Company Registration No: 7438096

ZC000197

THE MANCHESTER SHIP CANAL COMPANY LIMITED

Report and Financial Statements

For the year ended 31 March 2011

REPORT AND FINANCIAL STATEMENTS 2011

CONTENTS

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

T E Allison
G E Hodgson
Sir Richard Leese
M MacKay
S Underwood
P P Wainscott
J Whittaker
M Whitworth

SECRETARY

C R Marrison Gill

PRINCIPAL OFFICE

Maritime Centre
Port of Liverpool
L21 1LA

REGISTRARS AND TRANSFERS OFFICE

Capita Registrars Limited
Registration and New Issues
Bourne House
34 Beckenham Road
Beckenham
Kent
BR3 4TU

BANKERS

The Royal Bank of Scotland PLC/
National Westminster Bank PLC
22 Castle Street
Liverpool
L2 0UP

AUDITOR

Deloitte LLP
Chartered Accountants and Statutory Auditor
Liverpool
United Kingdom

DIRECTORS' REPORT

The directors present their report and the audited financial statements of the Company for the year ended 31 March 2011

REGISTRATION OF A COMPANY UNDER THE COMPANIES ACT 2006

On 12 November 2010, the Company registered as a limited company under Section 1040 of the Companies Act 2006 by virtue of a Harbour Revision Order made under the Harbours Act 1964 which enabled the Company to avail itself of this procedure Prior to this date the Company was a statutory unregistered company (Company Number ZC197) constituted by The Manchester Ship Canal Act 1885 and was primarily governed by its Acts and Orders 1885 to 2009 In addition, the Company was subject to such provisions of the Companies Acts as were applicable to the Company pursuant to the Unregistered Companies Regulations 2009 and as adopted by the Company by virtue of its own enactments The registration of the Company had no impact on the Company's results, cash flows or financial position

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

RESULTS AND DIVIDENDS

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

The directors proposed and paid interim ordinary dividends of £19,860,000 (2010 £19,720,000) No final dividend is proposed (2010 £nil) The directors proposed dividends of £140,000 (2010 £140,000) on the 3 5% (net) 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

Continuing operations	2011 £'000	2010 £'000	Change £'000	%
Turnover *	27,412	31,736	(4,324)	(13 6)
Gross profit	11,710	16,580	(4,870)	(29 4)
Operating profit	11,141	15,779	(4,638)	(29 4)

* Turnover for the year ended 31 March 2010 includes £5,635,000 arising from the substantial completion of services provided under the terms of existing contractual arrangements The directors consider that no further obligations exist given that all services have now been rendered and the likelihood of the reinstatement of activities in the future is remote

The table below shows the impact on recorded turnover

	2011 £'000	2010 £'000
Turnover as recorded	27,412	31,736
Turnover from substantial completion of services in 2010 (as explained above)	-	(5,635)
	27,412	26,101

DIRECTORS' REPORT

The Company's results and financial position are set out in the profit and loss account and balance sheet respectively

Net assets were £64,801,000 at 31 March 2011 (2010 £72,673,000) In addition to the profit for the financial year of £10,905,000 (2010 £15,423,000), the net asset position has changed principally because of the payment of interim dividends of £19,860,000 (2010 £19,720,000) and a recognised actuarial gain, net of tax, relating to the defined benefit pension schemes of £1,083,000 (2010 loss of £2,263,000)

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, and that the business is in a good position to benefit from the economic recovery as it gathers pace

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 forecasts and a five year strategic plan from a participative process

The directors monitor 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

	2011	2010	Absolute Change	% Change	Method of calculation
Turnover (£'000)	27,412	31,736	(4,324)	(13 6)	Year on year change in turnover
Investment in trade debtors as a percentage of turnover	9 6%	9 6%	-	-	Trade debtors net of provisions as a percentage of turnover
Turnover per employee (£'000)	375 5	417 6	(42 1)	(10 1)	Turnover divided by average number of employees
Tonnage throughput (millions)	7 1	6 3	0 8	12 7	Year on year change in tonnage using standard tonnage measures for the Ports industry

As referred to above, turnover for the year ended 31 March 2010 benefitted from the recognition of revenue of £5,635,000 under contractual arrangements where no further obligations exist The year on year change in key performance indicators for turnover, investment in trade debtors and turnover per employee are based on turnover as recorded in the profit and loss account

Tonnage throughput has increased year on year with the major bulk liquid customers performing well The Company continues to focus on financial efficiency, costs have been controlled and credit terms continue to be actively managed

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 reduced the ability of individuals and businesses to borrow money and this ultimately led to a lack of demand in the global marketplace Although economic recovery appears to be in progress, the outlook remains uncertain

Despite the continuing uncertainty 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, the Company is not as reliant on container handling as many other port businesses With its strong and diverse service offering, the Company continues to show greater resilience in the current environment

DIRECTORS' REPORT

Operational risk

The port forms 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 port 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 port This has the effect of minimising the impact of a particular cycle or business failure and indeed one trade can hedge against another

