

ZC197.

THE MANCHESTER SHIP CANAL COMPANY

REPORT & ACCOUNTS

YEAR ENDED 31ST MARCH 2006

COMPANY NUMBER      ZC197

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COMPANIES HOUSE

## 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.  
Sir Richard Leese

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**Secretary:** William J. Bowley

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**Principal Office:** Maritime Centre  
Port of Liverpool  
L21 1LA

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**Registered Number:** ZC197

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**Auditors:** Deloitte & Touche LLP, Manchester

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**Bankers:** Bank of Scotland  
The Royal Bank of Scotland

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**Property Valuers:** King Sturge  
Scott Doherty Associates

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**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 2006*

The directors submit their report together with the audited financial statements of the Company for the year ended 31st March 2006.

### **Principal Activities**

The principal activities of the Company is the operation of a major regional port. In addition, the Company undertakes the management of its land and property interests.

### **Review of Business, Developments and Prospects**

The level of business activity for the port operations at the Manchester Ship Canal has remained consistent with expectations during the year and it is anticipated that the present level of activity will be maintained for the foreseeable future. The directors continue to assess the operational requirements at the Canal to make efficiencies and to position the Company to attract new business and retain existing operations. A proportion of the Company's property interests were transferred to Peel Ports Land and Property Investments Limited, a company associated by virtue of common control, and as a consequence rental turnover and profit show reductions from previous year.

The Company transferred its interests in all of its subsidiaries undertakings to Peel Ports Operations Limited, a company associated by virtue of common control, on 31st March 2006 for nominal consideration.

### **Results and Dividends**

The Company's results for the financial year are set out in the profit and loss account on page 7. The financial position of the Company at 31st March 2006 is set out in the balance sheet on page 8.

Turnover for the year was £26,014,000 (2005: £24,999,000) with the Ports division showing an increase of 7% from 2005 and the property division showing a decrease of 28% from 2005. Operating profits for the year are £9,333,000 (2005: £7,473,000).

Retained profit for the year, after taxation was £6,421,000 (2005: £4,630,000).

Net assets were £75,952,000 at 31<sup>st</sup> March 2006 compared to £68,510,000 at 31<sup>st</sup> March 2005. The increase is as a result of the retained profit in the year of £6,421,000 (2005: £4,630,000) and actuarial gains relating to pension scheme of £1,021,000 (2005: £46,000)

The directors do not recommend the payment of a dividend (2005: £3,500,000).

Since the year-end, ordinary dividends of £6,935,000 and £10,000,000 were declared and paid to the holders of the ordinary shares on 12th November 2006 and 17th November 2006 respectively.

### **Principal Risks and Uncertainties**

The key operational risk and uncertainty relates to the dependency upon the economic activity of the businesses and consumers within an economic geographic proximity of the canal. These consumers and businesses generate the trade which flows through the canal and when they are subject to economic cycles or at the extreme to failure there is an unavoidable impact on the canal.

The mitigation of this risk comes from the diverse nature of customers, markets and products served by the canal.

With regard to the financial risk of meeting liabilities and repayment of bank borrowings as they fall due, the Directors consider that the combination of stable trading and effective working capital management act as significant factors to manage this risk.

### **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 2006.

## Report of the Directors *(continued)*

### Directors

The directors who held office during the financial year were:

J. Whittaker  
P.A. Scott  
T.E. Allison  
D.S. Green  
M. Mackay  
P.P. Wainscott  
Sir Richard 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 Sir Richard Leese would be regarded as being a non-executive director. Sir Richard Leese, aged 54, has been leader of Manchester City Council since 1996.

### 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 2006 are as nominees for Peel Ports Limited.

	<i>At 31st March 2006</i>	<i>At 31st March 2005</i>
	<i>Number</i>	<i>Number</i>
J. Whittaker*	500	500
P.A. Scott*	501	501
T.E. Allison	500	500
D.S. Green	500	500
M. Mackay	500	500
P.P. Wainscott	501	501
Cllr. R. Leese	500	500

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

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 2006 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.

