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THE MANCHESTER SHIP CANAL COMPANY

**REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31ST MARCH 1997**

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THE MANCHESTER SHIP CANAL COMPANY

DIRECTORS, PROFESSIONAL ADVISERS AND REGISTERED OFFICE

Directors: Robert E. Hough (Chairman)
John Whittaker
Peter A. Scott
Paul P. Wainscott
James B. Chilton
Cllr. Richard Leese
Martin G. Hill

Secretary: Paul P. Wainscott

Registered Office: Quay West
Trafford Wharf Road
Manchester M17 1PL

Registered Number: ZC197

Auditors: P. J. Loftus ACA and A. J. Farnworth ACA

Bankers: The Royal Bank of Scotland plc

Property Valuers: Edward Rushton Son & Kenyon
Dunlop Heywood & Co. Limited
Knight Frank & Rutley

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

Solicitors: Mace & Jones Grundy Kershaw, Manchester

THE MANCHESTER SHIP CANAL COMPANY

REPORT OF THE DIRECTORS for the year ended 31st March 1997

The directors submit their report together with the audited financial statements of the group for the year ended 31st March 1997.

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

The level of port business activity has remained satisfactory during the year and the directors anticipate that the present level of activity within the port business will be maintained for the foreseeable future.

Results and Dividends

The group's results and financial position are set out in the profit and loss account on page 6, the balance sheets on page 7 and the notes relating thereto.

An ordinary dividend of 290p per share was proposed on 31 March 1997.

A preference dividend of 3.5p per share was proposed on 31 March 1997.

Fixed Assets

The carrying value of other fixed assets is not significantly different from their market value at 31st March 1997.

Directors

The directors who held office during the year were:

R.E. Hough
J. Whittaker
P.A. Scott
P.P. Wainscott
J.B. Chilton
Cllr. G.E. Stringer MP (Resigned 30th June 1997)
M.G. Hill
Cllr. R. Leese (Appointed 3rd July 1997)

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

Under the Companies Acts Councillor G.E. Stringer MP, Councillor R. Leese and Mr M.G. Hill would be regarded as being non-executive directors. Councillor Stringer, aged 47, was until 1996 leader of Manchester City Council. Councillor Leese, aged 46, has been leader of Manchester City Council since 1996. Mr Hill, aged 53, is a management consultant and was managing director of the Company from 1987 to 1991.

THE MANCHESTER SHIP CANAL COMPANY

REPORT OF THE DIRECTORS (continued) for the year ended 31st March 1997

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 1997 are as nominee for Peel Holdings p.l.c.

		31st March 1997 Number	31st March 1996 Number
R.E. Hough	#	501	501
J. Whittaker	#	500	500
P.A. Scott	#	501	501
P.P. Wainscott	#	501	501
J.B. Chilton	#	501	501
Cllr. G.E. Stringer		-	-
M.G. Hill	#	501	501
Cllr. R. Leese		-	-

The above directors are also directors of the intermediate holding company, Peel Holdings p.l.c., in whose accounts their beneficial interests in the shares and financial instruments of that company, companies within the Peel Holdings p.l.c. group and the ultimate holding company, Tokenhouse Holdings Limited, are disclosed.

The other director had no interests in the share capital or financial instruments of any group company.

No director had an interest in the ordinary share capital of the company save for R.E. Hough and Cllr. G.E. Stringer who at 31st March 1997 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 or transfer dated 19th January 1988.

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

On 3rd July 1997, Councillor R. Leese acquired a non-beneficial interest in 500 Preference Shares of £1 each.

Directors' Responsibilities

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 and 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 group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

THE MANCHESTER SHIP CANAL COMPANY

REPORT OF THE DIRECTORS (continued) for the year ended 31st March 1997

Going Concern

After making enquiries and examining major areas which could give rise to significant financial exposure, the directors are satisfied that no material or significant exposures exist and that the company has adequate resources to continue its operations for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

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. At the year end, trade creditors represented 13 days purchases.

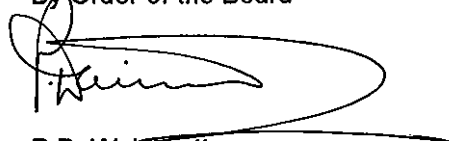
Charitable and Political Donations

The company made charitable donations of £10,531 in the year. No political donations were made.

Auditors

Mr P.J. Loftus, A.C.A., one of the auditors of the company, retires by rotation and offers himself for re-election.

