

12/11

THE MANCHESTER SHIP CANAL COMPANY

REPORT & ACCOUNTS

YEAR ENDED 31ST MARCH 2005

COMPANY NUMBER ZC197



THE MANCHESTER SHIP CANAL COMPANY

Directors, Professional Advisers and Registered Office

Directors: John Whittaker (*Chairman*)
Peter A. Scott, F.C.C.A.
Thomas E. Allison
David S. Green, C.A.
Margaret Mackay, MSc., M.I.P.D.
Paul P. Wainscott, A.C.I.S.
Cllr. Richard Leese

Secretary: Neil Lees, A.C.I.S.

Principal Office: Peel Dome
The Trafford Centre
Manchester M17 8PL

Registered Number: ZC197

Auditors: Deloitte & Touche LLP, Manchester

Bankers: Bank of Scotland
The Royal Bank of Scotland

Property Valuers: King Sturge
Scott Doherty Associates

**Registrars and
Transfer Office:** Capita IRG
Registration and New Issues
Bourne House
34 Beckenham Road
Beckenham
Kent BR3 4TU

Report of the Directors for the year ended 31st March 2005

The directors submit their report together with the audited financial statements of the Group for the year ended 31st March 2005.

Principal Activities

The principal activities of the Group are the operation of a major regional port and property investment, property development and trading. In addition, the Group undertakes the management of its land and property interests.

Review of Business, Developments and Prospects

Turnover for the year was £24,999,000 (2004 : £24,518,000) with the Ports division showing an increase of 4% from 2004 and the property division showing a decrease of 4% over 2004. Operating profits for the year are £7,473,000 (2004 : £8,007,000). The directors anticipate that the present level of activity within each division will be maintained for the foreseeable future.

Results and Dividends

The Group's results for the financial year are set out in the profit and loss account on page 6. The financial positions of the Group and the Company at 31st March 2005 are set out in the balance sheets on page 7.

An ordinary dividend of 264.0p per share was declared on 31st March 2005 (2004: 79.2p).

A preference dividend of 3.5p per share was declared on 31st March 2005 (2004: 3.5p).

Other Fixed Assets

The carrying value of other fixed assets, as disclosed in note 11, is not significantly different from their market value at 31st March 2005.

Directors

The directors who held office during the financial year were:

J. Whittaker	
P.A. Scott	
T.E. Allison	(appointed 18 October 2004)
J.B. Chilton	(resigned 18 October 2004)
D.S. Green	(appointed 18 October 2004)
M. Mackay	(appointed 18 October 2004)
P.P. Wainscott	
Cllr. R. Leese	

The Manchester Ship Canal Company is primarily governed by its Acts and Orders 1885 to 1992. These statutes do not differentiate between executive and non-executive directors.

Under the Companies Acts Councillor R. Leese would be regarded as being a non-executive director. Councillor Leese, aged 53, has been leader of Manchester City Council since 1996.

Report of the Directors *(continued)*

Director's Interests in Shares and Financial Instruments

The interests of the directors and their families in the preference shares of the Company are listed below. All of the shareholdings at 31st March 2005 are as nominees for Peel Ports Limited.

	<i>At 31st March 2005</i>	<i>At 31st March 2004</i>
	<i>Number</i>	<i>Number</i>
J. Whittaker*	500	500
P.A. Scott*	501	501
T.E. Allison	500	-
D.S. Green	500	-
M. Mackay	500	-
P.P. Wainscott	501	501
Cllr. R. Leese	500	500

No director had an interest in the ordinary share capital of the Company save for Mr J. Whittaker and Mr P.A. Scott who at 31st March 2005 had a non-beneficial interest in 211,598 ordinary shares held as trustees for the Company pursuant to Section 13 of the Manchester Ship Canal Act 1920 and held by virtue of a deed of transfer dated 25th October 2002.

- * The above directors are also directors of the intermediate holding company, Peel Acquisitions (Ports) Limited, in whose accounts their beneficial interests in the shares and financial instruments of that company, the companies within the Peel Acquisitions (Ports) Limited Group and the ultimate holding company, Tokenhouse Holdings Limited, are disclosed.

As at 31 March 2005, M. Mackay held £16,008 of the Variable Rate Guaranteed Unsecured Loan Notes issued by Peel Ports Limited, a subsidiary of Peel Ports Holdings Limited, which is in turn a subsidiary of Peel Acquisitions (Ports) Limited.

Other than stated above, no other director holds a beneficial interest in the shares and financial instruments of the intermediate holding company, Peel Acquisitions (Ports) Limited, companies within the Peel Acquisitions (Ports) Limited group and the ultimate holding company, Tokenhouse Holdings Limited.

No contract of significance subsisted during or at the end of the year in which any director had a material interest.

Directors' Responsibilities

United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable 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 Group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time, the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985 and the Company's own Acts and Orders and in particular Section 42 of the Harbours Act 1964. They are also responsible for the system of internal control, safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Report of the Directors *(continued)*

Political and Charitable Contributions

During the financial year, contributions by the Company for charitable purposes totalled £665 (2004: £200).