As at 31 March 2006, 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 Holdings (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 Holdings (Ports) Limited, companies within the Peel Holdings (Ports) Limited group and the ultimate holding company, Tokenhouse Investments (Guernsey) Limited.

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

## Report of the Directors (*continued*)

### Directors' Responsibilities

The directors are responsible for preparing the Annual Report and financial statements. The directors have chosen to prepare the financial statements for the company in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP).

Company law requires the directors to prepare such financial statements for each financial year which give a true and fair view in accordance with UK GAAP of the state of affairs of the Company as at the end of the financial year and of its profit or loss for that period and comply with UK GAAP and the Companies Act 1985. 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 Company 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 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

### Political and Charitable Contributions

During the financial year, contributions by the Company for charitable purposes totalled £1,224 (2005: £665).

The Company made no political contributions during the financial year (2005: £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 14 days' (2005: 48 days') purchases.

### Employees

The Company considers that employee involvement is essential to the continuing development and success of its business and uses a variety of methods to inform, consult and involve its employees.

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.

## Report of the Directors (*continued*)

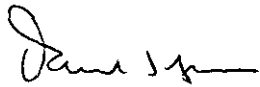
### Auditors

In the case of each of the persons who are directors of the company at the date when this report is approved:

- So far as each is aware, there is no relevant audit information (as defined in the Companies Act 1985) of which the company's auditors are unaware: and
- Each of the directors has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information (as defined) and to establish that the company's auditors are aware of that information.

In accordance with Section 384 of the Companies Act 1985 a resolution for the re-appointment of Deloitte & Touche LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

On behalf of the Board



**D.S. Green**  
*Director*

22 December 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 2006 which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses, the note of historical cost profits and losses, the reconciliation of movements in 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 (United Kingdom Generally Accepted Accounting Practice). Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, in accordance with the relevant financial reporting framework and are properly prepared in accordance with the Companies Act 1985 and Section 42 of the Harbours Act 1964. We report to you, whether in our opinion the information given in the directors' report is consistent with the financial statements. We also report to you if, in our opinion, the Company has 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 and other information contained in the annual report for the above year as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

### Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing 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, 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the affairs of the Company as at 31st March 2006 and of the its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985 and Section 42 of the Harbours Act 1964; and
- the information given in the directors' report is consistent with the financial statements.

*Deloitte & Touche LLP*

Deloitte & Touche LLP  
Chartered Accountants and Registered Auditors  
Manchester

22 December 2006

THE MANCHESTER SHIP CANAL COMPANY

Profit and Loss Account *for the year ended 31st March 2006*

		2006	2005 (restated – see note 22)
	Note	£'000	£'000
Turnover	2	26,014	24,999
Cost of Sales		(15,648)	(16,112)
Gross Profit		10,366	8,887
Administrative expenses		(2,040)	(2,161)
Other income		1,007	747
Operating profit		9,333	7,473
Profit on disposal of fixed assets	3	1,199	559
Profit on ordinary activities before interest and taxation		10,532	8,032
Net interest payable and similar charges	4	(1,605)	(1,494)
Profit on ordinary activities before taxation	5	8,927	6,538
Tax on profit on ordinary activities	6	(2,506)	(1,908)
Profit on ordinary activities after taxation		6,421	4,630
Retained profit for the financial year attributable to ordinary shareholders	18	6,421	4,630

All the above results derive from continuing activities.

