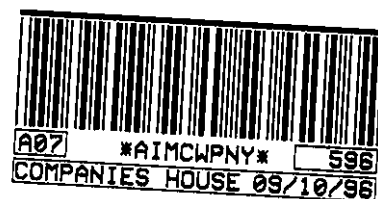


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THE MANCHESTER SHIP CANAL COMPANY  
REPORT AND ACCOUNTS  
FOR THE YEAR ENDED 31ST MARCH 1996



**THE MANCHESTER SHIP CANAL COMPANY**

**DIRECTORS, PROFESSIONAL ADVISERS AND PRINCIPAL OFFICE**

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

**Secretary:** Paul P. Wainscott

**Principal 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:** Independent Registrars Group 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 1996

The directors submit their report together with the audited financial statements of the group for the year ended 31st March 1996.

#### **Principal Activities**

The principal activities of the group are property investment, property development and trading and the operation of a major regional port. 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.

As part of a reorganisation within the Peel Holdings p.l.c. group of companies, various investment properties have been transferred from subsidiary undertakings to other companies within the Peel Holdings p.l.c. group of companies.

#### **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 £1.06 per share was paid on 29th March 1996.

A preference dividend of 3.5p per share was proposed on 31st March 1996.

#### **Fixed Assets**

Information on movements in investment properties, other fixed assets and investments is given in notes 10 to 12. The carrying value of other fixed assets is not significantly different from their market value at 31st March 1996.

#### **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  
M.G. Hill

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 G. E. Stringer and Mr M. G Hill would be regarded as being non-executive directors. Councillor Stringer, aged 46, was until earlier this year leader of Manchester City Council. Mr Hill, aged 52, 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 1996

#### Directors' Interests in Shares and Financial Instruments

The interests of the directors and their families in the preference shares of the company are as listed below. All of the shareholdings at 31st March 1996 are as nominee for Peel Holdings p.l.c.

		31st March 1996 Number	31st March 1995 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

# 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 directors 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 have 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 19th January 1988.

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

#### 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 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 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. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **THE MANCHESTER SHIP CANAL COMPANY**

### **REPORT OF THE DIRECTORS (continued)** for the year ended 31st March 1996

#### **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.

#### **Employee Involvement and Health and Safety at Work**

Meetings involving elected representatives from departmental sections and management continue to be held. These meetings constitute a two-way flow of information at which company policy is disseminated and the suggestions of employees for policy changes are received.

The policy of the company is to ensure, in so far as it is able to do so, the health, safety and welfare of everyone engaged in or affected by its activities.

#### **Employment of Disabled Persons**

It is the policy of the company to give full and fair consideration to applications for employment received from disabled persons. Within the limitations of their abilities, they are given the same opportunities for training, career development and promotion as are available to other company employees, and if necessary, retraining is given to an employee who becomes disabled whilst in the company's employment.

#### **Charitable and Political Donations**

The company made charitable donations of £5,501 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

16th September 1996

# THE MANCHESTER SHIP CANAL COMPANY

## AUDITORS' REPORT

### to the members of the Manchester Ship Canal Company

We have audited the financial statements on pages 6 to 24 which have been prepared on the basis of 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

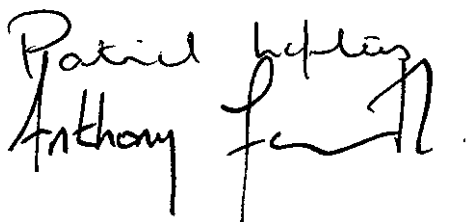
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, 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 1996 and of the group 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.C.A.  
A.J. Farnworth A.C.A.  
Of Binder Hamlyn,  
Registered Auditors  
Bank House  
9 Charlotte Street  
Manchester  
M1 4EU

Handwritten signatures of the auditors, P.J. Loftus and A.J. Farnworth, in cursive script.