By Order of the Board



P.P. Wainwright
Secretary

10th July 1997

THE MANCHESTER SHIP CANAL COMPANY

AUDITORS' REPORT

to the shareholders of the Manchester Ship Canal Company

We have audited the financial statements on pages 6 to 25 which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 9 to 11.

Respective responsibilities of directors and auditors

As described on page 3, the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with 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, 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 affairs of the company and the group as at 31st March 1997 and of the group's results 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.

P. J. Loftus

A. J. Farnworth

P.J. Loftus A.C.A.
A.J. Farnworth A.C.A.
Of Binder Hamlyn,
Registered Auditors
Bank House
9 Charlotte Street
Manchester
M1 4EU

10th July 1997

THE MANCHESTER SHIP CANAL COMPANY

GROUP PROFIT AND LOSS ACCOUNT for the year ended 31st March 1997

	Note	1997 £'000	1996 £'000
Turnover	2	26,747	25,245
Operating profit	2	32,809	11,022
Profit on disposal of fixed assets	3	310	165
Profit on ordinary activities before interest and taxation	4	33,119	11,187
Net interest payable	5	(2,954)	(2,842)
Profit on ordinary activities before taxation		30,165	8,345
Tax on profit on ordinary activities	6	(11,624)	(3,579)
Profit on ordinary activities after taxation		18,541	4,766
Equity minority interests	23	(32)	(17)
Profit for the financial year		18,509	4,749
Dividends on non-equity share capital	7	(140)	(140)
Profit for the financial year attributable to ordinary shareholders		18,369	4,609
Dividends on equity share capital	7	(11,000)	(4,016)
Retained profit for the financial year transferred to reserves	22	7,369	593

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

The statement of accounting policies and the notes on pages 9 to 25 form an integral part of these financial statements.

THE MANCHESTER SHIP CANAL COMPANY

BALANCE SHEETS
as at 31st March 1997

		Group		Holding Company	
	Note	1997 £'000	1996 £'000	1997 £'000	1996 £'000
Fixed assets					
Tangible assets					
Investment properties	10	59,088	58,561	59,088	58,561
Other fixed assets	11	34,295	35,537	34,295	35,537
Investments	12	885	885	885	885
		<u>94,268</u>	<u>94,983</u>	<u>94,268</u>	<u>94,983</u>
Current assets					
Stocks	13	544	87	-	-
Debtors due within one year	14	230,827	228,120	132,425	130,852
Cash at bank and in hand		20,245	4,695	19,763	3,751
Assets due after more than one year	15	26	17	26	17
		<u>251,642</u>	<u>232,919</u>	<u>152,214</u>	<u>134,620</u>
Creditors (amounts falling due within one year)	16	<u>(72,599)</u>	<u>(62,073)</u>	<u>(104,158)</u>	<u>(94,505)</u>
Net current assets		<u>179,043</u>	<u>170,846</u>	<u>48,056</u>	<u>40,115</u>
Total assets less current liabilities		<u>273,311</u>	<u>265,829</u>	<u>142,324</u>	<u>135,098</u>
Creditors (amounts falling due after more than one year)	17	(37,345)	(38,179)	(37,345)	(38,179)
Provision for liabilities and charges	19	(700)	(335)	(700)	(335)
Accruals and deferred income	20	(1,293)	(1,351)	(1,293)	(1,351)
Net assets		<u>233,973</u>	<u>225,964</u>	<u>102,986</u>	<u>95,233</u>
Financed by capital and reserves					
Called up share capital	21	8,000	8,000	8,000	8,000
Revaluation reserve	22	43,407	42,995	39,243	38,831
Capital reserve		3,846	3,846	3,278	3,278
Other reserve		74,391	74,391	2	2
Profit and loss account	22	103,888	96,323	52,463	45,122
Shareholders' funds		<u>233,532</u>	<u>225,555</u>	<u>102,986</u>	<u>95,233</u>
Equity minority interests	23	441	409		
		<u>233,973</u>	<u>225,964</u>		
Analysis of shareholders' funds					
Equity		229,532	221,555	98,986	91,233
Non-equity		4,000	4,000	4,000	4,000
		<u>233,532</u>	<u>225,555</u>	<u>102,986</u>	<u>95,233</u>

Approved by the board of directors on 10th July 1997.

R.E. Hough



Director

The statement of accounting policies and the notes on pages 9 to 25 form an integral part of these financial statements.