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

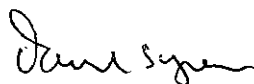


THE MANCHESTER SHIP CANAL COMPANY

Balance Sheet as at 31st March 2006

	Note	2006 £'000	2005 £'000 (restated – see note 22)
<b>Fixed assets</b>			
<b>Tangible assets</b>			
Investment properties	10	18,009	46,633
Other fixed assets	11	35,694	35,137
		53,703	81,770
<b>Current assets</b>			
Debtors	12	107,936	98,798
Cash at bank and in hand		3,010	1,393
		110,946	100,191
<b>Creditors</b> (amounts falling due within one year)	13	(50,904)	(74,238)
<b>Net current assets</b>		60,042	25,953
<b>Total assets less current liabilities</b>		113,745	107,723
<b>Creditors</b> (amounts falling due after more than one year)	14	(35,252)	(35,040)
<b>Provision for liabilities and charges</b>	16	(1,155)	(1,493)
<b>Net assets excluding pension liability</b>		77,338	71,190
<b>Pension liability</b>	19	(1,386)	(2,680)
<b>Net assets including pension liability</b>		75,952	68,510
<b>Financed by capital and reserves</b>			
Called-up share capital	17	4,000	4,000
Revaluation reserve	18	32,616	49,443
Capital reserve	18	3,278	3,278
Other reserve	18	5,644	5,644
Investment in own shares	18	(212)	(212)
Profit and loss account	18	30,626	6,357
<b>Equity shareholders' funds</b>		75,952	68,510

Approved by the Board of Directors on 22 December 2006.



D.S. Green  
Director

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

**Statement of Total Recognised Gains and Losses**  
for the year ended 31st March 2006

	Note	2006 £'000	2005 £'000
Profit for the financial year		6,421	4,630
<b>Other recognised gains and losses</b>			
Unrealised net surplus on revaluation of investment properties	18	-	2,121
Actuarial gains and losses relating to the pension scheme	19 (d)	1,459	66
UK deferred tax attributable to gains and losses relating to the pension scheme		(438)	(20)
		1,021	2,167
<b>Total recognised net gains and losses for the financial year</b>		<b>7,442</b>	<b>6,797</b>

**Note of Historical Cost Profits and Losses**  
for the year ended 31st March 2006

	Note	2006 £'000	2005 £'000
Reported profit on ordinary activities before taxation		8,927	6,538
Realisation of investment property revaluation surpluses of previous years		16,827	-
<b>Historical cost profit on ordinary activities before taxation</b>		<b>25,754</b>	<b>6,538</b>
<b>Historical cost retained profit for the financial year</b>		<b>23,248</b>	<b>4,630</b>

**Reconciliation of Movements in Shareholders' Funds**  
for the year ended 31st March 2006

	Note	2006 £'000	2005 £'000
Profit for the financial year		6,421	4,630
Dividends paid	7	-	(3,500)
Other recognised gains and losses for the financial year		1,021	2,167
<b>Net increase in shareholders' funds</b>		<b>7,442</b>	<b>3,297</b>
<b>Shareholders' funds at 1st April 2005/1st April 2004</b>		<b>68,510</b>	<b>65,213</b>
<b>Shareholders' funds at 31st March</b>		<b>75,952</b>	<b>68,510</b>

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, except for the adoption of FRS 25 "Financial Instruments: Disclosure and presentation", which has led to a restatement of the 2005 financial statements as detailed in note 22.

#### 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 law and accounting standards.

The financial statements have been prepared in accordance with the Companies Act 1985 and Section 42 of the Harbours Act 1964.

#### Cash flow and related party transactions

The Company is a wholly owned subsidiary undertaking of Peel Ports Investments Limited. The Company is exempt under the terms of Financial Reporting Standard No. 1 (Revised 1996) from the requirement to publish a cash flow statement as consolidated accounts are prepared by Peel Holdings (Ports) Limited – the largest group of undertakings of which the Company is a member that produces consolidated accounts. Since Peel Holdings (Ports) Limited publishes consolidated group accounts, the Company has taken advantage of the exemption to not report transactions with other group members as permitted in Financial Reporting Standard No. 8.

#### 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 useful 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.

## Notes to the Accounts *continued*

### 1. Accounting Policies *(continued)*

#### **Other Fixed Assets *(continued)***

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 Company 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.