16th September 1996

# THE MANCHESTER SHIP CANAL COMPANY

## GROUP PROFIT AND LOSS ACCOUNT for the year ended 31st March 1996

	Note	1996 £'000	1995 £'000
<b>Turnover</b>	2	<u>25,245</u>	<u>30,131</u>
Operating profit	2	11,022	10,585
Profit on disposal of fixed assets	3	<u>165</u>	<u>591</u>
<b>Profit on ordinary activities before interest and taxation</b>	4	11,187	11,176
Net interest payable	5	<u>(2,842)</u>	<u>(2,849)</u>
<b>Profit on ordinary activities before taxation</b>		8,345	8,327
Tax on profit on ordinary activities	6	<u>(3,579)</u>	<u>(980)</u>
<b>Profit on ordinary activities after taxation</b>		4,766	7,347
Equity minority interests	23	<u>(17)</u>	<u>(392)</u>
<b>Profit for the financial year</b>		4,749	6,955
Dividends on non-equity share capital	7	<u>(140)</u>	<u>(140)</u>
<b>Profit for the financial year attributable to ordinary shareholders</b>		4,609	6,815
Dividends on equity share capital	7	<u>(4,016)</u>	<u>(6,819)</u>
<b>Retained profit/(absorbed loss) for the financial year transferred to/(from) reserves</b>	22	<u>593</u>	<u>(4)</u>

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

Movements in reserves are shown in note 22.

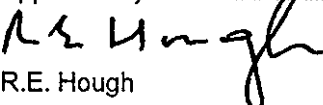
The statement of accounting policies and the notes on pages 9 to 24 form an integral part of these financial statements.

# THE MANCHESTER SHIP CANAL COMPANY

## BALANCE SHEETS as at 31st March 1996

		Group		Holding Company	
	Note	1996 £'000	1995 £'000	1996 £'000	1995 £'000
<b>Fixed assets</b>					
Tangible assets					
Investment properties	10	58,561	76,085	58,561	28,656
Other fixed assets	11	35,537	35,670	35,537	35,670
Investments	12	885	885	885	885
		<u>94,983</u>	<u>112,640</u>	<u>94,983</u>	<u>65,211</u>
<b>Current assets</b>					
Stocks	13	87	29	-	-
Debtors due within one year	14	228,120	130,826	130,852	95,255
Cash at bank and in hand		4,695	10,182	3,751	7,173
Assets due after more than one year	15	17	26	17	26
		<u>232,919</u>	<u>141,063</u>	<u>134,620</u>	<u>102,454</u>
<b>Creditors (amounts falling due within one year)</b>	16	<u>(62,073)</u>	<u>(11,233)</u>	<u>(94,505)</u>	<u>(29,667)</u>
<b>Net current assets</b>		<u>170,846</u>	<u>129,830</u>	<u>40,115</u>	<u>72,787</u>
<b>Total assets less current liabilities</b>		<u>265,829</u>	<u>242,470</u>	<u>135,098</u>	<u>137,998</u>
<b>Creditors (amounts falling due after more than one year)</b>	17	<u>(38,179)</u>	<u>(38,873)</u>	<u>(38,179)</u>	<u>(38,873)</u>
Provision for liabilities and charges	19	(335)	-	(335)	-
Accruals and deferred income	20	<u>(1,351)</u>	<u>(1,481)</u>	<u>(1,351)</u>	<u>(1,481)</u>
<b>Net assets</b>		<u>225,964</u>	<u>202,116</u>	<u>95,233</u>	<u>97,644</u>
<b>Financed by capital and reserves</b>					
Called up share capital	21	8,000	8,000	8,000	8,000
Revaluation reserve	22	42,995	84,352	38,831	40,885
Capital reserve		3,846	3,846	3,278	3,278
Other reserve	22	74,391	9,951	2	-
Profit and loss account	22	<u>96,323</u>	<u>95,575</u>	<u>45,122</u>	<u>45,481</u>
<b>Shareholders' funds</b>		<u>225,555</u>	<u>201,724</u>	<u>95,233</u>	<u>97,644</u>
Equity minority interests	23	409	392	-	-
		<u>225,964</u>	<u>202,116</u>	<u>95,233</u>	<u>97,644</u>
<b>Analysis of shareholders' funds</b>					
Equity		221,555	197,724	91,233	93,644
Non-equity		<u>4,000</u>	<u>4,000</u>	<u>4,000</u>	<u>4,000</u>
		<u>225,555</u>	<u>201,724</u>	<u>95,233</u>	<u>97,644</u>