The Company made no political contributions during the financial year (2004: £nil).

Payment Policy

In the absence of dispute, amounts due to trade and other suppliers are settled as expeditiously as possible within their terms of payment. The effect of the Company's payment policy is that its trade creditors at the end of the financial year end represented 48 days' (2004: 22 days') purchases.

Auditors

A resolution to re-appoint the auditors, Deloitte & Touche LLP, will be proposed at the forthcoming ordinary general meeting.

On behalf of the Board



P.A. Scott
Director

23 January 2006

Independent Auditors' Report

To the members of the Manchester Ship Canal Company

We have audited the financial statements of the Manchester Ship Canal Company for the year ended 31st March 2005 which comprise the Group Profit and Loss Account, the Balance Sheets, the Statement of Total Recognised Group Gains and Losses, the Note of Group Historical Cost Profits and Losses, the Reconciliation of Movements in Group Shareholders' Funds and the related notes 1 to 23. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of Directors' Responsibilities, the Company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and United Kingdom auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 and Section 42 of the Harbours Act 1964. We also report if, in our opinion, the Directors' report is not consistent with the financial statements, if the Company and Group have not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Company and other members of the Group is not disclosed.

We read the Directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances of the Company and Group, are consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the affairs of the Company and of the Group as at 31st March 2005 and of the Group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985 and Section 42 of the Harbours Act 1964.



Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Manchester

24 Jan 2005

THE MANCHESTER SHIP CANAL COMPANY

Group Profit and Loss Account *for the year ended 31st March 2005*

	Note	2005 £'000	2004 £'000
Turnover	2	24,999	24,518
Operating profit	2	7,473	8,007
Profit on disposal of fixed assets	3	7,487	3,349
Profit on ordinary activities before interest and taxation		14,960	11,356
Net interest payable and similar charges	4	(1,354)	(6,902)
Profit on ordinary activities before taxation	5	13,606	4,454
Tax on profit on ordinary activities	6	(1,908)	(572)
Profit on ordinary activities after taxation		11,698	3,882
Dividends on non-equity share capital	7	(140)	(140)
Profit for the financial year attributable to ordinary shareholders		11,558	3,742
Dividends on equity share capital	7	(10,000)	(3,000)
Retained profit for the financial year	18	1,558	742

All the above results derive from continuing activities and there were no material acquisitions in the year.

The accompanying notes form an integral part of these financial statements.

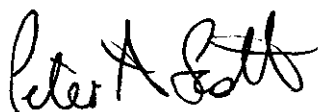
THE MANCHESTER SHIP CANAL COMPANY

Balance Sheets as at 31st March 2005

		Group		Holding Company	
	Note	2005 £'000	2004 £'000 <i>Restated</i> <i>(see note 23)</i>	2005 £'000	2004 £'000 <i>Restated</i> <i>(see note 23)</i>
Fixed assets					
Tangible assets					
Investment properties	10	46,633	45,265	46,633	45,265
Other fixed assets	11	35,137	35,406	35,137	35,406
		81,770	80,671	81,770	80,671
Current assets					
Debtors	12	112,439	120,985	98,798	113,020
Cash at bank and in hand		1,393	1,388	1,393	1,388
		113,832	122,373	100,191	114,408
Creditors (amounts falling due within one year)	13	(17,750)	(27,518)	(74,238)	(89,254)
Net current assets		96,082	94,855	25,953	25,154
Total assets less current liabilities		177,852	175,526	107,723	105,825
Creditors (amounts falling due after more than one year)	14	(31,040)	(31,847)	(31,040)	(31,847)
Provision for liabilities and charges	16	(1,493)	(1,485)	(1,493)	(1,485)
Net assets excluding pension liability		145,319	142,194	75,190	72,493
Pension liability	19	(2,680)	(3,280)	(2,680)	(3,280)
Net assets including pension liability		142,639	138,914	72,510	69,213
Financed by capital and reserves					
Called-up share capital	17	8,000	8,000	8,000	8,000
Revaluation reserve	18	53,607	51,486	49,443	47,322
Capital reserve		3,846	3,846	3,278	3,278
Other reserve	18	70,405	70,405	5,644	5,644
Investment in own shares	18	(212)	(212)	(212)	(212)
Profit and loss account	18	6,993	5,389	6,357	5,181
Shareholders' funds		142,639	138,914	72,510	69,213
Analysis of shareholders' funds					
Equity		138,639	134,914	68,510	65,213
Non-equity	17	4,000	4,000	4,000	4,000
		142,639	138,914	72,510	69,213

Approved by the Board of Directors on 23 January 2006

P.A. Scott
Director



The accompanying notes form an integral part of these financial statements.