In addition, the nature of the ports industry is such that the work undertaken requires employees and contractors to be totally aware of their working environment as there is always the possibility of accidents occurring Some of the cargoes which are handled are dangerous and need to be handled in accordance with specific procedures The Company has emergency plans in place which are reviewed and updated where necessary In addition, training and safety guidance is provided to all employees and contractors working in the port

Financial risk

The key financial risk arises from the level of long term debt held by the Company and the wider Peel Ports Shareholder FinanceCo Limited Group ("Group") and the interest arising thereon The Group's long term debt, amounting to £1,182,679,000, 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 in other Group companies 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 financial statements of the Company are consolidated

The Company operates a defined benefit pension scheme and is party to an industry-wide defined benefit scheme Modest changes to the assumptions used to value the scheme's assets and liabilities can have a significant effect on the asset or liability that the Company records The schemes and the assumptions used are more fully explained in note 17 of the financial statements, together with an indication of the sensitivity of amounts recorded to changes in assumptions The Company manages its responsibilities with regard to defined benefit scheme arrangements by agreeing contribution rates with the trustees of those schemes that allow for deficits to be recovered over appropriate periods of time At 31 March 2011, the Company balance sheet recorded a pension asset, net of deferred taxation, of £1,936,000 (2010 £3,000) The year on year increase is primarily as a result of higher asset values

As permitted by FRS17 'Retirement benefits', the Pilots National Pension Fund ("PNPF"), an industry-wide defined benefit scheme, is accounted for as if the scheme was a defined contribution scheme Whilst the directors consider it likely that the Company will be required to fund a share of the deficit of the PNPF, they are currently unable to determine the quantum of any deficit arising or the share to be borne by the Company until such time as legal proceedings being brought by third parties against the trustee of the PNPF are resolved, formal actuarial valuations performed, agreement being reached on the basis on which any deficit will be shared between the participating competent harbour authorities and a recovery plan is agreed Furthermore, the trustee has indicated it will not engage with the participating competent harbour authorities in relation to determining the quantum of any deficit and the recovery thereof until the appeal process is determined A key issue of the appeal process concerns the judgment as to the responsibility of competent harbour authorities with self employed pilots to contribute to the scheme deficit As explained in note 17, in 2006 the participating bodies for the PNPF agreed a voluntary arrangement to increase contributions in order to reduce the deficit The directors agreed to make voluntary contributions totalling £622,000 payable in instalments over a 5 year period In the year ended 31 March 2008, the pension fund trustee initiated legal proceedings against all participating competent harbour authorities as a means to obtain further contributions to fund the deficit Although this voluntary payment plan has lapsed, the provision retained by the Company as at 31 March 2011 amounted to £388,000 (2010 £388,000)

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 investment in the asset base assists in managing the risks arising from the level of debt and variability in interest rates

DIRECTORS' REPORT

Going concern

As referred to in note 1 to the financial statements, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and for this reason they continue to adopt the going concern basis of accounting in preparing the annual financial statements

DIRECTORS

The directors of the Company who served during the year and thereafter, except as noted below, are listed on page 1 G E Hodgson, S Underwood and M Whitworth were appointed as directors on 22 July 2011

Prior to registration as a company under the Companies Act 2006, The Manchester Ship Canal Company Limited was primarily governed by its Acts and Orders 1885 to 2009 These statutes did not differentiate between executive and non-executive directors

Under the Companies Act 2006 Sir Richard Leese would be regarded as a non-executive director Sir Richard Leese has been leader of Manchester City Council since 1996

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

CHARITABLE AND POLITICAL CONTRIBUTIONS

During the financial year, the Company made no contributions for charitable purposes (2010 £nil) The Company made no political contributions during the financial year (2010 £nil)

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

AUDITOR AND THE DISCLOSURE OF INFORMATION TO THE AUDITOR

Each of the persons who is a director at the date of approval of this report confirms that

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company s auditor is aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006

Deloitte LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditors in the absence of an Annual General Meeting

On behalf of the Board

M Whitworth
Director
28 July 2011

DIRECTORS' RESPONSIBILITIES STATEMENT

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) Under company law the directors must not approve the financial statements unless they are satisfied that they 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 accounting 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 adequate accounting records that are sufficient to show and explain the Company's transactions and 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 2006 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 AUDITOR'S REPORT TO THE MEMBERS OF THE MANCHESTER SHIP CANAL COMPANY LIMITED

We have audited the financial statements of The Manchester Ship Canal Company Limited for the year ended 31 March 2011 which comprise the profit and loss account, the note of historical cost profits and losses, the statement of total recognised gains and losses, the reconciliation of movements in shareholder's funds the balance sheet and the related notes 1 to 23 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 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 auditor's 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 auditor
As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements
In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as 31 March 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made or
- we have not received all the information and explanations we require for our audit

Alan Fendall (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Liverpool, United Kingdom
July 2011

