Company Registration No: ZC197

THE MANCHESTER SHIP CANAL COMPANY

Report and Financial Statements

For the year ended 31 March 2009

REPORT AND FINANCIAL STATEMENTS FOR 2009

CONTENTS

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

T E Allison
Sir Richard Leese
M MacKay
A C Simpson
P P Wainscott
J Whittaker

SECRETARY

W J Bowley

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Port of Liverpool
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BANKERS

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L2 0UP

AUDITORS

Deloitte LLP
Chartered Accountants and Registered Auditors
Liverpool
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DIRECTORS' REPORT

The directors present their report and the audited financial statements of the Company for the year ended 31 March 2009.

PRINCIPAL ACTIVITIES

The principal activities of the Company are the provision of port facilities, cargo handling and marine related services. An integral part of the port operations is the management of its land and property interests.

COMPANY STATUS

The Company is a statutory unregistered company incorporated by The Manchester Ship Canal Act 1885 and is primarily governed by its Acts and Orders 1885 to 1992.

RESULTS AND DIVIDENDS

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

The directors proposed and paid no interim ordinary dividends (2008: £860,000). No final dividend is proposed (2008: £nil). The directors proposed dividends of £140,000 (2008: £140,000) on the preference shares.

REVIEW OF BUSINESS, DEVELOPMENTS AND PROSPECTS

Summary of results

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

	2009	2008	Change	
	£'000	£'000	£'000	%
Turnover	27,071	26,768	303	1.1%
Gross profit	10,588	10,605	(17)	(0.2%)
Operating profit before restructuring income	9,657	9,722	(65)	(0.7%)

The Company's results and financial position are set out in the profit and loss account and balance sheet on pages 8 and 9.

Net assets were £79,233,000 at 31 March 2009 (2008: £69,254,000). In addition to profit for the financial year of £11,594,000 the net asset position has changed principally because of the recognised net loss relating to the pension fund of £1,615,000.

Port operations

The level of business activity for the port operations has been satisfactory and is consistent with expectations during the year. It is anticipated that the present level of activity within the business will be maintained for the foreseeable future.

DIRECTORS' REPORT

Summary of key performance indicators

The directors use divisional annual budgets aggregated into a Company budget as the basis for measuring Company performance. In addition, the Company prepares three year rolling high level forecasts and each division prepares a three year strategic plan from a participative process.

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

	2009	2008	Absolute Change	% Change	Method of calculation
Turnover from Port & Canal operations	£25,402k	£25,792k	(£390k)	(1.5)	Year on year change in turnover expressed in £'000s
Investment in trade debtors as a percentage of turnover	12.4%	18.0%	(5.6%)	(31.1)	Trade debtors net of provisions as a percentage of turnover
Turnover per employee	£347.1k	£347.6k	(£0.5k)	(0.1)	Turnover divided by average number of employees
Tonnage throughput	7,241k	8,041k	(800k)	(9.9)	Year on year growth in tonnage using standard tonnage measures for the Ports industry

Tonnage throughput has fallen year on year which was fully expected, as a result of the decline in the wider global economic climate. The effect on turnover has not been as significant due to minimum guarantees agreed with certain customers. As the Company continues to focus on financial efficiency, costs have been controlled and credit terms have been actively managed, resulting in only a slight reduction in the gross profit margin and a significant reduction in the investment in trade debtors as a percentage of turnover.

PRINCIPAL RISKS AND UNCERTAINTIES

It is now widely understood that the principal challenges facing UK businesses relate to those generated by the global economic downturn. The resulting lack of liquidity in the financial markets has reduced the ability of individuals and businesses to borrow money and this has ultimately led to a lack of demand in the global marketplace.

Despite the downturn in the global economic environment, the results for the year have remained strong, which is largely attributed to the benefit of a strong and diverse portfolio of customers and service provision. Although several European ports have been hit by the global decline in container volumes, Peel Ports Group is not as reliant on container handling as many other port businesses. With its strong and diverse service offering, the Company is showing greater resilience in the current environment.