Statement of Total Recognised Group Gains and Losses
for the year ended 31st March 2005

	Note	2005 £'000	2004 £'000
Profit for the financial year		11,698	3,882
Other recognised gains and losses			
Unrealised net surplus on revaluation of investment properties	18	2,121	374
Actuarial gain relating to the pension fund	19 (d)	46	3,363
		2,167	3,737
Total recognised net gains and losses for the financial year		13,865	7,619

Note of Group Historical Cost Profits and Losses
for the year ended 31st March 2005

	Note	2005 £'000	2004 £'000
Reported profit on ordinary activities before taxation		13,606	4,454
Realisation of investment property revaluation surpluses of previous years		-	916
Historical cost profit on ordinary activities before taxation		13,606	5,370
Historical cost retained profit for the financial year		1,588	1,658

Reconciliation of Movements in Group Shareholders' Funds
for the year ended 31st March 2005

	Note	2005 £'000	2004 £'000
			Restated (see note 23)
Profit for the financial year		11,698	3,882
Dividends	7	(10,140)	(3,140)
Other recognised gains and losses for the financial year		2,167	3,737
Net increase in shareholders' funds		3,725	4,479
Shareholders' funds at 1st April 2004/1st April 2003		138,914	134,435
Shareholders' funds at 31st March 2005/31st March 2004		142,639	138,914

The accompanying notes form an integral part of these financial statements.

Notes to the Accounts

1. Accounting Policies

The principal accounting policies are summarised below. The policies have been applied consistently throughout the year and the preceding year.

Accounting Convention

The financial statements have been prepared under the historical cost convention as modified by the revaluation of fixed asset investment properties and certain other fixed assets and in accordance with applicable United Kingdom accounting standards.

The financial statements have been prepared in accordance with Section 42 of the Harbours Act 1964.

Group Financial Statements

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings up to 31st March each year. Results of subsidiary undertakings acquired or disposed of during the year are included to the extent of group ownership.

The separable net assets of subsidiary undertakings acquired are included in the Group financial statements at their fair value to the Group at the date of acquisition, including provisions and liabilities taken into consideration in assessing the fair value of the business acquired.

Intra-group turnover and profits are eliminated on consolidation.

As permitted by Section 230 of the Companies Act 1985, a separate profit and loss account for the holding company is not presented. The profit for the financial year dealt with in the financial statements of the holding company was £4,770,000 (2004: £3,882,000).

Related Party Disclosures

The Company and Group have taken advantage of the exemption in paragraph 3 (c) of Financial Reporting Standard No. 8 "Related party disclosures" and have not disclosed details of transactions with fellow wholly owned undertakings within the Peel Acquisition (Ports) Limited group of companies.

Cash Flow Statement

As permitted by Financial Reporting Standard No. 1 (revised) "Cash Flow Statements", the Company has not prepared a cash flow statement as the Holding Company is a wholly owned subsidiary undertaking of the Peel Acquisitions (Ports) Limited group of companies. Peel Acquisitions (Ports) Limited is a company incorporated and registered in England which produces group financial statements in accordance with the Companies Act 1985, which include a consolidated group cash flow statement.

Goodwill Arising on Consolidation

In the year ended 31st March 1998 and earlier periods the goodwill arising on consolidation, being the difference between the aggregate fair value of consideration given to acquire investments in subsidiary and associated undertakings and the fair value of the separable net assets acquired, was added to or deducted from reserves in the year in which it arose in accordance with the accounting standards then in force. As permitted by the current accounting standard the goodwill arising on consolidation previously added to reserves has not been reinstated in the balance sheet.

Notes to the Accounts *continued*

1. Accounting Policies *(continued)*

Investment Properties

Investment properties are included in the balance sheet at their open market value and, in accordance with Statement of Standard Accounting Practice No. 19 "Accounting for investment properties", are not depreciated or amortised. This departure from the requirements of the Companies Act 1985 is necessary for the financial statements to give a true and fair view in accordance with applicable United Kingdom accounting standards. Depreciation is only one of many factors reflected in the valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

Surpluses or deficits arising from revaluation are transferred to the unrealised revaluation reserve, except that a deficit which is expected to be permanent and which is in excess of any previously recognised surplus over cost relating to the same property, or the reversal of such a deficit, is charged (or credited) to the profit and loss account. Realised revaluation surpluses representing the difference between historical cost and the asset's carrying value are reclassified by way of a transfer to profit and loss account reserve in the year in which the property disposal occurs.

Properties in the course of development or practically completed but not substantially let are included in the balance sheet at cost subject to provisions if the directors consider it prudent having regard to the prevailing market conditions. Cost includes interest and directly attributable overheads whilst the property is in the course of development.

Reclassifications between investment properties, other fixed assets and stocks are made at the lower of net book value and net realisable value.

Other Fixed Assets

Other fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. Depreciation is provided on all other fixed assets at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight line basis over its expected usual life, as follows:

Operational buildings included in tangible fixed assets are depreciated at rates varying between 1% and 4% per annum.

Plant and vehicles are depreciated by equal annual instalments over their expected useful lives at rates varying between 15% and 25% per annum.

Port and canal assets include freehold and long leasehold land which is not depreciated except for dredging deposit ground bunds which are written off according to annual usage. The remaining port and canal assets are depreciated by equal annual instalments over their expected useful economic lives at rates varying between 1% and 5% per annum.