#### **Stocks**

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

#### **Taxation**

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

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax in assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

#### **Turnover**

Port and canal income comprises amounts receivable by the Company 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.

#### **Preference shares**

Preference shares are accounted for in accordance with FRS 25 "Financial instruments: Disclosure and presentation". The preference shares are accounted for as debt in the financial statements in accordance with the requirements of FRS 25. Cumulative dividends payable on the shares are included in creditors due within one year until the company has paid them to the shareholders.

Notes to the Accounts *continued***1. Accounting Policies (continued)****Pension Costs**

The cost of the 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 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 Company'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 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.

**2. Segmental Information**

	2006 £'000	2005 £'000
Turnover arises in the UK from the following sources:		
Port and canal operations	24,454	22,845
Rental income	1,560	2,154
	<u>26,014</u>	<u>24,999</u>

The company has taken advantage of the exemption from SSAP 25 "segmental reporting" on the basis that such disclosures are included in the consolidated financial statements of Peel Ports Holding Limited, the smallest group in which the accounts are consolidated.

Notes to the Accounts *continued*

## 3. Profit on Disposal of Fixed Assets

	2006 £'000	2005 £'000
Investment properties	1,152	310
Other fixed assets	47	249
	1,199	559

The effect of the profit on disposal of fixed assets on the amount charged to the profit and loss account for taxation was £nil (2005: £nil)

## 4. Net Interest Payable and Similar Charges

	2006 £'000	2005 (restated – see note 22) £'000
Interest payable and similar charges:		
On bank loans	1,683	1,634
On other loans	81	82
Finance lease and other interest	98	110
Preference dividends paid (3.5p per preference share)	140	140
	2,002	1,966
Interest receivable and similar income:		
On bank and other deposits	(61)	(76)
Other finance income:		
Expected return on pension scheme assets	(2,440)	(2,429)
Interest on pension scheme liabilities	2,104	2,033
	(336)	(396)
Net interest payable and similar charges	1,605	1,494

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

## 5. Profit on Ordinary Activities before Taxation

	2006 £'000	2005 £'000
Profit on ordinary activities before taxation is stated after charging /(crediting):		
Depreciation - owned assets	1,405	1,184
Depreciation - leased assets	119	189
Profit on disposal of fixed assets	1,199	559
Hire of plant and machinery under operating leases	-	-
Grant releases	(71)	(72)
Auditors' remuneration – audit services	30	30
Auditors' remuneration – non-audit services	10	6
Directors' emoluments (note 9)	-	68

	2006 £'000	2005 £'000
Port and Canal income includes:		
Pilotage (including exemption certificates of £6,000 (2005 : £4,000))	1,471	1,229
Railways	388	388
Port and canal expenditure includes:		
Pilotage	1,231	1,137

Notes to the Accounts *continued***6. Tax on Profit on Ordinary Activities**

	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>
Current tax:		
Group relief	2,269	1,650
UK Corporation tax	-	-
	<u>2,269</u>	<u>1,650</u>
Adjustment in respect of prior years:		
Group relief	(58)	(473)
UK Corporation tax	143	485
	<u>85</u>	<u>12</u>
Total current tax	<u>2,354</u>	<u>1,662</u>
Deferred tax:		
Origination and reversal of timing differences (note 16)	104	8
Movement in FRS 17 deferred taxation	116	238
Adjustment in respect of prior years	(68)	-
Total deferred tax	<u>152</u>	<u>246</u>
Total tax on profit on ordinary activities	<u>2,506</u>	<u>1,908</u>

	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>

The tax charge for the year is lower (2005: lower) than that arising from applying the standard corporation tax rate in the UK of 30% (2005: 30%). The differences are explained below:

## Reconciliation of current tax charge:

Profit on ordinary activities before taxation at 30%	2,678	2,004
Capital allowances in excess of depreciation	(83)	(17)
Movement in FRS 17 pension surplus deferred taxation	(116)	(238)
Net disallowable expenditure	160	16
Movement in short term timing differences	(22)	(22)
Excess of book profits over taxable profits on sale of fixed assets	(349)	(93)
Adjustment to tax charge in respect of prior years	86	12
Total current tax	<u>2,354</u>	<u>1,662</u>