Approved by the board of directors on 16th September 1996.

  
R.E. Hough

Director

The statement of accounting policies and the notes on pages 9 to 24 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 1996

	Note	1996 £'000	1995 £'000
Profit for the financial year		4,749	6,955
<b>Other recognised gains and losses</b>			
Unrealised surplus on revaluation of:			
- investment properties	22	23,238	-
- other fixed assets		-	3,713
		23,238	3,713
<b>Total recognised net gains and losses for the financial year</b>		<b>27,987</b>	<b>10,668</b>

## NOTE OF GROUP HISTORICAL COST PROFITS for the year ended 31st March 1996

	Note	1996 £'000	1995 £'000
Reported profit on ordinary activities before taxation		8,345	8,327
Realisation of property revaluation gains of previous years	22	155	354
<b>Historical cost profit on ordinary activities before taxation</b>		<b>8,500</b>	<b>8,681</b>
<b>Historical cost retained profit for the financial year</b>		<b>748</b>	<b>350</b>

## RECONCILIATION OF MOVEMENTS IN GROUP SHAREHOLDERS' FUNDS for the year ended 31st March 1996

	Note	1996 £'000	1995 £'000
Profit for the financial year		4,749	6,955
Dividends	7	(4,156)	(6,959)
Other recognised net gains relating to the year		23,238	3,713
<b>Net increase in shareholders' funds</b>		<b>23,831</b>	<b>3,709</b>
<b>Shareholders' funds at 1st April 1995/1st April 1994</b>		<b>201,724</b>	<b>198,015</b>
<b>Shareholders' funds at 31st March 1996/31st March 1995</b>		<b>225,555</b>	<b>201,724</b>

The statement of accounting policies and the notes on pages 9 to 24 form an integral part of these financial statements.

## **THE MANCHESTER SHIP CANAL COMPANY**

### **NOTES TO THE ACCOUNTS**

for the year ended 31st March 1996

#### **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.

##### **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, the Manchester Ship Canal Company, is a wholly owned subsidiary undertaking of the Peel Holdings p.l.c. group of companies. Peel Holdings p.l.c. 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.

##### **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.

##### **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.

## **THE MANCHESTER SHIP CANAL COMPANY**

NOTES TO THE ACCOUNTS (continued)  
for the year ended 31st March 1996

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

#### **Investment Properties and Other Fixed Assets (continued)**

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.