THE MANCHESTER SHIP CANAL COMPANY

STATEMENT OF TOTAL RECOGNISED GROUP GAINS AND LOSSES for the year ended 31st March 1997

	Note	1997 £'000	1996 £'000
Profit for the financial year		18,510	4,749
Other recognised gains and losses			
Unrealised surplus on revaluation of investment properties	10	608	23,238
Total recognised net gains and losses for the financial year		<u>19,118</u>	<u>27,987</u>

NOTE OF GROUP HISTORICAL COST PROFITS for the year ended 31st March 1997

	Note	1997 £'000	1996 £'000
Reported profit on ordinary activities before taxation		30,165	8,345
Realisation of property revaluation gains of previous years	22	196	155
Historical cost profit on ordinary activities before taxation		<u>30,361</u>	<u>8,500</u>
Historical cost retained profit for the financial year		<u>7,565</u>	<u>748</u>

RECONCILIATION OF MOVEMENTS IN GROUP SHAREHOLDERS' FUNDS for the year ended 31st March 1997

	Note	1997 £'000	1996 £'000
Profit for the financial year		18,509	4,749
Dividends	7	(11,140)	(4,156)
Other recognised net gains relating to the year	10	608	23,238
Net increase in shareholders' funds		<u>7,977</u>	<u>23,831</u>
Shareholders' funds at 1st April 1996/1st April 1995		<u>225,555</u>	<u>201,724</u>
Shareholders' funds at 31st March 1997/31st March 1996		<u>233,532</u>	<u>225,555</u>

The statement of accounting policies and the notes on pages 9 to 25 form an integral part of these financial statements.

THE MANCHESTER SHIP CANAL COMPANY

NOTES TO THE ACCOUNTS for the year ended 31st March 1997

1. Accounting Policies

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.

The financial statements have been prepared in accordance with applicable accounting standards, and in accordance with Section 42 of the Harbours Act 1964.

Related Party Disclosures

The company has taken advantage of the exemption in paragraph 3 (c) of Financial Reporting Standard No. 8 "Related party disclosures" and has not disclosed details of transactions with fellow wholly-owned undertakings within the Peel Holdings p.l.c. group of companies.

Group Financial Statements

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

The group profit and loss account incorporates the group's share of the results of associated undertakings. In the consolidated balance sheet, the fixed asset investment in associated undertakings represents the group's share of net assets of those undertakings.

The separable net assets of subsidiary and associated undertakings acquired are included in the group financial statements at their fair value to the group at the date of acquisition (which may be reassessed, if necessary and appropriate, in the group financial statements for the year immediately subsequent to the acquisition), including provisions and liabilities taken into consideration in assessing the fair value of the business acquired.

Intra-group turnover and, where material, profits (including the group's share of profits or losses arising on transactions with associated undertakings) 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.

Cash Flow Statement

The financial statements do not include a cash flow statement, as the holding company is a wholly owned subsidiary undertaking of Peel Holdings p.l.c. 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.

Reserve Arising on Consolidation

The reserve arising on consolidation, being the difference between the aggregate fair value of consideration given to acquire investments in subsidiary and associated undertakings over the fair value of the separable net assets acquired, is added to or deducted from reserves in the year in which it arises.

THE MANCHESTER SHIP CANAL COMPANY

NOTES TO THE ACCOUNTS (continued)
for the year ended 31st March 1997

1. Accounting Policies (continued)

Investment Properties and Other Fixed Assets

Investment properties are included in the balance sheet at their open market value and, in accordance with Statement of Standard Accounting Practice No. 19, are not depreciated or amortised except where subject to depletion. 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 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.

Any surplus or deficit arising from revaluation is transferred to the unrealised revaluation reserve. Realised revaluation surpluses representing the difference between historical cost and the asset's carrying value are reclassified by way of a transfer to the 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.

Interest

Interest attributable to property trading and development activities and investment properties in the course of development is included in the cost thereof provided the directors consider it prudent having regard to the prevailing market conditions. Interest is capitalised on a simple interest basis without allowing for any tax relief thereon.

Depreciation

Depreciation is provided for on operational buildings included in tangible fixed assets at rates varying between 1% and 4% per annum.

Plant and vehicles are depreciated by equal annual instalments over their expected useful economic 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.

Fixed Asset Investments in Subsidiary Undertakings

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

THE MANCHESTER SHIP CANAL COMPANY

NOTES TO THE ACCOUNTS (continued)
for the year ended 31st March 1997

1. Accounting Policies (continued)

Stocks

Stocks are stated at the lower of cost, including attributable overheads, to the group or estimated net realisable value. Land for development and properties acquired are accounted for with effect from the date of legal completion of the contract to purchase.