**7. Equity Dividends Paid**

	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>

Proposed ordinary dividend of nil p per share (2005: 264.0p per share)	-	3,500
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Notes to the Accounts *continued*

8. Particulars of Staff

	2006 £'000	2005 £'000
Staff costs (including directors):		
Wages and salaries	3,013	4,307
Social security costs	242	346
Pension fund service cost (note 19 (c) )	748	669
	4,003	5,322

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

	2006 Number	2005 Number
Administration	47	60
Port operational and maintenance staff	76	87
	123	147

9. Directors' Remuneration

The remuneration of directors of the Company was as follows:	2006 £'000	2005 £'000
Emoluments	-	68
Company contributions to defined benefit schemes	-	17
Total	-	85

None of the directors (2005: one) are members of the Company defined benefit pension scheme.

The directors are also directors of other group companies and spend the majority of their time dealing with the affairs of those companies. For this reason no recharge of their emoluments is made to the Company.

10. Investment Properties

	Freehold £'000	Long Leasehold £'000	Total £'000
Cost or Valuation:			
At 1st April 2005	45,423	1,210	46,633
Additions	101	-	101
Disposals	(337)	-	(337)
Intra-group transfers	(27,753)	(635)	(28,388)
At 31st March 2006	17,434	575	18,009
		2006 £'000	2005 £'000
Historical Cost of Investment Properties			
Company		3,164	14,960



Notes to the Accounts *continued*

## 10. Investment Properties (continued)

## 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.

In the opinion of the directors, having consulted the company's own professionally qualified staff, the current open market value of land and investment properties is not materially different from their values incorporated in the financial statements.

## 11. Other Fixed Assets

	Port and Canal £'000
<b>Cost or Valuation:</b>	
At 1st April 2005	82,566
Additions	2,277
Disposals	(216)
<b>At 31st March 2006</b>	<b>84,627</b>
<b>Depreciation:</b>	
At 1st April 2005	47,429
Charge for the financial year	1,524
Disposals	(20)
<b>At 31st March 2006</b>	<b>48,933</b>
<b>Net Book Value:</b>	
At 31st March 2006	35,694
At 31st March 2005	35,137
<b>Analysis of Net Book Value of Port and Canal Assets:</b>	
Professional valuation:	£'000
March 1995	15,398
March 1994	1,600
November 1990	3,079
Depreciated cost	15,617
<b>At 31st March 2006</b>	<b>35,694</b>

Notes to the Accounts *continued*

## 11. Other Fixed Assets (continued)

At 31st March 2006, port and canal assets include freehold and long leasehold land and buildings as analysed below:

	Freehold	Long leasehold	Total
	£'000	£'000	£'000
Cost or valuation	25,937	418	26,355
Depreciation	5,018	112	5,130
Net book value	20,919	306	21,225

At 31st March 2006, port and canal assets include freehold and long leasehold land which is not subject to depreciation in the amount of £12,756,000 (2005: £12,818,000) and £81,000 (2005: £81,000) respectively.

## 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 2006 of port and canal assets held under finance leases amounted to £2,319,000 (2005: £2,438,000) and depreciation provided thereon during the year totalled £119,000 (2005: £189,000).