PROFIT AND LOSS ACCOUNT
For the year ended 31 March 2011

	Note	2011 £'000	2010 £'000
TURNOVER	2	27,412	31,736
Cost of sales		(15,702)	(15,156)
GROSS PROFIT		11,710	16,580
Administrative expenses		(787)	(1,012)
Other operating income		218	211
OPERATING PROFIT	5	11,141	15,779
Net interest and similar items	6	(7)	(332)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		11,134	15,447
Tax on profit on ordinary activities	7	(229)	(24)
PROFIT FOR THE FINANCIAL YEAR	16	10,905	15,423

The above results are derived from continuing operations

NOTE OF HISTORICAL COST PROFITS AND LOSSES
For the year ended 31 March 2011

	2011 £'000	2010 £'000
Reported profit on ordinary activities before taxation	11,134	15,447
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	221	222
Historical cost profit for the year before taxation	11,355	15,669
Historical cost profit for the year after taxation	11,126	15,645

STATEMENT OF TOTAL RECONGISED GAINS AND LOSSES
As at 31 March 2011

	Note	2011 £'000	2010 £'000
Profit for the financial year		10,905	15,423
Other recognised gains and losses			
Actuarial gain/(loss) relating to the pension scheme	17	1,464	(3,143)
Movement on deferred taxation relating to pension asset		(381)	880
		1,083	(2,263)
Total recognised gains and losses for the financial year		11,988	13,160

RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS
For the year ended 31 March 2011

	Note	2011 £'000	2010 £'000
Profit for the financial year		10,905	15,423
Dividends paid	8	(19,860)	(19,720)
Other recognised gains and losses for the financial year		1,083	(2,263)
Net change in shareholder's funds		(7,872)	(6,560)
Opening shareholder's funds		72,673	79,233
Closing shareholder's funds		64,801	72,673

BALANCE SHEET
For the year ended 31 March 2011

	Note	2011 £'000	2010 £'000
FIXED ASSETS			
Tangible assets	9	60,271	51,129
CURRENT ASSETS			
Debtors - due in less than one year	10	44,388	94,141
- due after more than one year	10	2,608	3,523
Cash at bank and in hand		3,144	324
		50,140	97,988
CREDITORS: amounts falling due within one year	11	(15,442)	(44,132)
NET CURRENT ASSETS		34,698	53,856
TOTAL ASSETS LESS CURRENT LIABILITIES		94,969	104,985
CREDITORS: amounts falling due after more than one year	12	(31,138)	(31,279)
PROVISIONS FOR LIABILITIES	14	(966)	(1,036)
NET ASSETS EXCLUDING PENSION ASSET		62,865	72,670
Pension asset	17	1,936	3
NET ASSETS INCLUDING PENSION ASSET		64,801	72,673
CAPITAL AND RESERVES			
Called-up share capital	15	4,000	4,000
Revaluation reserve	16	17,328	17,549
Capital redemption reserve	16	3,278	3,278
Investment in own shares	16	(212)	(212)
Profit and loss account	16	40,407	48,058
TOTAL SHAREHOLDER'S FUNDS		64,801	72,673

The financial statements of The Manchester Ship Canal Limited (company registration number 7438096), were approved by the Board of Directors on 28 July 2011 and were signed on its behalf by

M Whitworth
Director

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2011

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 throughout the current and prior financial year, is set out below

Basis of preparation

In considering the appropriateness of the going concern basis of preparation, the directors have considered forecasts for the next twelve months from the date of signing the 2011 financial statements, which include detailed cash flow forecasts and working capital availability These forecasts show that sufficient resources remain available to the business for the next twelve months

The Company is party to the cross guarantee of the debt facility of Peel Ports Shareholder FinanceCo Limited Group ("the Group") Therefore the directors of the Company have considered the assumptions and conclusions of Group's management in making their assessment of going concern on a Group basis and are cognisant of the following going concern disclosure, which appears in the financial statements of Peel Ports Shareholder FinanceCo Limited for the year ended 31 March 2011

- "the directors prepare and update detailed annual budgets, three year forecasts, and five 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 net liabilities of £449,355,000 which are attributed to the reorganisation of the Group in 2006 which was accounted for under merger accounting principles and resulted in the creation of a merger relief reserve of £506,095,000,
- at the balance sheet date, the Group has borrowings of £1,062,679,000 (2010 £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 The continuing economic conditions create uncertainty However, even after taking account of all reasonably possible sensitivities for changes in trading performance, the Group's forecasts and projections indicate that it is expected to 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 2011, while turnover decreased by £3 6 million to £358 9 million, Group operating profit increased by £11 7 million to £76 8 million, despite the continuing uncertainty in the global economic environment This was due to a combination of higher volumes, enhanced productivity, improved sales mix and the realised benefit of the Group's restructuring exercises,
- cash inflows generated in the year enabled the Group to finance fixed asset additions of £29 9 million from cash, together with all financing outflows, resulting in an increase in net cash of £6 1 million,
- there are undrawn loan facilities of £83 7 million available to the Group, and
- the Group has net current liabilities of £70 2 million principally as a result of amounts owed to the immediate parent company, which the directors believe will not be called for repayment within twelve months of the signing of the financial statements "

After making enquiries, the directors have formed a judgment, at the time of approving the financial statements, that there is a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future For this reason, the directors continue to adopt the going concern basis of accounting in preparing the annual financial statements