Operational risk

The regional ports within the wider Peel Ports group ("the Group") each form part of a wider transport infrastructure. 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 ports. These consumers and businesses generate the trade which flows through the ports and when they are subject to economic cycles or, at the extreme, to failure there is an unavoidable impact on the port.

The mitigation of this risk comes from the wide and diverse nature of customers, markets and products served by the ports. This has the effect of minimising the impact of a particular cycle or business failure and indeed one trade can hedge against another.

DIRECTORS' REPORT

Financial risk

The key financial risk arises from the level of long term debt held by the Company and the wider Peel Ports Group and the interest arising thereon. Peel Ports Group long term debt amounting to £1,183,572,000 falls due for repayment between 31 December 2013 and 30 September 2046. In addition the cash flow risk arising in connection with interest charges is mitigated through the use of interest swaps. Further details on this risk can be found in the consolidated financial statements of Peel Ports Shareholder FinanceCo Limited, the smallest UK group in which the accounts of the Company are consolidated.

In addition, financial risk arises from credit extended to customers. This risk is mitigated by using strict credit control procedures, the imposition of appropriate credit limits and obtaining third party credit references.

The directors consider that the combination of stable trading of the port business, effective working capital management and the development of the asset base assists in managing the risks arising from the level of debt and variability in interest rates.

Accordingly, the directors consider that it is appropriate to prepare the financial statements using the going concern assumption.

DIRECTORS

The directors of the Company who served during the year and thereafter, except as noted below, are listed on page 1. D S Green and P A Scott, who were directors on 1 April 2008, resigned as directors on 31 May 2008 and 1 April 2009 respectively.

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 a non-executive director. Sir Richard Leese has been leader of Manchester City Council since 1996.

In accordance with the repeals of sections 324-326 and 328-329 and Parts 2 to 4 of Schedule 13 of the Companies Act 1985, no disclosure is prepared in respect of the directors' interests in the shares of the Company or the ultimate holding company, Tokenhouse Limited (formerly Tokenhouse Investments (Guernsey) Limited).

CHARITABLE AND POLITICAL CONTRIBUTIONS

During the financial year, contributions by the Company for charitable purposes totalled £400 (2008: £236).

The Company made no political contributions during the financial year (2008: £nil).

PAYMENT POLICY

In the absence of dispute, amounts due to trade and other suppliers were settled as expeditiously as possible within the terms of payment.

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. The primary communication channels for employees are within the Company's operating units.

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.

DIRECTORS' REPORT

ENVIRONMENT

The Company is conscious of the impact of its operations on the environment. Necessary attention is given to environmental issues, particularly when developing new projects, refurbishing existing properties and considering possible acquisitions. Design consultants are encouraged to promote good environmental performance, with consideration given to environmental risk, energy consumption, the use of environmentally friendly materials and the avoidance of materials hazardous to health.

AUDITORS AND THE DISCLOSURE OF INFORMATION TO THE AUDITORS

In the case of each person who is a director of the Company at the date when the report is approved:

- so far as each is aware, there is no relevant audit information 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 and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

During the year Deloitte & Touche LLP changed their name to Deloitte LLP. Deloitte LLP have expressed their willingness to continue in office as auditors, and a resolution to reappoint them will be proposed at the forthcoming Ordinary General Meeting.

On behalf of the Board

A C Simpson
Director
29 July 2009

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985 and the Company's own Acts and Orders, in particular, Section 42 of the Harbours Act 1964. 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.

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 31 March 2009 which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses, the reconciliation of movements in total 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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant 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 and are properly prepared in accordance with the Companies Act 1985 and Section 42 of the Harbours Act 1964. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we 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 other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 March 2009 and of 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 LLP Deloitte LLP
Chartered Accountants and Registered Auditors
Liverpool, United Kingdom
24 July 2009

PROFIT AND LOSS ACCOUNT
For the year ended 31 March 2009

	Note	2009 £'000	2008 £'000
TURNOVER	2	27,071	26,768
Cost of sales		(16,483)	(16,163)
GROSS PROFIT		10,588	10,605
Other administrative expenses		(1,057)	(1,103)
Restructuring income	5	-	1,701
Administrative (expenses)/income		(1,057)	598
Other operating income		126	220
OPERATING PROFIT	5	9,657	11,423
Profit on disposal of tangible fixed assets	6	2,876	1,409
Net interest payable and similar charges	7	(1,124)	(772)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		11,409	12,060
Tax on profit on ordinary activities	8	185	(1,455)
PROFIT FOR THE FINANCIAL YEAR	17	11,594	10,605

The above results are derived from continuing operations.