## Historical Cost of Other Fixed Assets

2006	2005
£'000	£'000
66,329	64,268

## 12. Debtors

	2006	2005
	£'000	£'000
Trade debtors	3,492	4,451
Amounts owed by group undertakings	103,644	93,716
Other debtors	399	236
Prepayments	401	395
	107,936	98,798

All debtors are due within one year

Notes to the Accounts *continued*

## 13. Creditors (amounts falling due within one year)

	2006	2005
	£'000	£'000
Bank loans and overdrafts	-	469
Finance leases	211	266
Debt falling due within one year	211	735
Trade creditors	572	1,847
Development costs to site completion	24	2
Amounts owed to group undertakings	41,599	63,291
Other taxes and social security	-	41
Other creditors	453	201
Government grants	71	71
Corporation tax	11	-
Accruals and deferred income	1,043	1,270
Unpaid dividends	6,920	6,780
	50,904	74,238

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

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

	2006	2005 (restated – see note 22)
	£'000	£'000
Secured bank loans	27,866	27,397
Perpetual Debenture Stocks	2,233	2,233
Finance leases	591	777
3,999,980 3.5% (net) preference shares (see note 17)	4,000	4,000
Debt falling due after more than one year	34,690	34,407
Government grants	562	633
	35,252	35,040

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

Notes to the Accounts *continued*

## 15. Derivatives and Other Financial Instruments

	2006 £'000	2005 £'000
<b>(a) Analysis of net debt:</b>		
Creditors (amounts falling due within one year)	211	735
Creditors (amounts falling due after more than one year)	34,690	34,407
Gross debt	34,901	35,142
Cash at bank and in hand	(3,010)	(1,393)
<b>Net debt</b>	<b>31,891</b>	<b>33,749</b>
<b>(b) Repayments of gross debt:</b>		
<b>Finance leases:</b>		
Within 1 year	211	266
1 - 2 years	176	207
2 - 5 years	415	525
	802	998
After five years	-	45
	802	1,043
<b>Other debt:</b>		
Within 1 year	-	469
1 - 2 years	-	938
2 - 5 years - Secured bank loan	27,866	2,812
- 3,999,980 3.5% (net) preference shares (see note 17)	4,000	4,000
	31,866	8,219
After five years - Secured bank loans	-	23,647
- Perpetual Debenture stocks	2,233	2,233
	34,099	34,099
<b>Gross debt</b>	<b>34,901</b>	<b>35,142</b>

Amounts included within other debt include secured bank loans of £27,866,000 which are secured by a fixed legal charge on certain freehold investment properties and investments and a floating charge over all other assets of certain group companies both present and future. There is a cross corporate guarantee between certain group companies in respect of secured borrowings. The loans bear interest at LIBOR plus applicable margin.

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. 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 Company does not have any commitments under non-cancellable operating leases.

Notes to the Accounts *continued*

## 16. Provisions for Liabilities and Charges

<b>Deferred Taxation</b>	<b>£'000</b>
At 1st April 2005	1,493
Profit and loss account (note 6)	36
Intra-group transfer	(374)
<b>At 31st March 2006</b>	<b>1,155</b>

Provision is made for deferred taxation at a rate of 30% (2005 30%), the amount provided being:

	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>
Other timing differences	(190)	(114)
Enterprise Zone allowance	-	374
Capital allowances in excess of depreciation	1,345	1,233
	<b>1,155</b>	<b>1,493</b>

No provision is made for the liability to corporation tax on capital gains at 30% (2005: 30%) estimated not to exceed £1.2m (2005: £6.3m) which would arise if interests in investment properties and certain other fixed assets were to be sold at their revalued amounts. In the event of a chargeable disposal, the tax liability may be mitigated by the use of tax losses available in other group companies.

## 17. Called-up Share Capital

		<b>2006</b>	<b>2005</b>
			<b>(restated – see note 22)</b>
	<b>Number</b>	<b>£'000</b>	<b>£'000</b>
<b>Authorised under the Manchester Ship Canal Acts and Orders</b>			
Ordinary shares of £1 each	4,000,000	4,000	4,000
3.5% (net) preference shares of £1 each*	4,000,000	4,000	4,000
<b>Total authorised share capital at 31st March</b>	<b>8,000,000</b>	<b>8,000</b>	<b>8,000</b>
<b>Allotted, Called-Up and Fully Paid Share Capital</b>			
	<b>Number</b>		
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
	4,000,000	4,000	4,000
3.5% (net) preference shares of £1 each*	3,999,980	4,000	4,000
<b>Total allotted share capital at 31st March</b>	<b>7,999,980</b>	<b>8,000</b>	<b>8,000</b>

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.