Turnover

Port and canal income comprises amounts receivable by the Company in respect of services provided during the financial year Rental turnover comprises property rental income and rental premiums, which are accounted for on an accruals basis Turnover is recognised upon provision of services Turnover excludes sales related taxes

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2011

1. ACCOUNTING POLICIES (CONTINUED)

Foreign currencies

Assets and liabilities denominated in foreign currencies, including overseas investments, are translated into Sterling at rates applicable at the balance sheet date or forward foreign exchange contract rates as appropriate Gains and losses on foreign currency transactions arising in the ordinary course of business are included in operating profit

Tangible fixed assets

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment Depreciation is provided on all tangible fixed assets, excluding freehold and long leasehold land and capital work in progress, 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
- port and canal assets include freehold and long leasehold land which is not depreciated The remaining port and canal assets are depreciated at rates varying between 1% and 5% per annum
- plant and machinery at rates varying between 5% and 25% 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 or revaluations

The carrying value of previously revalued tangible fixed assets was frozen under the transitional arrangements of FRS 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, and

- 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

Preference shares

Preference shares are accounted for in accordance with FRS 25 "Financial instruments Disclosure and presentation" as financial liabilities 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 2011

1. ACCOUNTING POLICIES (CONTINUED)

Pension costs

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

The Company also operates a defined benefit scheme, which requires contributions to be made to a separately administered fund This has been accounted for under the 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

Costs in respect of operating leases are charged directly to the profit and loss account on a straight-line basis over the lease term

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

Financial instruments

The principal risks and uncertainties facing the Company, including operational risk, financial risk, and credit risk are discussed within the Directors' Report Management's assessment of these risks incorporate consideration of the Company's financial instruments which include cash, loans and receivables (debtors) and other financial liabilities measured at amortised cost (creditors)

Foreign exchange risk and interest rate risk have been considered by the directors and have been deemed not to be significant in relation to the operations of the Company Consequently, no further disclosure has been included within the financial statements Liquidity risk has been considered below

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due or can only do so at a significantly increased cost The directors establish the overall liquidity and capital policies of the Company The Company's risk management policies are designed to mitigate the potential risk that the Company may be unable to access adequate financing to service its financial obligations when they fall due without adverse business impact

No quantitative analysis has been included in the financial statements in relation to liquidity risk of other financial liabilities See notes 11, 12 and 13 for details of the balances included in other financial liabilities

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2011

1. ACCOUNTING POLICIES (CONTINUED)

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 FRS 1 (Revised 1996), from publishing a cash flow statement

Related party disclosures

The Company has taken advantage of the exemption in paragraph 3 (c) of FRS 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

2 SEGMENTAL INFORMATION

	2011 £'000	2010 £'000
Turnover arises in the UK from the following sources		
Port and canal operations	25,633	29,633
Rental income	1,779	2,103
	27,412	31,736

Turnover for the year ended 31 March 2010 includes £5,635,000 arising from the substantial completion of services provided under the terms of existing contractual arrangements The directors consider that no further obligations exist given that all services have now been rendered and the likelihood of the reinstatement of activities in the future is remote

The table below shows the impact on recorded turnover

	2011 £'000	2010 £'000
Turnover as recorded	27,412	31,736
Turnover from substantial completion of services in 2010 (as explained above)	-	(5,635)
	27,412	26,101

3 DIRECTORS' EMOLUMENTS

The directors are also directors of other Group companies or of companies outside of the Group 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 2011 (2010 £nil)

4 EMPLOYEE INFORMATION

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

	2011 No	2010 No.
Administration	19	20
Port operational and maintenance staff	54	56
	73	76

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2011

4. EMPLOYEE INFORMATION (CONTINUED)

The staff costs for the above persons were

	2011 £'000	2010 £'000
Wages and salaries	2,042	2,019
Social security costs	172	164
Pension fund service cost (note 17)	386	373
Other pension costs (note 17)	36	5
	2,636	2,561

During the year ended 31 March 2011, the Company introduced a 'Smartpay' pension arrangement whereby participating employees forego part of their salary in return for higher employer pension contributions The impact of this has been to increase the employer contributions (Other pension costs) during the year with a corresponding decrease in wages and salaries expense

5. OPERATING PROFIT

	2011 £'000	2010 £'000
Operating profit is stated after charging/(crediting):		
Depreciation – owned assets	2,013	1,486
– leased assets	148	195
Profit on disposal of fixed assets	(766)	(50)
Foreign currency exchange loss/(gain)	4	(20)
Hire of plant and machinery under operating leases	200	221
Hire of other assets under operating leases	927	947
Grant releases	(58)	(67)
The analysis of auditor's remuneration is as follows:		
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	22	20

Fees paid to the Company's Auditor, 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 intermediate parent, Peel Ports Shareholder FinanceCo Limited, are required to disclose non-audit fees on a consolidated basis

The undernoted information in respect of Pilotage is given in accordance with Article 4 of the Statutory Harbour Undertakings (Pilotage Accounts) Regulations 1988

