKS AND HARBOUR COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

18. POST-EMPLOYMENT BENEFITS (CONTINUED)

a) Defined benefit pension schemes (continued)

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

Net pension liability

	2023 £m	2022 £m
Fair value of scheme assets	166.6	216.7
Present value of funded obligations	(187.2)	(241.3)
	(20.6)	(24.6)
Present value of unfunded obligations	(0.1)	(0.2)
Post-employment pension liability	(20.7)	(24.8)

Reconciliation of scheme assets and liabilities

	Assets £m	Liabilities £m	Total £m
As at 1 April 2022	216.7	(241.5)	(24.8)
Benefits paid	(15.0)	15.0	-
Employer contributions	6.7	-	6.7
Employee contributions	1.1	(1.1)	-
Interest income/(expense)	5.6	(6.2)	(0.6)
Scheme administrative expenses	(0.5)	-	(0.5)
Remeasurement gains/(losses)			
- Actuarial gains	-	46.5	46.5
- Return on plan assets excluding interest income	(48.0)	-	(48.0)
As at 31 March 2023	166.6	(187.3)	(20.7)

The net remeasurement of the defined benefit liability for the year ended 31 March 2023, recorded in other comprehensive income, which is the sum of the remeasurement gains/(losses) of £1.5m net loss (2022: net gain of £19.8m) is a loss of £1.5m (2022: gain of £19.8m).

Total cost recognised as an expense

	2023 £m	2022 £m
Scheme administrative expenses	0.5	0.5
Interest cost	0.6	0.9
	1.1	1.4

No amounts (2022: £nil) have been capitalised into the cost of assets.

THE MERSEY DOCKS AND HARBOUR COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

18. POST-EMPLOYMENT BENEFITS (CONTINUED)

a) Defined benefit pension schemes (continued)

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

Fair value of the plan assets:

	2023 £m	2022 £m
Equities	2.6	17.3
Hedge funds	1.5	1.6
Fixed-interest gilts	1.0	1.3
Index-linked gilts	0.3	0.5
Liability-driven investments	43.8	40.6
Corporate bonds	33.7	93.8
Insurance policies/annuities	6.4	8.1
Diversified growth funds	12.5	20.3
Property	-	0.1
Private Credit	20.9	13.6
Cash	43.9	19.5
Total	<u>166.6</u>	<u>216.7</u>

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

Return on plan assets

	2023 £m	2022 £m
Interest income	5.6	4.4
Loss on plan assets less interest income	<u>(48.0)</u>	<u>(8.3)</u>
Total losses	<u>(42.4)</u>	<u>(3.9)</u>

Principal actuarial assumptions used at the balance sheet date

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

Assumptions

	2023	2022
Discount rate	4.7%	2.6%
Price inflation (RPI)	3.3%	3.7%
Price inflation (CPI)	2.7%	2.9%
Rate of increase of:		
- pensionable salaries	3.3%	3.7%
- pensions in payment	2.9%	3.6%
- deferred pensions	<u>3.3%</u>	<u>3.7%</u>

THE MERSEY DOCKS AND HARBOUR COMPANY LIMITED

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For the year ended 31 March 2023

18. POST-EMPLOYMENT BENEFITS (CONTINUED)

a) Defined benefit pension schemes (continued)

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

The mortality assumptions used were as follows:

	2023 Years	2022 Years
Longevity at age 65 for current pensioners:		
- Men	21.5	21.4
- Women	23.9	23.8
Longevity at age 65 for future pensioners (currently aged 45):		
- Men	23.1	23.0
- Women	25.7	25.6

Sensitivities

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

Assumption	Change in assumption	Impact on scheme liabilities
Discount rate	+/- 0.5%	-/+ 7%
Inflation	+/- 0.5%	+/- 3%
Rate of increase in pensionable salaries	+/- 0.5%	+/- 1%
Mortality	+1 year	+5%

b) Defined contribution scheme

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

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

	2023 £m	2022 £m
Current year contributions (note 6)	1.1	0.9

THE MERSEY DOCKS AND HARBOUR COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2023

19. SHARE CAPITAL AND OTHER RESERVES

	Number (m)	2023 £m	2022 £m
Allotted, called-up and fully paid share capital			
Ordinary shares of 10p each	79.3	7.9	7.9

Equity dividends paid

	2023 £m	2022 £m
Interim ordinary dividends paid	80.0	80.0

Other reserves

The Company's other reserves are as follows:

The share premium account represents the premium arising on issue of equity shares, net of issue expenses.