There is no difference between the profit on ordinary activities before taxation and the profit for the financial year stated above and their historical cost equivalents.

BALANCE SHEET
As at 31 March 2009

	Note	2009 £'000	2008 £'000
FIXED ASSETS			
Tangible assets	10	49,801	48,266
CURRENT ASSETS			
Debtors	11	104,027	115,032
Cash at bank and in hand		2,565	1,116
		106,592	116,148
CREDITORS: amounts falling due within one year	12	(47,159)	(66,133)
NET CURRENT ASSETS		59,433	50,015
TOTAL ASSETS LESS CURRENT LIABILITIES		109,234	98,281
CREDITORS: amounts falling due after more than one year	13	(30,885)	(31,119)
PROVISIONS FOR LIABILITIES	15	(1,115)	(1,144)
NET ASSETS EXCLUDING PENSION ASSET		77,234	66,018
Pension asset	18	1,999	3,236
NET ASSETS INCLUDING PENSION ASSET		79,233	69,254
FINANCED BY CAPITAL AND RESERVES			
Called up share capital	16	4,000	4,000
Revaluation reserve	17	17,771	17,771
Capital redemption reserve	17	3,278	3,278
Investment in own shares	17	(212)	(212)
Profit and loss account	17	54,396	44,417
TOTAL SHAREHOLDERS' FUNDS		79,233	69,254

The financial statements on pages 8 to 26 were approved by the Board of directors on 29 July 2009 and were signed on its behalf by:

A C Simpson
Director

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
For the year ended 31 March 2009

	Note	2009 £'000	2008 £'000
Profit for the financial year		11,594	10,605
Other recognised gains and losses			
Actuarial loss relating to the pension schemes	18	(2,243)	(349)
Movement on deferred taxation relating to pension liability		628	98
		(1,615)	(251)
Total recognised net gains and losses for the financial year		9,979	10,354

RECONCILIATION OF MOVEMENTS IN TOTAL SHAREHOLDERS' FUNDS
For the year ended 31 March 2009

	Note	2009 £'000	2008 £'000
Profit for the financial year		11,594	10,605
Dividends paid	9	-	(860)
Other recognised gains and losses for the financial year		(1,615)	(251)
Net change in shareholders' funds		9,979	9,494
Opening shareholders' funds		69,254	59,760
Closing shareholders' funds		79,233	69,254

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2009

1. ACCOUNTING POLICIES

These financial statements are prepared under the historical cost convention as modified by the revaluation of certain fixed assets and in accordance with applicable United Kingdom law and accounting standards. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Basis of preparation

The Company is part of the Peel Ports Shareholder FinanceCo Limited Group ('the Group') and as such is party to the cross guarantee of the Group's debt facility. In making their assessment of the going concern assumption the directors have considered the assumptions and conclusions of Group's management in making their assessment of going concern on a Group basis. The directors of the Company are cogniscent of the following going concern disclosure, which appears in the financial statements of Peel Ports Shareholder FinanceCo Limited for the year ended 31 March 2009:

- the directors prepare and update detailed annual budgets, three year higher level forecasts, and three year strategic plans. Together these show that sufficient resources are available to the business and on this basis the directors continue to adopt the going concern assumption;
- at the balance sheet date the Group has borrowings of £1,063,572,000, which are subject to covenant restrictions. The borrowings are in place until 31 December 2013. No breaches have occurred in the historical period and the budgets and forecasts prepared by the directors indicate the Group will continue to comply with covenant requirements for a period of at least 12 months from the date of approval of the financial statements;
- in the year ended 31 March 2009, turnover from continuing operations rose by 5.9% and operating profit from continuing operations rose by 1.7% in an extremely challenging economic environment;
- during the year the Group responded to the difficult economic environment by restructuring its business and cutting costs. Whilst the opportunities for growth in turnover during the next twelve months will be limited, the financial statements for the year ending 31 March 2010 will show a lower cost base, reflecting the benefit of the steps taken by the directors;
- cash flows generated by the Group in the year resulted in an increase in cash of £10,391,000. This is after the payment of dividends of £30 million and investment in fixed assets of over £43 million, of which £18 million has been financed from operating cash flow; and
- there is an undrawn loan facility of £28 million available to the Group.