	2011 £'000	2010 £'000
Port and Canal income includes		
Pilotage (including exemption certificates of £6,000 (2010 £3,000)	1,517	1,371
Railways	87	84
Port and canal expenditures includes		
Pilotage	1,300	1,295

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2011

6. NET INTEREST AND SIMILAR ITEMS

	2011 £'000	2010 £'000
Interest payable:		
Bank loans	(359)	(368)
Other loans	(102)	(82)
Finance lease and other interest	(17)	(45)
Dividends on preference shares classed as financial liabilities	(140)	(140)
Total interest payable and similar charges	(618)	(635)
Interest receivable		
Bank and other deposits	1	1
Other finance income:		
Expected return on pension scheme assets	3,302	2,708
Interest on pension scheme liabilities	(2,692)	(2,406)
Total other finance income (note 17)	610	302
Net interest and similar items	(7)	(332)

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2011

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2011 £'000	2010 £'000
Current tax		
UK corporation tax	-	-
Total current tax charge	-	-
Deferred tax		
Origination and reversal of timing differences	(27)	162
Adjustment in respect of prior years (United Kingdom)	31	(241)
Change of UK tax rate	(74)	-
Pension cost relief in excess of pension charge	299	103
Total deferred tax charge	229	24
Total tax on profit on ordinary activities	229	24

Excluding deferred tax items relating to the defined benefit pension scheme, the deferred tax credit is £70,000 (2010 £79,000) (note 14)

The UK government announced in June 2010 that it intended to reduce the rate of corporation tax from 28% to 24% over four years The Finance Act 2010, which was substantively enacted in July 2010, included provisions to reduce the rate of corporation tax to 27% with effect from 1 April 2011 On 23 March 2011 the UK government announced that it intended to reduce the rate of corporation tax further to 26% with effect from 1 April 2011 and then by 1% per annum to 23% by 1 April 2014 The reduction to 26% was substantively enacted before the balance sheet date The further intended reductions have not been substantively enacted The deferred tax balances as at 31 March 2011 have therefore been calculated at a rate of 26%, which has resulted in a credit to the profit and loss account of £74,000

Reconciliation of current tax charge

The current tax charge is lower (2010 lower) than that arising from applying the standard rate of UK corporation tax of 28% (2010 28%) The differences are explained below

	2011 £'000	2010 £'000
Profit on ordinary activities before taxation	11,134	15,447
Profit on ordinary activities multiplied by the standard rate of UK corporation tax of 28% (2010 28%)	3,118	4,325
Effects of		
Depreciation in excess of/(less than) capital allowances	29	(199)
Movement in FRS 17 pension surplus deferred taxation	(322)	(103)
Net disallowable expenditure	195	119
Movement in other timing differences	-	37
Group relief claimed without payment	(3,020)	(4,179)
Current tax charge	-	-

8 EQUITY DIVIDENDS PAID

	2011 £'000	2010 £'000
Interim ordinary dividends of £5 242 (2010 £5 205) per share	19,860	19,720

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2011

9. 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 2010	72,591	30,216	1,784	1,642	106,233
Additions	39	664	-	11,221	11,924
Disposals	(18)	(293)	-	(603)	(914)
Transfer from capital work in progress	80	1,550	-	(1,630)	-
At 31 March 2011	72,692	32,137	1,784	10,630	117,243
Depreciation					
At 1 April 2010	31,793	22,411	900	-	55,104
Charge for year	852	1,161	148	-	2,161
Disposals	-	(293)	-	-	(293)
At 31 March 2011	32,645	23,279	1,048	-	56,972
Net book value					
At 31 March 2011	40,047	8,858	736	10,630	60,271
At 31 March 2010	40,798	7,805	884	1,642	51,129

Non depreciable land

Included within tangible fixed assets is freehold and long leasehold land, which is not subject to depreciation, amounting to £29,535,000 (2010 £20,311,000) and £81,000 (2010 £81,000) respectively

Historical cost of fixed assets

The historical cost of land and buildings is £54,841,000 (2010 £54,820,000)

If land and buildings had not been revalued, they would have been included at the following amounts

	2011 £'000	2010 £'000
Cost	54,841	54,820
Depreciation	(28,960)	(28,470)
Net book value	25,881	26,350

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2011

10. DEBTORS

	2011 £'000	2010 £'000
Amounts falling due within one year.		
Trade debtors	2,636	3,058
Amounts owed by Group undertakings	40,557	89,762
Other debtors	138	72
Prepayments and accrued income	1,057	1,249
	44,388	94,141
Amounts falling due after more than one year:		
Prepayments and accrued income	2,608	3,523

The allowance for bad debt provision included in trade debtors above is immaterial for separate disclosure in the financial statements

11 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2011 £'000	2010 £'000
Finance leases	99	132
Debt falling due within one year	99	132
Trade creditors	1,781	1,939
Amounts owed to Group undertakings	10,895	32,909
Other creditors including taxation and social security	167	100
Government grants	51	67
Accruals and deferred income	2,449	1,925
Dividends on shares classed as financial liabilities	-	7,060
	15,442	44,132