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

20. CAPITAL COMMITMENTS

	2023 £m	2022 £m
Capital expenditure contracted for but not provided for	43.3	9.4

21. GROUP BORROWING FACILITY

The Company, together with certain of its fellow group undertakings, has guaranteed the amounts borrowed under bank and private placement loans by certain group companies. At 31 March 2023, this amounted to £2,314.2m (2022: £2,161.3m).

22. RELATED PARTY TRANSACTIONS

Marine Support Services

The following summarises the transactions during the year with the former Marine Support Services segment of Peel Ports Group Limited. These companies, which principally include Cammell Laird Shiprepairers and Shipbuilders Limited and companies within the Atlantic and Peninsula Marine Services Limited group of companies, were disposed of by the Group on 23 July 2020 to Peel Ports Holdings (No 2) (IOM) Limited, a company in which Peel Ports Investments (IOM) Limited and Infrastructure JVCo (Lime) S.a.r.l, have a 50.1% and 49.9% shareholding respectively.

Related party	Transaction	2023 £m	2022 £m
Cammell Laird Shiprepairers & Shipbuilders Limited	Sales	0.7	3.3
	Purchases	-	-
Atlantic & Peninsula Services Limited group of companies	Sales	3.2	1.0
	Purchases	-	-

There was £0.9m outstanding from the above related parties as at 31 March 2023 (2022: £0.5m).

THE MERSEY DOCKS AND HARBOUR COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

22. RELATED PARTY TRANSACTIONS (CONTINUED)

Entities in the Peel Holdings (IOM) Limited group of companies

The following summarises the transactions during the year with the Peel Holdings (IOM) Limited group of companies. Peel Holdings (IOM) Limited is a related party due to the group of which it is part having a shareholding in Peel Ports Holdings (CI) Limited, the Group's ultimate parent undertaking.

Related Party	Transaction	2023 £m	2022 £m
Peel Holdings (IOM) Limited group of companies	Sales	0.4	0.5
	Purchases	-	(0.1)

As at the balance sheet date, the following significant amounts were due from related parties:

Related Party	2023 £m	2022 £m
Peel Holdings (IOM) Limited group of companies	0.1	0.1

Joint ventures

Related party	Transaction	2023 £m	2021 £m
The Mersey Docks and Harbour Company (L2) Limited and MDHC Container Services Limited	Sales and expenses recharged	17.0	13.7
	Purchases	(1.3)	(0.2)

Joint ventures (continued)

As at the balance sheet date, the following significant amounts were due from related parties:

Related party	2023 £m	2022 £m
The Mersey Docks and Harbour Company (L2) Limited and MDHC Container Services Limited	6.6	6.3

As at 31 March 2023, the amount due from the above joint venture undertakings was £6.6m (2022: £6.3m). This includes a loan balance of £3.5m that bears interest at the Bank of England base rate plus 3% and is repayable in full on 15 January 2030.

THE MERSEY DOCKS AND HARBOUR COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

22. OTHER FINANCIAL COMMITMENTS

As at 31 March, the Company had the following minimum lease payments under non-cancellable operating leases for each of the following periods:

	2023 £m	2022 £m
Within one year	8.7	6.9
Within two to five years	32.4	35.6
After five years	210.7	200.4
	<u>251.8</u>	<u>242.9</u>

23. ULTIMATE AND IMMEDIATE HOLDING COMPANY

The Company is a wholly owned subsidiary of Peel Ports Investments Limited. The ultimate parent company is Peel Ports Holdings (CI) Limited, a company incorporated in the Cayman Islands. Peel Ports Group Limited is the largest and smallest group company for which publicly available consolidated financial statements are prepared. The financial statements of The Mersey Docks and Harbour Company Limited form part of the consolidated financial statements of Peel Ports Group Limited which are available to the public from its registered office:

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

24. ULTIMATE CONTROLLING PARTY

The ultimate controlling party is Peel Ports Holdings (CI) Limited, the immediate parent company of Peel Ports Group Limited.