The directors, in their consideration of going concern, have reviewed the Group's future cash flow forecasts, profit projections and covenant compliance and based on these forecasts and projections believe that it is appropriate to prepare the financial statements on the going concern assumption.

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. Revenue is recognised upon provision of services. Turnover excludes sales related taxes.

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 Ports Shareholder FinanceCo Limited group of companies.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2009

Tangible fixed assets

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. Depreciation is provided on 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 at rates varying between 1% and 4% per annum.
- Plant and vehicles 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 at rates varying between 1% and 5% per annum.
- No depreciation is charged on capital work in progress until the assets are available for use. On completion, such assets are transferred to the appropriate category of tangible fixed assets.

Residual value is calculated on prices prevailing at the date of acquisition. The carrying value of previously revalued tangible fixed assets was frozen under the transitional arrangements of Financial Reporting Standard No 15, "Tangible Fixed Assets".

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

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

- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

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

Cash flow statement

The Company is a wholly owned subsidiary of Peel Ports Shareholder FinanceCo Limited. The cash flows of the Company are included in the consolidated cash flow statement of Peel Ports Shareholder FinanceCo Limited. Consequently, the Company is exempt, under the terms of Financial Reporting Standard No 1 (Revised 1996), from publishing a cash flow statement.

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 FINANCIAL STATEMENTS
For the year ended 31 March 2009

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 scheme 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 scheme's 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.

Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the value of the proceeds received, net of direct issue costs. Finance charges are accounted for on an accruals basis in the profit and loss account using the effective interest method and are added to the carrying amount of the investment to the extent that they are not settled in the period which they cover.

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

	2009 £'000	2008 £'000
Turnover arises in the UK from the following sources:		
Port and canal operations	25,402	25,792
Rental income	1,669	976
	27,071	26,768

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 Shareholder FinanceCo Limited.

3. DIRECTORS' EMOLUMENTS

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 the emoluments was made to the Company in the year ended 31 March 2009 (2008: £nil).

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2009

4. EMPLOYEE INFORMATION

The average monthly number of persons (including executive directors) employed by the Company during the year was:

	2009 No.	2008 No.
Administration	22	22
Port operational and maintenance staff	56	55
	78	77

The staff costs for the above persons were:

	2009 £'000	2008 £'000
Wages and salaries	2,157	2,049
Social security costs	167	145
Pension fund service cost (note 18)	472	509
	2,796	2,703

5. OPERATING PROFIT

	2009 £'000	2008 £'000
Operating profit is stated after charging/(crediting):		
Depreciation – owned assets	1,454	1,455
Depreciation – leased assets	70	69
Grant releases	(75)	(70)
Restructuring income	-	(1,701)
Auditors' remuneration – audit services	35	25
Port and Canal income includes:		
Pilotage (including exemption certificates of £5,000 (2008: £6,000))	1,480	1,436
Railways	396	390
Port and canal expenditures includes:		
Pilotage	1,319	1,371

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2009

6. PROFIT ON DISPOSAL OF TANGIBLE FIXED ASSETS

	2009 £'000	2008 £'000
Grant of 999 year lease	2,876	-
Disposal of easement	-	1,000
Disposal of other fixed assets	-	409
	2,876	1,409

7. NET INTEREST PAYABLE AND SIMILAR CHARGES

	2009 £'000	2008 £'000
Interest payable and similar charges:		
On banks loans	(1,302)	(1,573)
On other loans	(149)	(80)
Finance lease and other interest	(30)	(64)
Dividends on shares classed as financial liabilities	(140)	(140)
	(1,621)	(1,857)
Interest receivable and similar income:		
On bank and other deposits	53	166
Other finance income:		
Expected return on pension scheme assets	3,035	3,210
Interest on pension scheme liabilities	(2,591)	(2,291)
	444	919
Net interest payable and similar charges	(1,124)	(772)

The other finance income relates to the Company's defined benefits pension scheme (note 18).