#### **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.

## **THE MANCHESTER SHIP CANAL COMPANY**

NOTES TO THE ACCOUNTS (continued)  
for the year ended 31st March 1996

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

#### **Turnover (continued)**

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 1996

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

	1996				1995			
	Port & Canal £'000	Property Investment £'000	Property Trading £'000	Group £'000	Port & Canal £'000	Property Investment £'000	Property Trading £'000	Group £'000
TURNOVER:								
Port & canal income	18,900	-	-	18,900	19,482	-	-	19,482
Property rental income	-	6,322	3	6,325	-	5,956	42	5,998
Trading property sales	-	-	-	-	-	-	4,631	4,631
Premium income	-	20	-	20	-	20	-	20
	<u>18,900</u>	<u>6,342</u>	<u>3</u>	<u>25,245</u>	<u>19,482</u>	<u>5,976</u>	<u>4,673</u>	<u>30,131</u>
DIRECT COSTS:								
Port & canal direct costs	(12,723)	-	-	(12,723)	(12,839)	-	-	(12,839)
Ground rents payable	(415)	(212)	-	(627)	(414)	(220)	-	(634)
Irrecoverable property costs	-	(166)	(10)	(176)	-	(213)	(16)	(229)
Trading property costs	-	-	(26)	(26)	-	-	(3,267)	(3,267)
	<u>(13,138)</u>	<u>(378)</u>	<u>(36)</u>	<u>(13,552)</u>	<u>(13,253)</u>	<u>(433)</u>	<u>(3,283)</u>	<u>(16,969)</u>
GROSS PROFIT/(LOSS)	<u>5,762</u>	<u>5,964</u>	<u>(33)</u>	<u>11,693</u>	<u>6,229</u>	<u>5,543</u>	<u>1,390</u>	<u>13,162</u>
OTHER COSTS								
Administration expenses	(933)	(136)	-	(1,069)	(1,088)	(1)	(392)	(1,481)
Voluntary severance payments	(13)	-	-	(13)	(1,716)	-	-	(1,716)
	<u>(946)</u>	<u>(136)</u>	<u>-</u>	<u>(1,082)</u>	<u>(2,804)</u>	<u>(1)</u>	<u>(392)</u>	<u>(3,197)</u>
TRADING PROFIT/(LOSS)	<u>4,816</u>	<u>5,828</u>	<u>(33)</u>	<u>10,611</u>	<u>3,425</u>	<u>5,542</u>	<u>998</u>	<u>9,965</u>
Other operating income								
Other income, including waste and minerals				411				620
OPERATING PROFIT				<u>11,022</u>				<u>10,585</u>

# THE MANCHESTER SHIP CANAL COMPANY

NOTES TO THE ACCOUNTS (continued)  
for the year ended 31st March 1996

## 2. Segmental Analysis of Turnover, Operating Profit and Net Assets (continued)

### (a) Turnover and Operating Profit (continued)

All of the group's turnover during the financial year arose in the United Kingdom.

Port and canal income as above includes the following:

	1996 £'000	1995 £'000
Pilotage (including exemption certificates £13,300 (1995 - £13,000))	1,071	1,038
Railways	487	529

### (b) Net Assets

	At 31st March 1996				At 31st March 1995			
	Port & canal £'000	Property investment £'000	Property trading £'000	Group £'000	Port & canal £'000	Property investment £'000	Property trading £'000	Group £'000
Investment properties	-	58,561	-	58,561	-	76,085	-	76,085
Trading properties	-	-	87	87	-	-	29	29
Other fixed assets	35,299	-	-	35,299	35,425	3	-	35,428
	<u>35,299</u>	<u>58,561</u>	<u>87</u>	<u>93,947</u>	<u>35,425</u>	<u>76,088</u>	<u>29</u>	<u>111,542</u>
Fixed asset investments				885				885
Operational properties				238				242
Centrally-managed net assets				165,733				119,282
Group net borrowings (note 18)				(34,839)				(29,835)
NET ASSETS				<u>225,964</u>				<u>202,116</u>

# THE MANCHESTER SHIP CANAL COMPANY

NOTES TO THE ACCOUNTS (continued)  
for the year ended 31st March 1996

## 3. Profit on Disposal of Fixed Assets

	1996 £'000	1995 £'000
Investment properties	96	36
Other fixed assets	69	537
Investment in subsidiary undertaking	-	18
	<u>165</u>	<u>591</u>

## 4. Profit on Ordinary Activities before Interest and Taxation

	1996 £'000	1995 £'000
Profit on ordinary activities before interest and taxation is stated after charging/(crediting):		
Auditors' remuneration	25	27
Directors' emoluments (note 9)	135	104
Depreciation - owned assets	1,117	1,006
Depreciation - leased assets	91	62
Hire of plant and machinery under operating leases	91	130
Government grant releases (note 20)	(142)	(42)
	<u>(142)</u>	<u>(42)</u>

Fees paid to the auditors in the financial year ended 31st March 1996 for non-audit services amounted to £Nil (1995: £15,000).