Residual value is calculated on prices prevailing at the date of acquisition.

The Group has taken advantage of the transitional provisions of FRS 15 "Tangible Fixed Assets" and retained the book amounts of certain freehold properties which were revalued prior to the implementation of FRS 15. Details of when the properties were last valued are contained in note 11 and the valuations have not subsequently been updated.

Fixed Asset Investments

Fixed asset investments in subsidiary undertakings are stated at cost less provision for impairment. Cost represents the aggregate cash consideration, costs incurred and either the fair value or the nominal value of shares issued.

Notes to the Accounts *continued*

1. Accounting Policies (*continued*)

Stocks

Stocks are stated at the lower of cost, including attributable overheads and capitalised interest, to the Group or estimated net realisable value.

Taxation

Corporation tax payable is provided on taxable profits at the current rate.

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 that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable tax profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements.

Deferred tax is measured on a non-discounted basis.

Turnover

Port and canal income comprises amounts receivable by the Group in respect of services provided during the financial year.

Property investment turnover comprises property rental income and rental premiums, which are accounted for on an accruals basis.

Trading property sales are accounted for on a legal completion basis.

Turnover excludes sales related taxes.

Interest

Interest directly attributable to both investment and trading properties in the course of development is included in the cost thereof. Interest is capitalised on a simple interest basis without allowing for any tax relief thereon.

Notes to the Accounts *continued*

1. Accounting Policies (continued)

Pension Costs

The cost of the holding company's money purchase pension arrangements are charged to the profit and loss account on the basis of contributions payable in respect of the accounting period.

The holding company also operates a defined benefit scheme, which requires contributions to be made to a separately administered fund. This has been accounted for under the full requirements of FRS 17 "Retirement Benefits".

Under FRS 17, the defined benefit scheme assets are measured using market values. Pension scheme liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. Any increase in the present value of liabilities of the Group's defined benefit pension schemes expected to arise from employee service in the period is charged against operating profit. The expected return on the scheme's assets and the increase during the period in the present value of the schemes liabilities arising from the passage of time are included in other finance income. Actuarial gains and losses are recognised in the Statement of Total Recognised Gains and Losses.

The holding company recognises an asset in respect of any surplus, being the excess of the value of the assets in the scheme over the present value of the scheme's liabilities, only to the extent that it is able to recover the surplus, either through reduced contributions in the future or from refunds from the scheme.

Leased Assets

Assets acquired under finance leases are capitalised at a value equivalent to the cost incurred by the lessor and depreciated over their expected useful economic lives. Finance charges thereon are charged to the profit and loss account in the period in which they accrue. The capital element of the future lease payments is reflected within creditors.

Expenditure on operating leases is charged directly to the profit and loss account.

Government Grants

Government grants received in respect of capital expenditure are credited to a deferred income account and released to the profit and loss account over the useful economic life of the assets to which they relate.

THE MANCHESTER SHIP CANAL COMPANY

Notes to the Accounts *continued*

2. Segmental Analysis of Turnover, Operating Profit and Net Assets

(a) Turnover and Operating Profit

	2005			2004		
	Port and Canal £'000	Property Investment £'000	Group £'000	Port and Canal £'000	Property Investment £'000	Group £'000
Turnover						
Port and canal income	19,058	-	19,058	18,335	-	18,335
Gross rental income	-	5,918	5,918	-	6,161	6,161
Environmental and resource development income	-	23	23	-	22	22
	19,058	5,941	24,999	18,335	6,183	24,518
Direct costs						
Port and canal direct costs	(15,269)	-	(15,269)	(14,250)	-	(14,250)
Ground rents payable	(491)	(254)	(745)	(502)	(256)	(758)
Irrecoverable property costs	-	(97)	(97)	-	(188)	(188)
	(15,760)	(351)	(16,111)	(14,752)	(444)	(15,196)
Gross profit	3,298	5,590	8,888	3,583	5,739	9,322
Administration expenses						
Pension scheme current service Costs	(669)	-	(669)	(921)	-	(921)
Other administration expenses	(1,209)	(284)	(1,493)	(1,017)	(220)	(1,237)
	(1,878)	(284)	(2,162)	(1,938)	(220)	(2,158)
	1,420	5,306	6,726	1,645	5,519	7,164
Other income	-	747	747	-	843	843
Operating profit	1,420	6,053	7,473	1,645	6,362	8,007

All of the Group's turnover arose in the United Kingdom.