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2009

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2009 £'000	2008 £'000
Current tax		
Group relief	-	300
Adjustments in respect of prior years		
UK corporation tax	(3)	-
Group relief	(300)	-
	(303)	-
Total current tax (credit)/charge	(303)	300
Deferred tax		
Origination and reversal of timing differences	176	673
Origination and reversal of timing differences – rate and law change	-	485
Movement in FRS 17 deferred taxation	147	147
Adjustment in respect of prior years	(205)	(150)
Total deferred tax charge	118	1,155
Total tax on profit on ordinary activities	(185)	1,455

Reconciliation of current tax (credit)/charge

The current tax (credit)/charge is lower (2008: lower) than that arising from applying the standard rate of UK corporation tax of 28% (2008: 30%). The differences are explained below:

	2009 £'000	2008 £'000
Profit on ordinary activities before taxation	11,409	12,060
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK 28% (2008: 30%)	3,195	3,618
Capital allowances in excess of depreciation	(176)	(87)
Movement in FRS 17 pension surplus deferred taxation	(147)	(243)
Net disallowable expenditure	86	54
Movement in short term timing differences	-	(634)
Excess of book profits over taxable profits on sale of fixed assets	(823)	(120)
Group relief claimed without payment	(2,135)	(2,288)
Adjustments to tax charge in respect of prior years	(303)	-
Total current tax (credit)/charge	(303)	300

9. EQUITY DIVIDENDS PAID

	2009 £'000	2008 £'000
Interim ordinary dividends of £nil per share (2008: £0.227 per share)	-	860

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2009

10. TANGIBLE FIXED ASSETS

	Land and buildings – freehold and long leasehold £'000	Plant and machinery - owned £'000	Plant and machinery - leased £'000	Capital work in progress £'000	Total £'000
Cost or valuation					
At 1 April 2008	71,060	27,385	1,497	223	100,165
Additions	99	1,557	-	1,403	3,059
Transfer from capital work in progress	59	165	-	(224)	-
At 31 March 2009	71,218	29,107	1,497	1,402	103,224
Depreciation					
At 1 April 2008	30,302	20,962	635	-	51,899
Charge for year	779	675	70	-	1,524
At 31 March 2009	31,081	21,637	705	-	53,423
Net book value					
At 31 March 2009	40,137	7,470	792	1,402	49,801
At 31 March 2008	40,758	6,423	862	223	48,266

Non depreciable land

Included within land and buildings is freehold and long leasehold land, which is not subject to depreciation, amounting to £20,374,000 (2008: £11,201,000) and £81,000 (2008: £81,000) respectively. Towards the end of the year ended 31 March 2008, the Company acquired a substantial parcel of land with buildings. The increase in freehold land not subject to depreciation from £11,201,000 to £20,374,000 in the year ended 31 March 2009 reflects the results of a formal assessment by the directors of the split of the consideration for that purchase attributable to land and to buildings.

Valuations

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

Historical cost of other fixed assets

The historical cost of fixed assets is £85,453,000 (2008: £82,394,000).

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2009

11. DEBTORS

	2009 £'000	2008 £'000
Amounts falling due within one year:		
Trade debtors	3,366	4,815
Amounts owed by group undertakings	100,364	109,953
Other debtors	61	48
Prepayments and accrued income	236	216
	104,027	115,032

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2009 £'000	2008 £'000
Bank overdrafts	205	204
Finance leases	153	198
Debt falling due within one year	358	402
Trade creditors	1,360	923
Amounts owed to group undertakings	33,583	53,941
Other taxes and social security	136	8
Other creditors	437	423
Government grants	75	70
Accruals and deferred income	4,290	3,586
Dividends on shares classed as financial liabilities	6,920	6,780
	47,159	66,133

Details of security on the above borrowings are disclosed in note 14.