## 5. Net Interest Payable

	1996 £'000	1995 £'000
Interest payable and similar charges:		
On bank loans and overdrafts repayable within 5 years	-	135
On other loans not repayable by instalments due after more than 5 years	82	82
On other loans repayable by instalments due after more than 5 years	3,146	3,170
Finance lease and other interest	159	121
	<u>3,387</u>	<u>3,508</u>
Interest receivable and similar income	(545)	(659)
	<u>2,842</u>	<u>2,849</u>

# THE MANCHESTER SHIP CANAL COMPANY

NOTES TO THE ACCOUNTS (continued)  
for the year ended 31st March 1996

## 6. Tax on Profit on Ordinary Activities

	1996 £'000	1995 £'000
Payment for group relief at 33% (1995: 33%) on the profit for the financial year adjusted for corporation tax purposes	3,125	609
Corporation tax at 33% (1995:33%) on the profit for the financial year adjusted for corporation tax purposes	-	1,669
Corporation tax adjustments in respect of previous years	319	(1,298)
Deferred taxation (note 19)	135	-
	<u>3,579</u>	<u>980</u>

## 7. Dividends on Non-equity and Equity Share Capital

	1996 £'000	1995 £'000
<b>Non-equity Share Capital:</b>		
Preference 3.5p per share (1995 :3.5p per share)	140	140
<b>Equity Share Capital:</b>		
Ordinary 106p per share (1995: 180p per share)	4,016	6,819
<b>Total dividends</b>	<u>4,156</u>	<u>6,959</u>

## 8. Particulars of Staff

	1996 £'000	1995 £'000
<b>Staff costs (including directors):</b>		
Wages and salaries	3,326	4,204
Social security costs	342	370
Voluntary severance payments	13	1,716
	<u>3,681</u>	<u>6,290</u>

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

	Number	Number
Administration	76	76
Port operational and maintenance staff	121	151
	<u>197</u>	<u>227</u>



# THE MANCHESTER SHIP CANAL COMPANY

NOTES TO THE ACCOUNTS (continued)  
for the year ended 31st March 1996

## 9. Directors' Emoluments

The emoluments of directors of the company were as follows:

	1996 £'000	1995 £'000
Fees	6	6
Emoluments for executive office	129	98
	<u>135</u>	<u>104</u>

Emoluments disclosed above include the following amounts in respect of:

Chairman	59	40
Highest paid director	<u>71</u>	<u>58</u>

The emoluments of all directors (excluding pension contributions) fall within the following bandings:

	Number	Number
£ 0 - £ 5,000	4	4
£ 5,001 - £10,000	1	1
£35,001 - £40,000	-	1
£55,001 - £60,000	1	1
£70,001 - £75,000	<u>1</u>	<u>-</u>

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 1996

10. Investment Properties

Cost or valuation:

	Group			Holding Company		
	Freehold £'000	Long leasehold £'000	Total £'000	Freehold £'000	Long leasehold £'000	Total £'000
At 1st April 1995	75,898	187	76,085	28,469	187	28,656
Additions - third party	865	-	865	412	-	412
- intra group	-	-	-	31,145	-	31,145
Reclassification from other fixed assets	400	-	400	400	-	400
Other reclassifications	(7)	7	-	(7)	7	-
Disposals - third party	(37)	-	(37)	(37)	-	(37)
- intra group	(41,990)	-	(41,990)	-	-	-
Revaluations	23,089	149	23,238	(2,164)	149	(2,015)
At 31st March 1996	58,218	343	58,561	58,218	343	58,561

Cost or Valuation comprises:

Professional Valuation:

March 1996	19,425	150	19,575	19,425	150	19,575
March 1994	38,793	193	38,986	38,793	193	38,986
	58,218	343	58,561	58,218	343	58,561

Historical Cost of Investment Properties

	At 31st March 1996 £'000	At 31st March 1995 £'000
Group	33,865	10,432
Company	38,030	6,470

# THE MANCHESTER SHIP CANAL COMPANY

NOTES TO THE ACCOUNTS (continued)  
for the year ended 31st March 1996

## 10. Investment Properties (continued)

### Valuations

Professional valuations were carried out during the year by Edward Rushton Son & Kenyon, International Valuers and Surveyors, on the basis of open market value as follows:

- certain investment properties and development land at 31st March 1996

The directors have considered the previous independent professional valuation carried out by Dunlop Heywood & Co. Limited, Consultant Surveyors, on the basis of open market value at 31st March 1994.

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.

## 11. Other Fixed Assets

	Group and Holding Company			
Cost or valuation:	Freehold operational land and buildings £'000	Port and canal £'000	Plant and vehicles £'000	Total £'000
At 1st April 1995	260	70,052	48	70,360
Additions	-	1,512	-	1,512
Disposals - third party	-	(192)	-	(192)
Reclassified to fixed asset investment properties	-	(400)	-	(400)
At 31st March 1996	<u>260</u>	<u>70,972</u>	<u>48</u>	<u>71,280</u>
Depreciation:				
At 1st April 1995	17	34,628	45	34,690
Charge for the year	5	1,200	3	1,208
Disposals - third party	-	(155)	-	(155)
At 31st March 1996	<u>22</u>	<u>35,673</u>	<u>48</u>	<u>35,743</u>
Net Book Value:				
At 31st March 1996	<u>238</u>	<u>35,299</u>	<u>-</u>	<u>35,537</u>
At 31st March 1995	<u>243</u>	<u>35,424</u>	<u>3</u>	<u>35,670</u>
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
	<u>260</u>	<u>26,270</u>	<u>-</u>	<u>26,530</u>
Cost	-	44,702	48	44,750
	<u>260</u>	<u>70,972</u>	<u>48</u>	<u>71,280</u>

# THE MANCHESTER SHIP CANAL COMPANY

## NOTES TO THE ACCOUNTS (continued) for the year ended 31st March 1996

### 11. Other Fixed Assets (continued)

At 31st March 1996 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	24,459	418	24,877
Depreciation	(723)	(39)	(762)
Net Book Value	<u>23,736</u>	<u>379</u>	<u>24,115</u>

At 31st March 1996 port and canal assets include freehold and long leasehold land which is not subject to depreciation in the amount of £17,123,000 (1995: £20,015,000) and £81,000 (1995: £81,000) respectively.

#### 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, Consultant 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 1996 of port and canal assets acquired under finance leases amounted to £1,939,000 (1995: £1,415,000) and depreciation provided thereon during the year totalled £91,000 (1995: £62,000).

Historical Cost of Other Fixed Assets	At 31st March 1996 £'000	At 31st March 1995 £'000
	<u>54,413</u>	<u>53,093</u>
Group and Holding Company		

### 12. Fixed Asset Investments

	Group and Holding Company		
	Associated undertakings £'000	Shares held in trust £'000	Total £'000
Cost			
At 1st April 1995 and 31st March 1996	<u>673</u>	<u>212</u>	<u>885</u>

#### Shares in Subsidiary and Associated Undertakings

Details of investments of the holding company in its principal subsidiary and associated undertakings are given on page 25. Investments in subsidiary undertakings are included in the holding company balance sheet at a cost of £130 less £2 (1995: £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 immaterial.