	2005 £'000	2004 £'000
Port and Canal income includes:		
Pilotage (including exemption certificates of £4,000 (2004 : £4,000))	1,229	1,177
Railways	388	388

Port and canal expenditure includes:		
Pilotage	1,137	1,177

(b) Net Assets

	2005			2004		
	Port and Canal £'000	Property Investment £'000	Group £'000	Port and Canal £'000	Property Investment £'000	Group £'000
Investment properties	-	46,633	46,633	-	45,265	45,265
Other fixed assets	35,137	-	35,137	35,406	-	35,406
	35,137	46,633	81,770	35,406	45,265	80,671
Centrally managed net assets			90,618			88,378
Group net debt (note 15)			(29,749)			(30,135)
Net assets			142,639			138,914

Notes to the Accounts *continued*

3. Profit on Disposal of Fixed Assets

	2005 £'000	2004 £'000
Investment properties	310	3,340
Other fixed assets	7,177	9
	<u>7,487</u>	<u>3,349</u>

The effect of the profit on disposal of fixed assets on the amount charged to the profit and loss account for taxation was £nil (2004: £909,000)

4. Net Interest Payable and Similar Charges

	2005 £'000	2004 £'000
Interest payable and similar charges:		
On bank loans	1,634	174
On other loans	82	2,894
Finance lease and other interest	110	213
Loss arising on early settlement of debt	-	3,805
	<u>1,826</u>	<u>7,086</u>
Interest receivable and similar income:		
On bank and other deposits	(76)	(123)
Other finance income:		
Expected return on pension scheme assets	(2,429)	(1,999)
Interest on pension scheme liabilities	2,033	1,938
	<u>(396)</u>	<u>(61)</u>
Net interest payable and similar charges	<u>1,354</u>	<u>6,902</u>

The other finance income relates to the Group's defined benefits pension scheme (note 19).

Notes to the Accounts *continued*

5. Profit on Ordinary Activities before Taxation

	2005	2004
	£'000	£'000
Profit on ordinary activities before taxation is stated after charging /(crediting):		
Depreciation - owned assets	1,184	1,297
Depreciation - leased assets	189	189
Hire of plant and machinery under operating leases	-	52
Grant releases	(72)	(72)
Auditors' remuneration – audit services - Group and Company	30	30
Auditors' remuneration – non-audit services	6	10
Directors' emoluments (note 9)	68	94

6. Tax on Profit on Ordinary Activities

	2005	2004
	£'000	£'000
Current tax:		
Group relief	1,650	1,307
UK Corporation tax	-	-
	1,650	1,307
Adjustment in respect of prior years:		
Group relief	(473)	(664)
UK Corporation tax	485	1
	12	(663)
Total current tax	1,662	644
Deferred tax:		
Origination and reversal of timing differences (note 16)	8	(13)
Movement in FRS 17 deferred taxation	238	(59)
Total deferred tax	246	(72)
Total tax on profit on ordinary activities	1,908	572

	2005	2004
	£'000	£'000
Reconciliation of current tax charge:		
Profit on ordinary activities before taxation at 30%	4,082	1,336
Depreciation (less than) / in excess of capital allowances	(17)	51
Movement in FRS 17 pension surplus deferred taxation	(238)	59
Net disallowable expenditure	16	(22)
Other deferred tax movements	(22)	(22)
Excess of book profits over taxable profits on sale of fixed assets	(2,171)	(95)
Adjustment to tax charge in respect of prior periods	12	(663)
Total current tax	1,662	644

Notes to the Accounts *continued*

7. Dividends on Non-equity and Equity Share Capital

	2005 £'000	2004 £'000
Non-equity Share Capital:		
Proposed preference dividend of 3.5p per share (2004: 3.5p per share)	140	140
Equity Share Capital:		
Proposed ordinary dividend of 264.0p per share (2004: 79.2p per share)	10,000	3,000
Total dividends	10,140	3,140

8. Particulars of Staff

	2005 £'000	2004 £'000
Staff costs (including directors):		
Wages and salaries	4,307	3,977
Social security costs	346	308
Pension fund service cost (note 19 (c))	669	921
	5,322	5,206

The average monthly number of persons employed by the Group during the year, inclusive of executive directors, was as follows:

	2005 Number	2004 Number
Administration	60	67
Port operational and maintenance staff	87	102
	147	169

9. Directors' Remuneration

The remuneration of directors of the Company was as follows:

	2005 £'000	2004 £'000
Emoluments	68	94
Company contributions to defined benefit schemes	17	14
Total	85	108

One of the directors (2004 : one) is a member of the Company defined benefit pension scheme.

Notes to the Accounts *continued*

10. Investment Properties

Group and Holding Company			
	Freehold	Long leasehold	Total
Cost or Valuation:	£'000	£'000	£'000
At 1st April 2004	44,218	1,047	45,265
Additions	46	-	46
Disposals	(1,000)	-	(1,000)
Intra-group transfers	201	-	201
Revaluations	1,958	163	2,121
At 31st March 2005	45,423	1,210	46,633
Professional Valuation:			
March 2005	45,423	1,210	46,633
		2005	2004
		£'000	£'000
Historical Cost of Investment Properties			
Group		11,146	11,899
Company		14,960	15,713

Valuations

All investment properties were professionally valued at 31st March 2005 by King Sturge, International Property Consultants and Surveyors, and Scott Doherty Associates on the basis of open market value.