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

Deferred Taxation

Provision is made for deferred taxation only to the extent that, in the opinion of the directors, a liability is expected to arise in the foreseeable future. Advance corporation tax which is not expected to be relieved against taxation liabilities arising within 12 months of the balance sheet date or which cannot be offset against the deferred tax provision is charged to the profit and loss account.

Turnover

Port and canal turnover comprises amounts invoiced in respect of services provided during the financial year. Property investment turnover comprises property rental income, including rental premiums, and is accounted for on an accruals basis.

Property trading and development turnover comprises property disposals (which are accounted for on a legal completion basis) together with rental income, including rental premiums, and development fees.

Turnover excludes sales related taxes.

Pension Costs

The cost of the holding company's defined benefit scheme is determined by independent actuaries, and when such costs arise, are charged to the profit and loss account so as to spread the cost of providing pensions over the employees' working lives with the company. The contribution rates are determined by independent actuaries and all monies are invested and managed independently from the group's assets.

All pension costs have been accounted for in accordance with Statement of Standard Accounting Practice No. 24.

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)
for the year ended 31st March 1997

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

(a) Turnover and Operating Profit

	1997				1996			
	Port and Canal £'000	Property Investment £'000	Property Trading £'000	Group £'000	Port and Canal £'000	Property Investment £'000	Property Trading £'000	Group £'000
Turnover								
Port and canal income	19,985	-	-	19,985	18,900	-	-	18,900
Gross rental income	-	6,754	4	6,758	-	6,322	3	6,325
Trading property sales	-	-	4	4	-	-	-	-
Premium income	-	-	-	-	-	20	-	20
	<u>19,985</u>	<u>6,754</u>	<u>8</u>	<u>26,747</u>	<u>18,900</u>	<u>6,342</u>	<u>3</u>	<u>25,245</u>
Direct costs								
Port and canal direct costs	(12,992)	-	-	(12,992)	(12,723)	-	-	(12,723)
Ground rents payable	(415)	(211)	-	(626)	(415)	(212)	-	(627)
Irrecoverable property costs	-	(187)	-	(187)	-	(166)	(10)	(176)
Trading property costs	-	-	50	50	-	-	(26)	(26)
	<u>(13,407)</u>	<u>(398)</u>	<u>50</u>	<u>(13,755)</u>	<u>(13,138)</u>	<u>(378)</u>	<u>(36)</u>	<u>(13,552)</u>
Gross profit	<u>6,578</u>	<u>6,356</u>	<u>58</u>	<u>12,992</u>	<u>5,762</u>	<u>5,964</u>	<u>(33)</u>	<u>11,693</u>
Other costs								
Administration expenses	(914)	(154)	(2)	(1,070)	(933)	(136)	-	(1,069)
Voluntary severance payments	(50)	-	-	(50)	(13)	-	-	(13)
	<u>(964)</u>	<u>(154)</u>	<u>(2)</u>	<u>(1,120)</u>	<u>(946)</u>	<u>(136)</u>	<u>-</u>	<u>(1,082)</u>
Trading profit	<u>5,614</u>	<u>6,202</u>	<u>56</u>	<u>11,872</u>	<u>4,816</u>	<u>5,828</u>	<u>(33)</u>	<u>10,611</u>
Other income, including waste and minerals				267				411
Exceptional credit on winding-up of pension scheme (note 24)				20,670				-
Operating profit				<u>32,809</u>				<u>11,022</u>

All of the groups' turnover arose in the United Kingdom

Port and Canal income includes:

Pilotage (including exemption certificates of £11,300 (1996:£13,300))

Railways

	1997 £'000	1996 £'000
Pilotage	1,109	1,071
Railways	424	487

(b) Net Assets

	1997				1996			
	Port and Canal £'000	Property Investment £'000	Property Trading £'000	Group £'000	Port and Canal £'000	Property Investment £'000	Property Trading £'000	Group £'000
Investment properties	-	59,088	-	59,088	-	58,561	-	58,561
Trading properties	-	-	544	544	-	-	87	87
Other fixed assets	34,062	-	-	34,062	35,299	-	-	35,299
	<u>34,062</u>	<u>59,088</u>	<u>544</u>	<u>93,694</u>	<u>35,299</u>	<u>58,561</u>	<u>87</u>	<u>93,947</u>
Fixed asset investments				885				885
Operational properties				233				238
Centrally managed net assets				157,762				165,733
Group net borrowings (note 18)				(18,601)				(34,839)
Net assets				<u>233,973</u>				<u>225,964</u>