#### Shares Held in Trust

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

# THE MANCHESTER SHIP CANAL COMPANY

NOTES TO THE ACCOUNTS (continued)  
for the year ended 31st March 1996

## 13. Stocks

	Group	
	1996 £'000	1995 £'000
Work in progress and materials	87	29

## 14. Debtors due within one year

	Group		Holding Company	
	1996 £'000	1995 £'000	1996 £'000	1995 £'000
Trade debtors	3,175	3,179	3,142	2,824
Amounts owed by group undertakings	221,034	123,886	123,847	88,954
Other debtors	114	116	92	38
Advance corporation tax recoverable	3,403	3,195	3,403	3,195
Income tax recoverable	19	10	11	-
Other prepayments and accrued income	375	440	357	244
	<u>228,120</u>	<u>130,826</u>	<u>130,852</u>	<u>95,255</u>

## 15. Assets due after more than one year

	Group and Holding Company	
	1996 £'000	1995 £'000
Other debtors	17	26

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

	Group		Holding Company	
	1996 £'000	1995 £'000	1996 £'000	1995 £'000
Bank loans and overdrafts	76	23	76	13
Amortising Bonds 2014	1,049	965	1,049	965
Obligations under finance leases	230	156	230	156
Trade creditors	857	889	838	522
Anticipated development costs to site completion	175	257	-	-
Amounts owed to group undertakings	53,990	609	86,728	20,784
Corporation tax	2,495	3,977	2,469	3,629
Advance corporation tax	1,004	1,705	1,004	1,705
Income tax	22	5	22	5
Other taxes and social security	177	180	177	180
Other creditors	788	933	702	721
Accruals and deferred income	1,070	1,219	1,070	672
Proposed dividends	140	315	140	315
	<u>62,073</u>	<u>11,233</u>	<u>94,505</u>	<u>29,667</u>

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

# THE MANCHESTER SHIP CANAL COMPANY

NOTES TO THE ACCOUNTS (continued)  
for the year ended 31st March 1996

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

	Group		Holding Company	
	1996	1995	1996	1995
	£'000	£'000	£'000	£'000
Perpetual Debenture Stocks	2,233	2,233	2,233	2,233
Amortising Bonds 2014	34,423	35,495	34,423	35,495
Obligations under finance leases	1,523	1,145	1,523	1,145
	<u>38,179</u>	<u>38,873</u>	<u>38,179</u>	<u>38,873</u>

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

## 18. Borrowings

	Group	
	1996	1995
	£'000	£'000
Creditors (amounts falling due within one year)	1,355	1,144
Creditors (amounts falling due after more than one year)	<u>38,179</u>	<u>38,873</u>
Gross borrowings	39,534	40,017
Cash at bank and in hand	(4,695)	(10,182)
Group net borrowings	<u>34,839</u>	<u>29,835</u>

Repayments of gross borrowings fall due as follows:

### Finance leases:

Within 1 year	230	156
1 - 2 years	228	161
2 - 5 years	<u>749</u>	<u>581</u>
	1,207	898
After five years by instalments	<u>546</u>	<u>403</u>
	<u>1,753</u>	<u>1,301</u>

### Other borrowings:

Within 1 year	1,125	988
1 - 2 years	1,141	1,049
2 - 5 years	<u>4,061</u>	<u>3,733</u>
	6,327	5,770
After five years by instalments		
Amortising bonds 2014	29,221	30,713
After five years not by instalments		
Perpetual debenture stocks	<u>2,233</u>	<u>2,233</u>
	<u>37,781</u>	<u>38,716</u>
Total gross borrowings	<u>39,534</u>	<u>40,017</u>

# THE MANCHESTER SHIP CANAL COMPANY

NOTES TO THE ACCOUNTS (continued)  
for the year ended 31st March 1996

## 18. Borrowings (continued)

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 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	
	1996 £'000	1995 £'000
Expiring within:		
1 year	-	24
1 - 2 years	12	-
2 - 5 years	7	-
	<u>19</u>	<u>24</u>

## 19. Provisions for Liabilities and Charges

	Group and Holding Company
	£'000
Deferred Taxation	-
At 1st April 1995	-
Transfer from corporation tax	200
Profit and loss account (note 6)	135
At 31st March 1996	<u>335</u>

### Contingent Taxation

No provision is made for the liability to corporation tax on capital gains at 33% (1995: 33%) estimated not to exceed £17m (1995: £23m) which would arise if investment properties and certain other fixed assets were to be sold at their revalued amounts. Equivalent holding company figures are £10m (1995: £9m).