Notes to the Accounts *continued*

11. Other Fixed Assets

	Group			Holding Company		
	Plant and	Port and	Total	Plant and	Port and	Total
	vehicles £'000	canal £'000	£'000	vehicles £'000	canal £'000	£'000
Cost or Valuation:						
At 1st April 2004	48	81,718	81,766	48	81,718	81,766
Additions	-	2,045	2,045	-	1,775	1,775
Disposals	(48)	(996)	(1,044)	(48)	(35)	(83)
Inter company transfer	-	-	-	-	(691)	(691)
Reclassifications to investment properties	-	(201)	(201)	-	(201)	(201)
At 31st March 2005	-	82,566	82,566	-	82,566	82,566
Depreciation:						
At 1st April 2004	48	46,312	46,360	48	46,312	46,360
Charge for the financial year	-	1,373	1,373	-	1,373	1,373
Disposals	(48)	(256)	(304)	(48)	(256)	(304)
At 31st March 2005	-	47,429	47,429	-	47,429	47,429
Net Book Value:						
At 31st March 2005	-	35,137	35,137	-	35,137	35,137
At 31st March 2004	-	35,406	35,406	-	35,406	35,406
Analysis of Net Book Value of Port and Canal Assets:						
Professional valuation:						£'000
March 1995						15,614
March 1994						1,600
November 1990						3,079
Depreciated cost						14,844
At 31st March 2005						35,137

At 31st March 2005, port and canal assets include freehold and long leasehold land and buildings as analysed below:

	Group and Holding Company		
	Freehold	Long leasehold	Total
	£'000	£'000	£'000
Cost or valuation	26,189	418	26,607
Depreciation	4,511	105	4,616
Net book value	21,678	313	21,991

At 31st March 2005, port and canal assets include freehold and long leasehold land which is not subject to depreciation in the amount of £12,818,000 (2004: £14,136,000) and £81,000 (2004: £81,000) respectively.

Notes to the Accounts *continued*

11. Other Fixed Assets (*continued*)

Valuations

Professional valuations were carried out at 31st December 1990 by Richard Ellis, Chartered Surveyors, at 31st March 1994 by Dunlop Heywood & Co. Limited, Chartered Surveyors and at 31st March 1995 by Knight Frank & Rutley, Chartered Surveyors, on the basis of open market value, in respect of certain port and canal assets.

Assets Held Under Finance Leases

The net book value at 31st March 2005 of port and canal assets held under finance leases amounted to £2,438,000 (2004: £2,627,000) and depreciation provided thereon during the year totalled £189,000 (2004: £189,000).

Historical Cost of Other Fixed Assets

	2005	2004
	£'000	£'000
Group and Holding Company	64,268	63,467

12. Debtors

	Group		Holding Company	
	2005	2004	2005	2004
	£'000	£'000	£'000	£'000
Trade debtors	4,451	3,673	4,451	3,673
Amounts owed by group undertakings	99,397	113,616	93,716	105,651
Other debtors	8,196	3,390	236	3,390
Prepayments	395	306	395	306
	112,439	120,985	98,798	113,020

THE MANCHESTER SHIP CANAL COMPANY

Notes to the Accounts *continued*

13. Creditors (amounts falling due within one year)

	Group		Holding Company	
	2005	2004	2005	2004
	£'000	£'000	£'000	£'000
Bank loans and overdrafts	469	-	469	-
Finance leases	266	380	266	380
Debt falling due within one year	735	380	735	380
Trade creditors	1,847	1,031	1,847	1,031
Development costs to site completion	2	195	2	195
Amounts owed to group undertakings	216	21,741	63,291	83,492
Other taxes and social security	41	94	41	94
Other creditors	217	133	201	118
Government grants	71	72	71	72
Accruals and deferred income	1,341	732	1,270	732
Proposed dividends	13,280	3,140	6,780	3,140
	17,750	27,518	74,238	89,254

Details of security on the above borrowings are disclosed in note 15.

14. Creditors (amounts falling due after more than one year)

	Group and Holding Company	
	2005	2004
	£'000	£'000
Secured bank loans	27,397	27,866
Perpetual Debenture Stocks	2,233	2,233
Finance leases	777	1,044
Debt falling due after more than one year	30,407	31,143
Government grants	633	704
	31,040	31,847

Details of security on the above borrowings are disclosed in note 15.

Notes to the Accounts *continued*

15. Derivatives and Other Financial Instruments

	Group	
	2005	2004
	£'000	£'000
(a) Analysis of Group Net Debt:		
Creditors (amounts falling due within one year)	735	380
Creditors (amounts falling due after more than one year)	30,407	31,143
Gross debt	31,142	31,523
Cash at bank and in hand	(1,393)	(1,388)
Group net debt	29,749	30,135
(b) Repayments of Gross Debt:		
Finance leases:		
Within 1 year	266	380
1 - 2 years	207	264
2 - 5 years	525	574
	998	1,218
After five years	45	206
	1,043	1,424
Other debt:		
Within 1 year	469	-
1 - 2 years	938	469
2 - 5 years	2,812	2,812
	4,219	3,281
After five years - Secured bank loans	23,647	24,585
- Perpetual Debenture stocks	2,233	2,233
	30,099	30,099
Gross Debt	31,142	31,523

The Perpetual Debenture Stocks are secured by floating charges over the undertaking of the Company and bear interest at rates between 3.5% and 4%.