Details of security on the above borrowings are disclosed in note 13

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

	2011 £'000	2010 £'000
Bank loans	24,238	24,238
Perpetual debenture stocks	2,233	2,233
Finance leases	39	138
3,999,980 3 5% (net) preference shares (see note 15)	4,000	4,000
Debt falling due after more than one year	30,510	30,609
Other creditors	388	388
Government grants	240	282
	31,138	31,279

Details of security on the above borrowings are disclosed in note 13

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2011

13 BORROWINGS

	2011 £'000	2010 £'000
(a) Analysis of net debt		
Creditors – amounts falling due within one year	99	132
Creditors – amounts falling due after more than one year	30,510	30,609
Gross debt	30,609	30,741
Cash at bank and in hand	(3,144)	(324)
Net debt	27,465	30,417
(b) Maturity of financial liabilities		
Net obligations under finance leases are payable as follows:		
In one year or less	99	132
In more than one year, but not more than two years	39	95
In more than two years, but not more than five years	-	43
	138	270
Maturity of other financial liabilities		
In one year or less or on demand	-	-
In more than two years but not more than five years	24,238	24,238
In more than five years	6,233	6,233
	30,471	30,471
Gross debt	30,609	30,741

Other debt includes bank loans of £24,238,000 (2010 £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, and since inception have never been traded 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 9)

The directors consider that the Company has minimal exposure to interest rate sensitivity

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2011

14 PROVISIONS FOR LIABILITIES

	Deferred taxation £'000
At 1 April 2010	1,036
Profit and loss account (note 7)	(70)
At 31 March 2011	966

The provision for deferred tax comprises	2011 £'000	2010 £'000
Accelerated capital allowances	1,109	1,194
Other timing differences	(143)	(158)
	966	1,036

15. CALLED-UP SHARE CAPITAL

	Number	2011 £'000	2010 £'000
Allotted, called-up and fully paid			
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

Two thirds of profits 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 £140,000 all remaining profits shall be payable to ordinary shareholders as was set out in the following enactments relating to the Company (each of which has now been repealed) Section 12 of the Manchester Ship Canal Act 1904 (as amended by the Finance Act 1972 Schedule 23(18) and Section 46 of the Finance Act 1976) and Section 24 of the Manchester Ship Canal Act 1945

* In accordance with FRS 25 the 3 5% (net) preference shares are classified as creditors due after more than one year on the balance sheet (see note 12) Cumulative dividends are accrued within creditors until they are paid

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2011

16 RESERVES

	Revaluation reserve £'000	Investment in own shares £'000	Capital redemption reserve £'000	Profit and loss account £'000	Total £'000
At 1 April 2010	17,549	(212)	3,278	48,058	68,673
Profit for the financial year	-	-	-	10,905	10,905
Dividends	-	-	-	(19,860)	(19,860)
Actuarial gain relating to the Company's pension scheme (note 17)	-	-	-	1,464	1,464
Movement on deferred tax relating to pension asset	-	-	-	(381)	(381)
Transfer of amount equivalent to additional depreciation on revalued assets	(221)	-	-	221	-
At 31 March 2011	17,328	(212)	3,278	40,407	60,801

17. PENSION FUNDS

Defined contribution scheme

The Company operates a money purchase pension scheme providing benefits based on actual contributions paid in the United Kingdom The assets of the scheme are held separately from the assets of the Company and are administered by trustees and managed professionally The contributions of the Company varied between 3% and 6% (2010 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 £36,000 were paid during the year (2010 £5,000)

Company defined benefit scheme

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

Contributions of the Company to the defined benefit pension scheme are based on pension costs across the Company as a whole The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method The most recent full triennial actuarial valuations was as at April 2009

Contributions totalling £925,000 were paid during the year (2010 £441,000) No special contributions were made during the year (2010 £nil) The contributions of the Company to the defined benefit pension scheme are 25 4% (2010 27 7%) of Contribution Pay, less the percentage of Contribution Pay payable by the employees The contributions made by employees to the defined benefit pension schemes varied between 4 5% and 5% (2010 4 5% and 5%) of Contribution Pay

The main assumptions in the actuarial valuation as at April 2009 were that long-term investment rates would be 7 0% per annum pre retirement and 4 75% per annum post retirement, pensionable salary increases would be 2 8% per annum, the majority of pensions in payment would increase at a rate of between 2 8% and 3 3% per annum, and price inflation would be 2 8% per annum As at the latest actuarial valuation, the value of the assets was enough to cover between 78% and 88% of the benefits that had accrued to members, after allowing for expected future increases in earnings

As at 31 March 2011, the assets of the defined benefit pension scheme were valued at £51 8 million (2010 £50 million)