THE MANCHESTER SHIP CANAL COMPANY

TO THE ACCOUNTS (continued)
for the year ended 31st March 1997

3. Profit on Disposal of Fixed Assets

	1997 £'000	1996 £'000
Investment properties	227	96
Other fixed assets	83	69
	<u>310</u>	<u>165</u>

4. Profit on Ordinary Activities before Interest and Taxation

	1997 £'000	1996 £'000
Profit on ordinary activities before interest and taxation is stated after charging /(crediting):		
Auditors' remuneration	25	25
Directors' emoluments (note 9)	122	135
Depreciation - owned assets	1,115	1,117
Depreciation - leased assets	122	91
Hire of plant and machinery under operating leases	105	91
Grant leases (note 20)	(58)	(142)
Exceptional credit on winding-up of pension scheme (note 24)	<u>(20,670)</u>	<u>-</u>

5. Net Interest Payable

	1997 £'000	1996 £'000
Interest payable and similar charges:		
On other loans	3,090	3,228
Finance lease and other interest	155	159
	<u>3,245</u>	<u>3,387</u>
Interest receivable and similar income	(291)	(545)
	<u>2,954</u>	<u>2,842</u>

THE MANCHESTER SHIP CANAL COMPANY

NOTES TO THE ACCOUNTS (continued)
for the year ended 31st March 1997

6. Tax on Profit on Ordinary Activities

	1997 £'000	1996 £'000
Payment for group relief at 33% (1996:33%) on the profit for the financial year adjusted for corporation tax purposes	3,156	3,125
Tax on pension surplus	8,268	-
Corporation tax at 33% (1996:33%) on the profit for the financial year adjusted for corporation tax purposes	24	-
Corporation tax adjustments in respect of previous years	(189)	319
Deferred taxation (note 19)	365	135
	<u>11,624</u>	<u>3,579</u>

7. Dividends on Non-equity and Equity Share Capital

	1997 £'000	1996 £'000
Non-equity Share Capital:		
Proposed preference dividend of 3.5p per share (1996:3.5p per share)	140	140
Equity Share Capital:		
Proposed ordinary dividend of 290p per share (1996:106p per share)	11,000	4,016
Total dividends	<u>11,140</u>	<u>4,156</u>

8. Particulars of Staff

	1997 £'000	1996 £'000
Staff costs (including directors):		
Wages and salaries	3,747	3,326
Social security costs	300	342
Voluntary severance payments	13	13
	<u>4,060</u>	<u>3,681</u>

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

	Number	Number
Administration	75	76
Port operational and maintenance staff	119	121
	<u>194</u>	<u>197</u>

THE MANCHESTER SHIP CANAL COMPANY

NOTES TO THE ACCOUNTS (continued)
for the year ended 31st March 1997

9. Directors' Emoluments

The emoluments of directors of the company were as follows:

	1997	1996
	£'000	£'000
Fees	6	6
Emoluments for executive office	116	129
	<u>122</u>	<u>135</u>

The emoluments of the highest paid director were £71,000 (1996:£71,000) and are included within the above table. No pension contributions were made by the company on behalf of the Directors.

THE MANCHESTER SHIP CANAL COMPANY

NOTES TO THE ACCOUNTS (continued)
for the year ended 31st March 1997

10. Investment properties

	Group and Holding Company		
	Freehold	Long leasehold	Total
	£'000	£'000	£'000
Cost or valuation:			
At 1st April 1996	58,218	343	58,561
Additions	566	-	566
Disposals	(317)	-	(317)
Inter group transfers	(330)	-	(330)
Revaluations	608	-	608
At 31st March 1997	<u>58,745</u>	<u>343</u>	<u>59,088</u>
Cost or Valuation comprises:			
Professional Valuation:			
March 1997	20,033	150	20,183
March 1996	605	-	605
March 1994	38,107	193	38,300
	<u>58,745</u>	<u>343</u>	<u>59,088</u>

	At 31st March 1997 £'000	At 31st March 1996 £'000
Historical Cost of Investment Properties		
Group	33,980	33,865
Company	<u>38,144</u>	<u>38,030</u>

Valuations

Certain investment properties were professionally revalued by Edward Rushton Son & Kenyon, International Valuers and Surveyors on the basis of open market value at 31 March 1997.