\* - In accordance with Financial Reporting Standard (FRS) 25 the 3.5% (net) preference shares are classified as creditors due in more than one year on the balance sheet (see note 14). Cumulative dividends declared are accrued within creditors until they are paid.

Notes to the Accounts *continued*

## 18. Reserves

	Capital reserve	Revaluation reserve	Other reserve	Investment In own shares	Profit and Loss account
	£'000	£'000	£'000	£'000	£'000
At 1st April 2005	3,278	49,443	5,644	212	6,357
Realised revaluation surplus on disposal of fixed asset investment properties	-	(16,827)	-	-	16,827
Retained profit for the year	-	-	-	-	6,421
Actuarial gain relating to the pension fund (note 19d)	-	-	-	-	1,021
<b>At 31st March 2006</b>	<b>3,278</b>	<b>32,616</b>	<b>5,644</b>	<b>212</b>	<b>30,626</b>

Revaluation reserve includes an amount of £18,299,000 (2005: £18,299,000) in respect of fixed assets other than investment properties.

The other reserve of the 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.

## 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 Company.

The latest actuarial valuation as at April 2003 has been adjusted to reflect the positions at 31st March 2004, 31st March 2005 and 31st March 2006, by a qualified independent actuary (in accordance with FRS 17).

## (a) Major actuarial assumptions

	31st March 2006 % pa	31st March 2005 % pa	31st March 2004 % pa
Rate of increase in salaries	4.25	4.25	4.25
Rate of increase of pensions in payment	3.00	2.75	2.75
Rate of increase for deferred pensioners	3.00	2.75	2.75
Discount rate	5.00	5.40	5.50
Inflation	3.00	2.75	2.75

## (b) Pension fund valuation and deficit

	Expected rate of return 31st March 2006 %	Fair value of Assets 31st March 2006 £'000	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
Equities	7.75	31,473	7.75	25,465	8.0	26,811
Bonds	4.50	11,691	4.90	9,700	5.1	3,552
Other investments	4.00	145	3.75	228	4.0	1,730
Total market value of assets		43,309		35,393		32,093
Present value of scheme liabilities		(45,290)		(39,222)		(36,780)
Deficit in the scheme		(1,981)		(3,829)		(4,687)
Irrecoverable surplus		-		-		-
Recognised deficit		(1,981)		(3,829)		(4,687)
Related deferred tax asset		595		1,149		1,407
Net pension liability		(1,386)		(2,680)		(3,280)

Notes to the Accounts *continued*

19. Pension Commitments (continued)

(c) Analysis of amount charged to operating profit

	2006	2005
	£'000	£'000
Current service cost	(748)	(1,008)
Past service cost	-	(87)
Gain/(loss) on curtailment	-	426
Total charged to operating profit	(748)	(669)

(d) Analysis of the amount credited to other finance income

	2006	2005
	£'000	£'000
Expected return on pension scheme assets	(2,440)	(2,429)
Interest on pension scheme liabilities	2,104	2,033
	(336)	(396)

(e) Analysis of the amount recognised in the statement of total recognised gains and losses (STRGL)

	2006	2005
	£'000	£'000
Actual return less expected return on pension scheme assets	5,861	932
Experience gains and losses arising on the scheme liabilities	(172)	(246)
Changes in assumptions underlying the present value of the scheme liabilities	(4,230)	(620)
	1,459	66

(f) Analysis of the movement in deficit during the year

	2006	2005
	£'000	£'000
Deficit in scheme at beginning of the year	(3,829)	(4,687)
Company's share of service cost	(748)	(1,095)
Curtailment cost	-	426
Contributions paid by the company	801	1,065
Other finance income	336	396
Actuarial gain	1,459	66
	(1,981)	(3,829)