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2011

17. PENSION FUNDS (CONTINUED)

During the year ended 31 March 2011, the Government announced its intention to move to using the Consumer Price Index (CPI), rather than the Retail Price Index (RPI) as previously, as the measure of price inflation for the purposes of regulating occupational pension schemes The revaluation order implementing this change was issued in December 2010 The impact of the changes announced by the Government on any particular scheme depends on the provisions of the rules of that scheme and, in particular, whether these state specifically that increases should be in line with a specified index or whether they cross refer to the statutory provisions requiring pensions to be increased Following a review of the rules of the Group's defined benefit pension scheme, and based on actuarial advice, the impact of the change has been evaluated and, where appropriate, reflected in the FRS 17 numbers for the year ended 31 March 2011 The overall impact has been to reduce the value of the scheme liabilities at 31 March 2011 by £201,000, recognised as an actuarial gain in the statement of total recognised gains and losses, and to decrease the expected charge to the profit and loss account for the year ending 31 March 2012

Company contributions for the defined benefit pension schemes for the year ending 31 March 2012 are expected to be in the region of £1,100,000

The most recent actuarial valuations were updated to 31 March 2011 by qualified actuaries These informal valuations used a set of assumptions consistent with those required under FRS 17 The major assumptions used by the actuaries are set out below

Major actuarial assumptions	**31 March 2011 %**	**31 March 2010 %**
Rate of increase in pensionable salaries	3 40	3 60
Rate of increase of pensions in payment	3 40	3 60
Rate of increase for deferred pensioners	3 40	3 60
Discount rate	5 50	5 50
Price inflation (RPI)	3 40	3 60
Price inflation (CPI)	2 40	n/a
Mortality		
Current pensioners		
Actuarial tables used	110% SAPS tables, birth year, with medium cohort improvements and a 1% underpin	110% SAPS tables, birth year, with medium cohort improvements and a 1% underpin
Male life expectancy at age 65	20 6 years	20 6 years
Future pensioners		
Actuarial tables used	110% SAPS tables, birth year, with medium cohort improvements and a 1% underpin	110% SAPS tables, birth year, with medium cohort improvements and a 1% underpin
Male life expectancy at age 65 (currently aged 45)	22 5 years	22 5 years

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2011

17. PENSION FUNDS (CONTINUED)

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below

Assumption	Change in assumption	Impact on scheme liabilities
Discount rate	+/- 0 5%	-7%/+7%
Inflation	+/- 0 5%	+5%/-5%
Rate of increase in pensionable salaries	+/- 0 5%	+1%/-1%
Mortality	+1 year	+3%

Changes in the present value of the defined benefit liabilities are as follows:	2011 £'000	2010 £'000
Opening defined benefit liability	49,922	36,497
Service cost	386	373
Interest cost	2,692	2,406
Employee contributions	44	57
Actuarial (gains)/losses arising on scheme liabilities	(1,497)	12,734
Benefits paid	(2,413)	(2,145)
Closing defined benefit liability	49,134	49,922

Analysis of the defined benefit obligation:	2011 £'000	2010 £'000
Present value of funded liabilities	49,134	49,922

Reconciliation of fair value of scheme assets:	2011 £'000	2010 £'000
Opening fair value of scheme assets	49,926	39,274
Expected return on scheme assets	3,302	2,708
Actuarial (losses)/gain on scheme assets	(33)	9,591
Contributions by the Company	925	441
Contributions by employees	44	57
Benefits paid	(2,413)	(2,145)
Closing fair value of scheme assets	51,751	49,926

Amounts to be recognised in the balance sheet	2011 £'000	2010 £'000
Present value of funded liabilities	(49,134)	(49,922)
Fair value of scheme assets	51 751	49,926
Recognisable surplus before deferred taxation	2,617	4
Deferred taxation	(681)	(1)
Amount recognised in the balance sheet	1,936	3

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2011

17 PENSION FUNDS (CONTINUED)

Amount to be recognised in the profit and loss account:

	2011 £'000	2010 £'000
Current service cost	386	373
Interest cost	2,692	2,406
Expected return on scheme assets	(3,302)	(2,708)
Total (income)/expense	(224)	71

Of the credit for the year (2010 expense), a charge of £386,000 (2010 £373,000) has been included in administrative expenses and a credit of £610,000 (2010 £302,000) has been included within net interest and similar items

Cumulative amount of actuarial gains and losses recognised in the statement of total recognised gains and losses since adoption of FRS 17:

	2011 £'000	2010 £'000
Opening cumulative	(301)	2,842
Actuarial gains/(losses)	1,464	(3,143)
Closing cumulative	1,163	(301)

Plan assets

	Fair value of assets 31 March 2011	31 March 2011	Expected rate of return 31 March 2011	Fair value of assets 31 March 2010	31 March 2010	Expected rate of return 31 March 2010
	£'000	%	%	£'000	%	%
Equities	16,870	32	8 50	26,254	53	8 50
Hedge Funds	6,712	13	8 50	-	-	-
Fixed Interest Gilts	2,053	4	4 20	5,613	11	4 50
Index Linked Gilts	4,047	8	4 20	-	-	-
Corporate Bonds	19,119	37	5 50	18,037	36	5 50
Cash	2,950	6	0 50	22	-	0 50
Total market value of assets	51 751	100	6 43	49,926	100	6 96

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 gain of £3,269,000 (2010 £12,299,000)