The directors have considered the previous independent professional valuations carried out by Edward Rushton Son & Kenyon, International Valuers & Surveyors (March 1996) and Dunlop Heywood & Co. Limited, Consultant Surveyors (March 1994), on the basis of open market value.

In the opinion of the directors, having consulted the group's own professionally qualified staff, the current open market value of such investment properties is not materially different from their valuation or cost incorporated in the financial statements.

THE MANCHESTER SHIP CANAL COMPANY

NOTES TO THE ACCOUNTS (continued)
for the year ended 31st March 1997

11. Other Fixed Assets

Group and Holding Company				
	Freehold operational land and buildings £'000	Port and canal £'000	Plant and vehicles £'000	Total £'000
Cost or valuation:				
At 1st April 1996	260	70,972	48	71,280
Additions	-	1,494	-	1,494
Disposals	-	(76)	-	(76)
Intra group transfers	-	(1,500)	-	(1,500)
At 31st March 1997	260	70,890	48	71,198
Depreciation:				
At 1st April 1996	22	35,673	48	35,743
Charge for the year	5	1,232	-	1,237
Disposals	-	(77)	-	(77)
At 31st March 1997	27	36,828	48	36,903
Net Book Value:				
At 31st March 1997	233	34,062	-	34,295
At 31st March 1996	238	35,299	-	35,537

Cost or Valuation comprises:

Professional valuation:

March 1995	-	18,350	-	18,350
March 1994	-	1,600	-	1,600
November 1990	260	6,320	-	6,580
	260	26,270	-	26,530
Cost	-	44,620	48	44,668
	260	70,890	48	71,198

At 31st March 1997 port and canal assets include freehold and long leasehold land and buildings as analysed below:

Group and Holding Company			
	Freehold £'000	Long leasehold £'000	Total £'000
Cost	23,252	418	23,670
Depreciation	(844)	(46)	(890)
Net Book Value	22,408	372	22,780

At 31st March 1997 port and canal assets include freehold and long leasehold land which is not subject to depreciation in the amount of £14,547,000 (1996:£17,123,000) and £81,000 (1996:£81,000) respectively.

THE MANCHESTER SHIP CANAL COMPANY

NOTES TO THE ACCOUNTS (continued)
for the year ended 31st March 1997

11. Other Fixed Assets (continued)

Valuations

Professional valuations were carried out at 31st March 1995 by Knight Frank & Rutley, Chartered Surveyors, and at 31st March 1994 and 26th November 1990 by Dunlop Heywood & Co. Limited, 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 1997 of port and canal assets acquired under finance leases amounted to £2,449,000 (1996:£1,939,000) and depreciation provided thereon during the year totalled £122,000 (1996:£91,000).

Historical Cost of Other Fixed Assets	At	At
	31st March 1997	31st March 1996
	£'000	£'000
Group and Holding Company	52,889	54,413

12. Fixed Asset Investments

Cost	Group and Holding Company		
	Associated	Shares held	Total
	undertakings	in trust	
	£'000	£'000	£'000
At 1st April 1996 and 31st March 1997	673	212	885

Shares in Subsidiary and Associated Undertakings

Details of investments of the holding company in its principal subsidiary and associated undertakings are given on page 26. Investments in the subsidiary undertakings are included in the holding company balance sheet at a cost of £130 less £2 (1996:£2) provided for permanent diminutions in value. The Group and holding company investments in associated undertakings represents their share of net assets.

The results of the associated undertaking, Mode Wheel Properties Limited, have not been consolidated as they are not material.

Shares Held in Trust

211,598 ordinary shares in the capital of the company are vested in trust and do not rank for dividends.

THE MANCHESTER SHIP CANAL COMPANY

NOTES TO THE ACCOUNTS (continued)
for the year ended 31st March 1997

13. Stocks

	Group	
	1997	1996
	£'000	£'000
Work in progress and materials	544	87

14. Debtors due within one year

	Group		Holding Company	
	1997	1996	1997	1996
	£'000	£'000	£'000	£'000
Trade debtors	3,483	3,175	3,472	3,142
Amounts owed by group undertakings	223,592	221,034	125,225	123,847
Other debtors	1,424	114	1,400	92
Advance corporation tax recoverable	1,916	3,403	1,916	3,403
Income tax recoverable	-	19	-	11
Other prepayments and accrued income	412	375	412	357
	230,827	228,120	132,425	130,852