The bank loan is secured by a fixed charge over certain investments and a floating charge over all other assets of the Company and certain of its subsidiary undertakings both present and future. The loan bears interest at LIBOR plus applicable margin.

Finance lease obligations are secured on the assets to which they relate (note 11).

c) Operating Lease Commitments

The Group and Company do not have any commitments under non-cancellable operating leases.

Notes to the Accounts *continued*

16. Provisions for Liabilities and Charges

	Group and Holding Company
Deferred Taxation	£'000
At 1st April 2004	1,485
Profit and loss account (note 6)	8
At 31st March 2005	1,493

Provision is made for deferred taxation at a rate of 30% (2004: 30%), the amount provided being:

	Group and Holding Company	
	2005	2004
	£'000	£'000
Other timing differences	(114)	(177)
Enterprise Zone allowance	374	374
Accelerated capital allowances	1,233	1,288
	1,493	1,485

No provision is made for the liability to corporation tax on capital gains at 30% (2004: 30%) estimated not to exceed £6.3m (2004: £6.2m) which would arise if interests in investment properties and certain other fixed assets were to be sold at their revalued amounts. Equivalent Company figures are £6.3m (2004: £6.2m). In the event of a chargeable disposal, the tax liability may be mitigated by the use of tax losses available in other group companies.

Notes to the Accounts *continued*

17. Called-up Share Capital

		Group and Holding Company	
	Number	2005 £'000	2004 £'000
Authorised under the Manchester Ship Canal Acts and Orders			
Equity Share capital			
Ordinary shares of £1 each	4,000,000	4,000	4,000
Non-equity Share Capital			
3.5% (net) Preference shares of £1 each	4,000,000	4,000	4,000
Total authorised equity and non-equity share capital at 31st March 2005/31st March 2004	8,000,000	8,000	8,000
Allotted, Called-Up and Fully Paid			
Equity Share Capital			
Ordinary shares of £1 each ranking for dividend	3,788,402	3,788	3,788
Ordinary shares of £1 each vested in trustees and not ranking for Dividend	211,598	212	212
At 31st March 2005/31st March 2004	4,000,000	4,000	4,000
Non-equity Share Capital			
3.5% (net) Preference shares of £1 each	3,999,980	4,000	4,000
Total allotted equity and non-equity share capital at 31st March 2005/31st March 2004	7,999,980	8,000	8,000

The holders of preference shares of £1 each are entitled to receive notice of any general meeting of the company and vote on resolutions proposed, carrying equal voting rights with ordinary shares.

Section 12 of the Manchester Ship Canal (Finance) Act 1904 states that in respect of the first £200,000 of profits (as that term is defined in Section 24 of the Manchester Ship Canal Act 1945), two thirds of this sum should be paid to preference shareholders and one third to ordinary shareholders.

Notes to the Accounts *continued*

18. Reserves

	Revaluation reserve £'000	Other reserve £'000	Investment In own shares £'000	Profit and Loss account £'000
Group:				
At 1st April 2004	51,486	70,405	212	5,389
Unrealised surplus on revaluation of investment properties (note 10)	2,121	-	-	-
Retained profit for the year	-	-	-	1,558
Actuarial gain relating to the pension fund (note 19d)	-	-	-	46
At 31st March 2005	53,607	70,405	212	6,993

	Revaluation reserve £'000	Other reserve £'000	Investment In own shares £'000	Profit and Loss account £'000
Holding Company:				
At 1st April 2004	47,322	5,644	212	5,181
Unrealised surplus on revaluation of investment properties (note 10)	2,121	-	-	-
Retained profit for the year	-	-	-	1,130
Actuarial gain relating to the pension fund (note 19d)	-	-	-	46
At 31st March 2005	49,443	5,644	212	6,357

Group and Company revaluation reserves include an amount of £18,299,000 (2004: £18,299,000) in respect of fixed assets other than investment properties.

The other reserve of the Group and Company is regarded by the directors as non-distributable and arise in respect of unrealised intra-group profits on disposals of fixed asset investment properties as a consequence of group re-organisations in prior years.

Notes to the Accounts *continued*

19. Pension Fund

The Company operates a money purchase pension scheme providing benefits based on actual contributions paid.

The Company also operates a defined benefit pension scheme based on final pensionable pay which was closed to new entrants with effect from 22nd January 2001. The assets of the scheme are held separately from those of the Group. The latest actuarial valuation as at April 2003 has been adjusted to reflect the positions at 31st March 2003, 31st March 2004 and 31st March 2005, by a qualified independent actuary (in accordance with FRS 17).