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

	2009 £'000	2008 £'000
Bank loans	24,238	24,238
Perpetual debenture stocks	2,233	2,233
Finance leases	73	227
3,999,980 3.5% (net) preference shares (see note 16)	4,000	4,000
Debt falling due after more than one year	30,544	30,698
Government grants	341	421
	30,885	31,119

Details of security on the above borrowings are disclosed in note 14.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2009

14. BORROWINGS

	2009 £'000	2008 £'000
(a) Analysis of net debt		
Creditors – amounts falling due within one year	358	402
Creditors – amounts falling due after more than one year	30,544	30,698
Gross debt	30,902	31,100
Cash at bank and in hand	(2,565)	(1,116)
Net debt	28,337	29,984
(b) Maturity of financial liabilities		
Finance leases		
Within one year	153	198
Between one and two years	58	153
Between two and five years	15	74
	226	425
Other debt		
Within one year	205	204
Between two and five years	24,238	-
After five years	6,233	30,471
	30,676	30,675
Gross debt	30,902	31,100

Other debt includes bank loans of £24,238,000 (2008: £24,238,000) which are secured by a fixed legal charge on certain freehold 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 perpetual debenture stocks are listed on the London Stock Exchange, a regulated market. The directors consider that the fair value of the instruments is not materially different from the carrying value in the financial statements.

Finance lease obligations are secured on the assets to which they relate (note 10).

(c) Operating lease commitments

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2009

15. PROVISIONS FOR LIABILITIES

	Deferred taxation £'000
At 1 April 2008	1,144
Profit and loss account	(29)
At 31 March 2009	1,115

Provision for deferred tax comprises:	2009 £'000	2008 £'000
Accelerated capital allowances	1,232	1,245
Other timing differences	(117)	(101)
	1,115	1,144

16. CALLED UP SHARE CAPITAL

	Number	2009 £'000	2008 £'000
Authorised under the Manchester Ship Canal Acts and Orders			
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
Total authorised share capital at 31 March	8,000,000	8,000	8,000
Allotted, called-up and fully paid share capital			
Ordinary shares of £1 each ranking for dividend	3,788,402	3,788	3,788
Ordinary shares of £1 each vested in trustees and not ranking for dividend	211,598	212	212
Shares classed as equity shareholder funds	4,000,000	4,000	4,000
3.5% (net) preference shares of £1 each*	3,999,980	4,000	4,000
Total allotted share capital at 31 March	7,999,980	8,000	8,000

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

Section 12 of the Manchester Ship Canal (Finance) Act 1904 provides that in respect 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 provided that when the said two thirds due to the preference shareholders shall in any year amount to £200,000 all remaining profits shall be payable to the ordinary shareholders. This amount of £200,000 was reduced by 30% to £140,000 by virtue of the Finance Act 1972 Schedule 23 (18) and Section 46 of the Finance Act 1976.

* In accordance with Financial Reporting Standard (FRS) 25 the 3.5% (net) preference shares are classified as Creditors due after more than one year on the balance sheet (see note 13). Cumulative dividends are accrued within creditors until they are paid.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2009

17. RESERVES

	Revaluation reserve £'000	Investment in own shares £'000	Capital redemption reserve £'000	Profit and loss account £'000	Total £'000
At 1 April 2008	17,771	(212)	3,278	44,417	65,254
Profit for the financial year	-	-	-	11,594	11,594
Actuarial loss relating to the pension fund (note 18)	-	-	-	(2,243)	(2,243)
Movement on tax relating to pension asset	-	-	-	628	628
At 31 March 2009	17,771	(212)	3,278	54,396	75,233

18. PENSION FUND

The Company operates a money purchase pension scheme providing benefits based on actual contributions paid in the United Kingdom. The assets of the schemes are held separately from the assets of the Company and are administered by trustees and managed professionally. The contributions of the Company varied between 2% and 6% (2008: varied between 2% and 6%) of pensionable salaries for the financial year. Company contributions to money purchase pension schemes are matched by employees. Contributions totalling £7,000 were paid during the year (2008: £6,000).