15. Assets due after more than one year

	Group and Holding Company	
	1997	1996
	£'000	£'000
Other debtors	26	17

THE MANCHESTER SHIP CANAL COMPANY

NOTES TO THE ACCOUNTS (continued)
for the year ended 31st March 1997

16. Creditors (amounts falling due within one year)

	Group		Holding Company	
	1997	1996	1997	1996
	£'000	£'000	£'000	£'000
Bank loans and overdrafts	26	76	26	76
Amortising Bonds 2014	1,141	1,049	1,141	1,049
Finance leases	334	230	334	230
Debt due within 1 year	1,501	1,355	1,501	1,355
Trade creditors	630	857	564	838
Anticipated development costs to site completion	29	175	6	-
Amounts owed to group undertakings	56,055	53,990	87,630	86,728
Corporation tax	843	2,495	982	2,469
Advance corporation tax	-	1,004	-	1,004
Income tax	29	22	29	22
Other taxes and social security	162	177	162	177
Other creditors	953	788	891	702
Accruals and deferred income	1,117	1,070	1,113	1,070
Proposed dividends	11,280	140	11,280	140
	72,599	62,073	104,158	94,505

Details of security on the above borrowings are set out in note 18.

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

	Group and Holding Company	
	1997	1996
	£'000	£'000
Perpetual Debenture Stocks	2,233	2,233
Amortising Bonds 2014	33,259	34,423
Finance leases	1,853	1,523
	37,345	38,179

THE MANCHESTER SHIP CANAL COMPANY

NOTES TO THE ACCOUNTS (continued)
for the year ended 31st March 1997

18. Borrowings

	Group	
	1997	1996
	£'000	£'000
Creditors (amounts falling due within one year)	1,501	1,355
Creditors (amounts falling due after more than one year)	37,345	38,179
Gross borrowings	38,846	39,534
Cash at bank and in hand	(20,245)	(4,695)
Group net borrowings	18,601	34,839
Repayments of gross borrowings fall due as follows:		
Finance leases:		
Within 1 year	334	230
1 - 2 years	297	228
2 - 5 years	789	749
	1,420	1,207
After five years by instalments	767	546
	2,187	1,753
Other borrowings:		
Within 1 year	1,167	1,125
1 - 2 years	1,241	1,141
2 - 5 years	4,417	4,061
	6,825	6,327
After five years by instalments - Amortising Bonds 2014	27,601	29,221
After five years not by instalments - Perpetual Debenture stocks	2,233	2,233
	36,659	37,781
Total gross borrowings	38,846	39,534

The Perpetual Debenture Stocks bear interest at rates between 3.5% and 4% and are secured by floating charges on various assets of the company.

The Amortising Bonds 2014 are secured by a first fixed legal charge on the income generated by certain leases and investment properties of the holding company and a subsidiary undertaking and bear interest at a rate of 8.59%.

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

THE MANCHESTER SHIP CANAL COMPANY

NOTES TO THE ACCOUNTS (continued)
for the year ended 31st March 1997

18. Borrowings (continued)

The group and holding company are committed to the following minimum annual future payments under non-cancellable operating leases on plant and machinery as follows:

	Group and Holding Company	
	1997 £'000	1996 £'000
Expiring within:		
1 year	1	-
1 - 2 years	13	12
2 - 5 years	28	7
	<u>42</u>	<u>19</u>

19. Provisions for Liabilities and Charges

	Group and Holding Company
	£'000
Deferred Taxation	
At 1st April 1996	335
Profit and loss account (note 6)	365
At 31st March 1997	<u>700</u>

Contingent Taxation

No provision is made for the liability to corporation tax on capital gains at 33% (1996:33%) estimated not to exceed £17m (1996:£17m) which would arise if investment properties and certain other fixed assets were to be sold at their revalued amounts. Equivalent holding company figures are £17m (1996:£17m).

20. Accruals and Deferred income

	Group and Holding Company
	£'000
Grants	
At 1st April 1996	1,351
Released to profit and loss account	(58)
At 31st March 1997	<u>1,293</u>

The balance above represents the unamortised portion of port modernisation grants, EEC regional development grants and grants received towards the capital cost of port infrastructure from Trafford Park Development Corporation

THE MANCHESTER SHIP CANAL COMPANY

NOTES TO THE ACCOUNTS (continued)
for the year ended 31st March 1997

21. Called up Share Capital

		Group and Holding Company	
		1997	1996
Number		£'000	£'000
Authorised under the Manchester Ship Canal Acts and Orders			
Equity share capital			
4,000,000	Ordinary shares of £1 each	4,000	4,000
Non-equity share capital			
4,000,000	3.5% (net) Preference shares of £1 each	4,000	4,000
<u>8,000,000</u>		<u>8,000</u>	<u>8,000</u>
Allotted and Fully Paid			
Number			
3,788,402	Equity share capital		
	Ordinary shares of £1 each ranking for dividend	3,788	3,788
	Ordinary shares of £1 each vested in trustees and not ranking for dividend		
211,598		212	212
<u>4,000,000</u>		<u>4,000</u>	<u>4,000</u>
Non-equity share capital			
3,999,980	3.5% (net) Preference shares of £1 each	4,000	4,000
<u>7,999,980</u>		<u>8,000</u>	<u>8,000</u>

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.