## 20. Accruals and Deferred Income

	Group and Holding Company
	£'000
Government Grants	1,481
At 1st April 1995	12
Grants received	(142)
Released to profit and loss account	<u>1,351</u>
At 31st March 1996	

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 1996

## 21. Called up Share Capital

		Group and Holding Company	
Authorised Number		1996 £'000	1995 £'000
Authorised under the Manchester Ship Canal Acts and Orders			
Equity			
4,000,000	Ordinary shares of £1 each	4,000	4,000
Non-equity			
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			
Equity share capital			
3,788,402	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.

## 22. Reserves

Group:	Revaluation reserve £'000	Other reserves £'000	Profit and loss account £'000	Total £'000
At 1st April 1995	84,352	9,951	95,575	189,878
Realised revaluation surplus on disposal of fixed asset investment properties	(64,595)	64,440	155	-
Unrealised surplus on revaluation of fixed asset investment properties	23,238	-	-	23,238
Retained profit for the financial year	-	-	593	593
At 31st March 1996	<u>42,995</u>	<u>74,391</u>	<u>96,323</u>	<u>213,709</u>
<b>Holding Company:</b>				
At 1st April 1995	40,885	-	45,481	86,366
Realised revaluation surplus on disposal of fixed asset investment properties	(39)	2	37	-
Unrealised surplus on revaluation of fixed asset investment properties	(2,015)	-	-	(2,015)
Absorbed loss for the financial year	-	-	(396)	(396)
At 31st March 1996	<u>38,831</u>	<u>2</u>	<u>45,122</u>	<u>83,955</u>



## THE MANCHESTER SHIP CANAL COMPANY

### NOTES TO THE ACCOUNTS (continued) for the year ended 31st March 1996

#### 22. Reserves (continued)

Group and holding company revaluation reserves include £18.299m (1995: £18.699m) 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

	<u>Group</u> £'000
At 1st April 1995	392
Proportion of profit on ordinary activities after taxation	<u>17</u>
At 31st March 1996	<u><u>409</u></u>

#### 24. Pension Fund

The company operates a pension scheme providing defined benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company. The cost of the scheme has been assessed by a qualified actuary using the projected unit method. The most recent actuarial valuation was at 31st March 1993. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in pay and pensions. The actuarial valuation assumed that new investments would yield 9.5% per annum, that pay increases would average 7.5% per annum, dividends would increase at the rate of 5.0% per annum and that present and future pensions would increase at the rate of 5% per annum.

The actuarial valuation showed that the market value of the scheme's assets was £73.5m and that the actuarial value of those assets represented 149% of the benefits that had accrued to members, after allowing for expected future increases in earnings. The actuary advised that no further contributions from the company would be necessary during the expected average remaining service lives of employees, effective from the valuation date.

The pension cost for the period is £Nil (1995: £Nil).

#### 25. Capital Commitments

	1996 £'000	1995 £'000
Group capital expenditure commitments were as follows:		
Contracted for but not provided for in these accounts	<u><u>1,326</u></u>	<u><u>1,465</u></u>

#### 26. Contingent Liabilities

At 31st March 1996, the company had guaranteed bank overdrafts and loans of the intermediate holding company Peel Holdings p.l.c. amounting in aggregate to £70m (1995: £110m).

#### 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 trading subsidiary undertakings consolidated as at 31st March 1996, 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 Ship Canal Investments Limited Manchester Ship Canal Developments Limited*	Property investment Property investment Property development

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

Shares in principal trading subsidiary undertakings at 31st March 1996 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 1996 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