The Company also operates a defined benefit pension scheme based on final pensionable pay which was closed to new entrants with effect from 22 January 2001. The assets of the scheme are held separately from those of the Company. The latest actuarial valuation as at April 2006 has been adjusted to reflect the positions at 31 March 2009 by a qualified independent actuary (in accordance with FRS 17).

(a) Major actuarial assumptions

	31 March 2009 % pa	31 March 2008 % pa	31 March 2007 % pa
Rate of increase in salaries	4.25	4.25	3.85
Rate of increase of pensions in payment	3.50	3.50	3.40
Rate of increase for deferred pensioners	3.50	3.50	3.10
Discount rate	6.50	6.50	5.30
Inflation	3.50	3.50	3.10

Changes in the present value of the defined benefit liabilities are as follows:	2009 £'000	2008 £'000
Opening defined benefit liability	40,308	43,522
Service cost	472	509
Interest cost	2,591	2,291
Employee contributions	66	69
Actuarial gains on scheme liabilities	(5,116)	(4,493)
Benefits paid	(1,824)	(1,590)
Closing defined benefit liability	36,497	40,308

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2009

Analysis of the defined benefit obligation:	**2009 £'000**	**2008 £'000**
Present value of funded liabilities	36,497	40,308

Reconciliation of fair value of scheme assets:	**2009 £'000**	**2008 £'000**
Opening fair value of scheme assets	46,310	47,556
Expected return on scheme assets	3,035	3,210
Actuarial losses on scheme assets	(8,866)	(3,335)
Contributions by the company	553	400
Contributions by employees	66	69
Benefits paid	(1,824)	(1,590)
Closing fair value of scheme assets	39,274	46,310

Amounts to be recognised in the balance sheet:	**2009 £'000**	**2008 £'000**
Present value of funded liabilities	(36,497)	(40,308)
Fair value of scheme assets	39,274	46,310
	2,777	6,002
Present value of unfunded liabilities	-	-
Surplus	2,777	6,002
Irrecoverable surplus	-	(1,507)
Recognisable surplus before deferred taxation	2,777	4,495
Deferred taxation	(778)	(1,259)
Amount recognised in the balance sheet	1,999	3,236

Amount to be recognised in the profit and loss account:	**2009 £'000**	**2008 £'000**
Current service cost	472	509
Interest cost	2,591	2,291
Expected return on scheme assets	(3,035)	(3,210)
Total expense/(income)	28	(410)

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2009

Cumulative amount of actuarial gains and losses recognised in the statement of total recognised gains and losses since adoption of FRS 17:	**2009 £'000**	**2008 £'000**
Opening cumulative	5,085	5,434
Actuarial gains on scheme liabilities	5,116	4,493
Actuarial losses on scheme assets	(8,866)	(3,335)
Irrecoverable surplus	1,507	(1,507)
Movement in the year	(2,243)	(349)
Closing cumulative	2,842	5,085

Plan assets	**Fair value of assets 31 March 2009 £'000**	**31 March 2009 %**	**Expected rate of return 31 March 2009 %**	**Fair value of assets 31 March 2008 £'000**	**31 March 2008 %**	**Expected rate of return 31 March 2008 %**
Equities	19,973	51%	8.50%	23,500	50%	7.75%
Fixed Interest Gilts	9,586	24%	3.80%	11,391	25%	4.50%
Corporate Bonds	9,586	24%	6.75%	11,391	25%	6.50%
Cash and insured schemes	129	1%	0.50%	28	0%	5.00%
Total market value of assets	39,274	100%	6.90%	46,310	100%	6.35%

The overall expected return on assets is calculated as the weighted average of the expected returns on each individual asset class. The expected returns are set by reference to market indicators, including price inflation, dividend yields, economic growth, yields on index linked gilts and bonds and interest rates. The actual return on plan assets was a loss of £5,831,000 (2008: loss £125,000)