THE MANCHESTER SHIP CANAL COMPANY

NOTES TO THE ACCOUNTS (continued)
for the year ended 31st March 1997

22. Reserves

	Revaluation reserve £'000	Profit and loss account £'000
Group:		
At 1st April 1996	42,995	96,323
Realised revaluation surplus on disposal of fixed asset investment properties	(196)	196
Unrealised surplus on revaluation of fixed asset investment properties	608	-
Retained profit for the financial year	-	7,369
At 31st March 1997	<u>43,407</u>	<u>103,888</u>
Holding Company:		
At 1st April 1996	38,831	45,122
Realised revaluation surplus on disposal of fixed asset investment properties	(196)	196
Unrealised surplus on revaluation of fixed asset investment properties	608	-
Retained profit for the financial year	-	7,145
At 31st March 1997	<u>39,243</u>	<u>52,463</u>

Group and holding company revaluation reserves include £18.299m (1996:£18.299m) in respect of fixed assets other than investment properties.

The other reserves of the group and holding company are 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.

23. Equity minority Interests

	Group £'000
At 1st April 1996	409
Proportion of profit on ordinary activities after taxation	32
At 31st March 1997	<u>441</u>

THE MANCHESTER SHIP CANAL COMPANY

NOTES TO THE ACCOUNTS (continued)
for the year ended 31st March 1997

24. Pension Fund Winding-up

	Group and Holding Company
	£'000
Surplus on winding-up	20,670
Tax thereon	<u>(8,268)</u>
	<u>12,402</u>

In March 1997 the company with the consent of the Scheme's trustees resolved to wind up the existing scheme with effect from 1st April 1997. After augmenting benefits for active members, deferred pensioners and existing pensioners, the surplus on winding-up amounted to £20.67m.

At the same time, a new scheme was set up for all the active members of the existing scheme, with certain improvements in benefits. The new scheme will again be a defined benefits pension scheme based on final pensionable pay. The assets of the new scheme are held separately from those of the company.

The pension cost for the period is £Nil (1996:£Nil).

25. Capital Commitments

	1997	1996
	£'000	£'000
Group capital expenditure commitments were as follows:		
Contracted for but not provided for in these accounts	<u>1,027</u>	<u>1,326</u>

26. Contingent Liabilities

At 31st March 1997, the company had guaranteed bank overdrafts and loans of the intermediate holding company Peel Holdings p.l.c. amounting in aggregate to £75,000,000 (1996:£70,000,000).

27. Ultimate Holding Company

The ultimate holding company is Tokenhouse Holdings Limited, a company incorporated in Guernsey.

The largest group of undertakings, of which the group is a member, that produces consolidated accounts is Peel Holdings p.l.c., a company registered in England. Its group accounts are available from the Company Secretary, Peel Holdings p.l.c. at Quay West, Trafford Wharf Road, Manchester M17 1PL.

THE MANCHESTER SHIP CANAL COMPANY
SUBSIDIARY AND ASSOCIATED UNDERTAKINGS

Subsidiary Undertakings

The principal subsidiary undertakings consolidated as at 31st March 1997, all of which were wholly-owned unless otherwise stated, were as follows:

Incorporated, registered and operating in:	Company	Principal activities
United Kingdom	Ship Canal Land Limited	Property investment
	Ship Canal Investments Limited	Property investment
	Manchester Ship Canal Developments Limited*	Property development

* 51 Ordinary 'A' shares owned by the Manchester Ship Canal Company (51% owned).

Shares in the principal trading subsidiary undertakings at 31st March 1997 represented ordinary shares.

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

Associated Undertaking

The associated undertaking as at 31st March 1997 was as follows:

Incorporated, registered and operating in:	Company	Group shareholding	Identity and nominal value of class of shareholding	Principal activity
United Kingdom	Mode Wheel Properties Limited	25.1%	25 'A' Shares of 10p	Property development