(a) Major actuarial assumptions

	31st March 2005 % pa	31st March 2004 % pa	31st March 2003 % pa
Rate of increase in salaries	4.25	4.25	4.00
Rate of increase of pensions in payment	2.75	2.75	2.50
Rate of increase for deferred pensioners	2.75	2.75	2.50
Discount rate	5.40	5.50	5.50
Inflation	2.75	2.75	2.50

(b) Pension fund valuation and deficit

	Expected rate of return 31st March 2005 %	Fair value of Assets 31st March 2005 £'000	Expected rate of return 31st March 2004 %	Fair value of Assets 31st March 2004 £'000	Expected rate of return 31st March 2003 %	Fair value of assets 31st March 2003 £'000
Equities	7.75	25,465	8.0	26,811	8.5	20,404
Bonds	4.90	9,700	5.1	3,552	5.0	3,928
Other investments	3.75	228	4.0	1,730	4.0	1,273
Total market value of assets		35,393		32,093		25,605
Present value of scheme liabilities		(39,222)		(36,780)		(34,900)
Deficit in the scheme		(3,829)		(4,687)		(9,295)
Irrecoverable surplus		-		-		-
Recognised deficit		(3,829)		(4,687)		(9,295)
Related deferred tax asset		1,149		1,407		2,789
Net pension liability		(2,680)		(3,280)		(6,506)

(c) Movements in gross deficit during the year

	2005 £'000	2004 £'000
Gross deficit in scheme at 1st April 2004/1st April 2003	(4,687)	(9,295)
Movement in year:		
Current service costs (note 2)	(669)	(921)
Other finance income (note 4)	396	61
Company contributions paid	1,065	664
Profit/(loss) before tax impact for the year	792	(196)
Actual return less expected return on pension scheme assets	932	4,383
Experience loss arising on pension scheme liabilities	(246)	(109)
Changes in financial assumptions underlying pension scheme liabilities	(620)	530
Variance between pension fund actuarial assumptions and actual experience	66	4,804
Gross deficit in scheme at 31st March 2005/31st March 2004	(3,829)	(4,687)

Pension contributions of £1,065,000 were made during the year (2004: £664,000)

Notes to the Accounts *continued*

19. Pension Commitments (continued)

(d) Actuarial gain recognised

	2005	2004
	£'000	£'000
Variance between pension fund actuarial assumptions and actual experience	66	4,804
Deferred tax relating to above items	(20)	(1,441)
Net actuarial gain recognised in respect of the pension fund (net of deferred tax)	46	3,363

(e) History of experience gains and losses

	2005	2004
	£'000	£'000
Difference between expected and actual return on scheme assets:		
Amount	932	4,383
Percentage of scheme assets at 31st March 2005/31st March 2004	2.6%	13.7%
Experience gains on scheme liabilities:		
Amount	(246)	(109)
Percentage of scheme liabilities at 31st March 2005/31st March 2004	(0.6%)	(0.3%)
Total gross amount recognised in Statement of Total Recognised Gains and Losses:		
Amount	66	4,804
Percentage of scheme liabilities at 31st March 2005/31st March 2004	0.2%	13.1%

20. Capital Commitments

	2005	2004
	£'000	£'000
Capital expenditure contracted for but not provided for in these accounts	594	1,678

21. Contingent Liabilities

At 31st March 2005, the Company and certain subsidiary undertakings had guaranteed bank loans of other companies within the Peel Ports Holdings Limited Group amounting in aggregate to £251,416,000 (2004: £102,454,000).

22. Ultimate Holding Company

The ultimate holding company is Tokenhouse Holdings Limited, a company incorporated in Guernsey, which is in turn controlled by the 1997 Billown settlement trust.

The largest group of undertakings, of which the Company is a member, which produces consolidated accounts is Peel Acquisitions (Ports) Limited, a company registered in England. Its group accounts are available from the Company Secretary, Peel Acquisitions (Ports) Limited at Peel Dome, The Trafford Centre, Manchester, M17 8PL.

The smallest group of undertakings, of which the Company is a member, which produces consolidated accounts is Peel Ports Holdings Limited, a company registered in England. Its group accounts are available from the Company Secretary, Peel Ports Holdings Limited at Peel Dome, The Trafford Centre, Manchester, M17 8PL.

23. Restatement of comparatives – re investment in own shares

Own shares held by the Trust are dealt with in the balance sheet as a deduction from shareholders funds.

211,598 ordinary shares in the capital of the Company are vested in trust and do not rank for dividends. During the year this investment was reclassified from fixed asset investments to shareholders funds to comply with UITF37 and the comparative information was reclassified as follows :

	Fixed Asset Investment In own shares £'000	Shareholders Funds £'000
As at 31 st March 2004	212	139,126
Reclassification of shares in Trust	<u>(212)</u>	<u>(212)</u>
Restated March 2004	<u>-</u>	<u>138,914</u>

The change had no impact on the profit and loss account in either year.

Subsidiary Undertakings

Subsidiary Undertakings

The subsidiary undertakings consolidated as at 31st March 2005, all of which were wholly-owned, were as follows:

Incorporated, registered and operating in:	Company	Principal activities
United Kingdom	Ship Canal Land Limited	Property development
	Ship Canal Investments Limited	Dormant
	MSC Waste Limited	Dormant
	Manchester Ship Canal Services Limited	Dormant
	Harbour City Investments Limited	Dormant

A full list of subsidiary undertakings will accompany the next annual return to be filed with the Registrar of Companies.