Pension contributions of £801,000 were made during the year (2005: £1,065,000)

(g) History of experience gains and losses

	2006	2005	2004	2003
	£'000	£'000	£'000	£'000
Difference between expected and actual return on scheme assets:				
Amount	5,861	932	4,383	(10,826)
Percentage of scheme assets at 31st March 2006/ 31st March 2005	13.5%	2.6%	13.7%	(42.3%)
Experience gains on scheme liabilities:				
Amount	(172)	(246)	(109)	(178)
Percentage of scheme liabilities at 31st March 2006/ 31st March 2005	(0.4%)	(0.6%)	(0.3%)	(0.5%)
Total gross amount recognised in Statement of Total Recognised Gains and Losses:				
Amount	1,459	66	4,804	(9,235)
Percentage of scheme liabilities at 31st March 2006/ 31st March 2005	3.2%	0.2%	13.1%	(26.5%)

Notes to the Accounts *continued***20. Capital Commitments**

	2006 £'000	2005 £'000
Capital expenditure contracted for but not provided for in these accounts	2,150	594

**21. Contingent Liabilities**

At 31st March 2006, the Company had guaranteed bank loans of other companies within the Peel Ports Holdings Limited group amounting in aggregate to £1,078,097,000 (2005: £251,416,000).



Notes to the Accounts *continued*

22. Prior Year Adjustment

The financial statements have been adjusted for the adoption of FRS 25 "Financial Instruments: Disclosure and Presentation". This has led to 3,999,980 preference shares of £1 each being reclassified as financial liabilities. The effect of this change in accounting policy on financial statements is disclosed in the table below:

	Per 2005 Financial statements £'000	Adoption of FRS 25 £'000	Restated 2005 financial statements £'000
<b>Profit and loss account</b>			
Net interest payable and similar charges	(1,354)	(140)	(1,494)
Profit on ordinary activities before taxation	6,678	(140)	6,538
Dividends on non-equity share capital	(140)	140	-
Profit on ordinary activities after taxation	4,630	-	4,630
<b>Balance sheet</b>			
Creditors: amounts falling due after more than one year	(31,040)	(4,000)	(35,040)
Called up share capital	8,000	(4,000)	4,000
Opening equity shareholders' funds	67,880	(4,000)	63,880
Closing equity shareholders' funds	72,510	(4,000)	68,510
	<b>2006 Pre adoption of FRS 25 £'000</b>	<b>Adoption of FRS 25 £'000</b>	<b>2006 Financial statements £'000</b>
The effect on 2006 of this adoption is as below:			
<b>Profit and loss account</b>			
Net interest payable and similar charges	(1,465)	(140)	(1,605)
Profit on ordinary activities before taxation	9,067	(140)	8,927
Dividends on non-equity share capital	(140)	140	-
Profit on ordinary activities after taxation	6,421	-	6,421
<b>Balance sheet</b>			
Creditors: amounts falling due after more than one year	(31,252)	(4,000)	(35,252)
Called up share capital	8,000	(4,000)	4,000
Opening equity shareholders' funds	72,510	(4,000)	68,510
Closing equity shareholders' funds	79,952	(4,000)	75,952

Notes to the Accounts *continued*

**23. Ultimate Holding Company**

The ultimate holding company in the period to 12 October 2005 was Tokenhouse Holdings Limited, a company incorporated in Guernsey. On 12<sup>th</sup> October 2005, Tokenhouse Investments (Guernsey) Limited, a company incorporated in Guernsey, became the ultimate holding company. Both Tokenhouse Investments (Guernsey) Limited and Tokenhouse Holdings Limited, are controlled by the 1997 Billown settlement trust.

The largest group of undertakings of which the Company is a member that process consolidated accounts is Peel Holdings (Ports) Limited, a company registered in England. Its group accounts are available from:-

The Company Secretary  
Peel Holdings (Ports) Limited  
Maritime Centre  
Port of Liverpool  
L21 1LA