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2011

17. PENSION FUNDS (CONTINUED)

History of experience gains and losses	2011 £'000	2010 £'000	2009 £'000	2008 £'000	2007 £'000
Present value of defined benefit liability	(49,134)	(49,922)	(36,497)	(40,308)	(43,522)
Fair value of scheme assets*	51,751	49,926	39,274	46,310	47,556
Surplus	2,617	4	2,777	6,002	4,034
Experience gains/(losses) on scheme liabilities and changes in assumptions.					
Amount	1,497	(12,734)	5,116	4,493	2,738
Percentage of present value of scheme liabilities	3%	(25%)	14%	11%	6%
Difference between expected and actual return on scheme assets:					
Amount	(33)	9,591	(8,866)	(3,335)	(210)
Percentage of scheme assets	-	19%	(23%)	(7%)	(0 4%)

* The fair value of scheme assets is shown at bid value at 31 March 2011, 2010 and 2009, and at mid-market value at all other dates

__Industry wide scheme__

The Pilots National Pension Fund ("PNPF")

The PNPF is an industry-wide defined benefit scheme The most recent actuarial valuation, performed by an independent actuary, is as at 31 December 2004 As at that date, the scheme had assets with a market value of £339 million, representing 76% of the benefits accruing to members after allowing for future increases The most recent updated assessment available from the scheme actuary is at 31 December 2007 The value of the fund had increased to £350 million Approximately 32% of the scheme's assets were invested in equities, 45% in bonds, with the balance being held in hedge funds and in cash The valuation assumptions adopted by the actuary were as follows

	%
Inflation	2 90
Rate of increase of pensionable salaries	3 90
Rate of increase for pensions in payment	2 75
Rate of increase for deferred pensions	2 75
Discount rate	4 70
Expected return on plan assets	
- Pre-retirement	7 90
- Post-retirement	4 80

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2011

17. PENSION FUNDS (CONTINUED)

The scheme rules have not historically provided a mechanism for the allocation of past-service deficits In the absence of an agreement on the allocation of the past-service deficit, the Company is unable to determine its share of assets and liabilities for this scheme 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 Whilst the directors consider it likely that the Company will be required to fund a share of the deficit of the PNPF, they are currently unable to determine the quantum of any deficit arising or the share to be borne by the Company on a consistent and reasonable basis until such time as legal proceedings being brought by third parties against the trustee of the PNPF are resolved, formal actuarial valuations performed, agreement being reached on the basis on which any deficit will be shared between the participating competent harbour authorities and a recovery plan is agreed Furthermore, the trustee has indicated it will not engage with the participating competent harbour authorities in relation to determining the quantum of any deficit and the recovery thereof until the appeal process is determined A key issue of the appeal process concerns the judgment as to the responsibility of competent harbour authorities with self employed pilots to contribute to the scheme deficit

In 2006 the participating bodies for the PNPF agreed a voluntary arrangement to increase contributions in order to reduce the deficit The directors agreed to make voluntary contributions totalling £622,000 payable in instalments over a 5 year period In the year ended 31 March 2008, the pension fund trustee initiated legal proceedings against all participating competent harbour authorities as a means to obtain further contributions to fund the deficit Although this voluntary payment plan has lapsed, the provision retained by the Company as at 31 March 2011 amounted to £388,000 (2010 £388,000)

18. RELATED PARTY TRANSACTIONS

Entities in the Peel Holdings Limited group of companies

The following summarises the transactions during the year between the Company and other divisions of the Peel Holdings Limited group of companies The other divisions of Peel Holdings Limited are headed by the following entities

Related Party	Transaction	2011 £'000	2010 £'000
Bridgewater Canal Trust	Sales	21	27
Peel Holdings Land & Property (UK) Limited	Fixed asset disposal	60	-
	Sales	477	899
	Purchases	(2)	(67)
	Rent paid	(926)	(1,128)

The following summarises the year end balances between the Company and other divisions of the Peel Holdings Limited group of companies The other divisions of Peel Holdings are headed by the following entities

Related Party	2011 £'000	2010 £'000
Bridgewater Canal Trust	24	40
Peel Holdings Land & Property (UK) Limited	(421)	(52)

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2011

19 CAPITAL COMMITMENTS

	2011 £'000	2010 £'000
Capital expenditure contracted for but not provided for in these financial statements	376	84

20. OTHER FINANCIAL COMMITMENTS

At 31 March 2011, the Company had annual commitments under non-cancellable operating leases for land and buildings as follows

	2011 £'000	2010 £'000
Expiry date		
- after five years	923	923

21. GROUP BORROWING FACILITY

The Company, together with certain of its fellow Group undertakings, has, in addition to bank loans recorded in these financial statements, guaranteed the bank loans and overdrafts of certain other Group companies At 31 March 2011 this amounted to £1,038,442,000 (2010 £1,039,334,000)

22. ULTIMATE AND IMMEDIATE HOLDING COMPANY

The directors regard Tokenhouse 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
L21 1LA

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 that company's immediate parent undertaking, Peel Ports Holdings (IOM) Limited, the Company considers The 1997 Billown Settlement Trust to be the ultimate controlling party