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2009

History of experience gains and losses	**Group 2009 £'000**	**Group 2008 £'000**	**Group 2007 £'000**	**Group 2006 £'000**
Present value of defined benefit liability	(36,497)	(40,308)	(43,522)	(45,290)
Fair value of scheme assets*	39,274	46,310	47,556	43,309
Surplus	2,777	6,002	4,034	(1,981)
Experience gains/(losses) on scheme liabilities and changes in assumptions :				
Amount	5,116	4,493	2,738	(4,402)
Percentage of present value of scheme liabilities	14%	11%	6%	(10%)
Difference between expected and actual return on scheme assets:				
Amount	(8,866)	(3,335)	(210)	5,861
Percentage of scheme assets	(23%)	(7%)	(0.4%)	14%

* The fair value of scheme assets is shown at mid-market value at all dates other than 31 March 2009, which is shown at bid value.

(b) The Pilots National Pension Fund ("PNPF")

The PNPF is an industry-wide defined benefits scheme. Details of the most recent actuarial valuation can be found in the consolidated financial statements of Peel Ports Shareholder FinanceCo Limited. The participating bodies for this scheme have agreed a voluntary arrangement to increase contributions in order to reduce the deficit. The scheme rules do not provide a mechanism for the allocation of past-service deficits and, as such, the Company is unable to determine its share of the past service deficit on a reasonable basis..

Because the Company is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis, as permitted by FRS 17 'Retirement benefits', the scheme is accounted for by the Company as if the scheme was a defined contribution scheme, the cost recognised within the profit and loss account being equal to the contributions payable to the scheme for the year.

Based on legal advice the directors had agreed to make voluntary contributions in respect of the Company's share of past-service deficit totalling £622,000 payable in instalments over a 5 year period from 1 April 2006.

In the year ended 31 March 2008, the pension fund trustees initiated legal proceedings against all participating employers as a means to obtain further contributions to fund the deficit. As a result, all former payment plans have lapsed. During the year ended 31 March 2009, the Company did not make any voluntary contributions to this scheme (2008: £nil).

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2009

19. RELATED PARTY TRANSACTIONS

The following summarises the transactions during the year between entities in the Peel Ports Group and other divisions of the Peel Holdings group of companies. The other divisions of Peel Holdings are headed by the following entities:

Related Party	Transaction	2009 £'000	2008 £'000
Peel Holdings Land & Property (UK) Limited	Fixed asset disposal	3,000	-
	Sales	100	195
	Rent paid	(755)	(755)
	Group relief	300	(300)

The following summarises the year end balances between entities in the Peel Ports Group and other divisions of the Peel Holdings group of companies. The other divisions of Peel Holdings are headed by the following entities:

Related Party	2009 £'000	2008 £'000
Bridgewater Canal Trust	150	380
Peel Holdings Land & Property (UK) Limited	3,000	(207)

20. CAPITAL COMMITMENTS

	2009 £'000	2008 £'000
Capital expenditure contracted for but not provided for in these financial statements	234	328

21. GROUP BORROWING FACILITY

The Company, together with certain of its fellow group undertakings, has guaranteed the loans and bank overdrafts of certain bankers of group companies. At 31 March 2009 this amounted to £1,063,624,000 (2008: £1,051,988,000).

22. ULTIMATE AND IMMEDIATE HOLDING COMPANY

The directors regard Tokenhouse Limited (formerly Tokenhouse Investments (Guernsey) Limited), a company incorporated in the Isle of Man, as the ultimate holding company and Peel Ports Investments Limited, a company registered in Great Britain, as the immediate parent company.

The largest and smallest group of undertakings of which the Company is a member that produces publicly available consolidated financial statements is Peel Ports Shareholder FinanceCo Limited, a company registered in Great Britain. Its group financial statements are available from:-

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2009

23. ULTIMATE CONTROLLING PARTY

Tokenhouse Limited is controlled by The 1997 Billown Settlement Trust. By virtue of its controlling interest in Peel Ports Holdings (CI) Limited and the majority voting power held by the directors appointed by its immediate parent undertaking, Peel Ports Holdings (IOM) Limited, the Company considers The 1997 Billown Settlement Trust to be the ultimate controlling party.