

Company Registration No: ZC197

**THE MANCHESTER SHIP CANAL  
COMPANY**

**Report and Financial Statements  
For the year ended 31 March 2008**



# THE MANCHESTER SHIP CANAL COMPANY

## REPORT AND FINANCIAL STATEMENTS FOR 2008

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**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

T E Allison  
D S Green (resigned 31 May 2008)  
Sir Richard Leese  
M Mackay  
P A Scott  
A C Simpson (appointed 13 December 2006)  
P P Wainscott  
J Whittaker

**SECRETARY**

W J Bowley

**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**

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

**AUDITORS**

Deloitte LLP  
Chartered Accountants and Registered Auditors  
Liverpool  
United Kingdom

# THE MANCHESTER SHIP CANAL COMPANY

## DIRECTORS' REPORT

The directors present their report and the audited financial statements of the Company for the year ended 31 March 2008.

### 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 interim ordinary dividends of £860,000 (2007: £26,945,000). No final dividend is proposed (2007: £nil). The directors proposed and paid preference dividends of £140,000 (2007: £280,000), representing the full entitlement to dividends on the preference shares for the year ended 31 March 2008.

### REVIEW OF BUSINESS, DEVELOPMENTS AND PROSPECTS

#### *Summary of results*

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

	2008	2007	Change	
	£'000	£'000	£'000	%
Turnover	26,768	24,546	2,222	9.1%
Gross profit	10,605	9,107	1,498	16.4%
Operating profit before restructuring costs	9,722	8,765	957	10.9%

The Company's results and financial position are set out in the profit and loss account and balance sheet on pages 7 and 8.

Net assets were £69,254,000 at 31 March 2008 (2007: £59,760,000). In addition to profit for the financial year of £10,605,000 the net asset position has changed principally because of the payment of interim dividends to the immediate parent undertaking of £860,000.

#### *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.

# THE MANCHESTER SHIP CANAL COMPANY

## 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.

	2008	2007	Absolute Change	% Change	Method of calculation
Turnover from Port & Canal operations	£25,792k	£24,311k	£1,481k	6.1	Year on year change in turnover expressed in £'000s
Investment in trade debtors as a percentage of turnover	18.0%	12.3%	5.7%	46.3	Trade debtors net of provisions as a percentage of turnover
Turnover per employee	£347.6k	£261.1k	£86.5k	33.1	Turnover divided by average number of employees
Tonnage throughput (rolling 12 month basis)	8,041k Tonnes	8,284k Tonnes	(243k) Tonnes	(2.9)	Year on year growth in tonnage using standard tonnage measures for the Ports industry

## PRINCIPAL RISKS AND UNCERTAINTIES

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.

The key financial risk arises from the level of debt held by the Group and the interest arising thereon. 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.

The directors consider that the combination of swap instruments utilised by the Group, stable trading of the ports business, effective working capital management and the development of the asset base act as significant factors to manage the risks arising from the level of debt and variability in interest rates.

## 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, who was a director on 1 April 2007, resigned as a director on 31 May 2008. A C Simpson was appointed a director on 13 December 2006.

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 Investments (Guernsey) Limited.

# THE MANCHESTER SHIP CANAL COMPANY

## DIRECTORS' REPORT

### POLITICAL AND CHARITABLE CONTRIBUTIONS

During the financial year, contributions by the Company for charitable purposes totalled £ 236 (2007: £15,200).

The Company made no political contributions during the financial year (2007: £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.

### 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

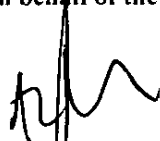
In the case of each person who is a director of the Company at the date when the report is approved:

- 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 Annual General Meeting.

On behalf of the Board



**A C Simpson**  
*Director*

9 December 2008

# THE MANCHESTER SHIP CANAL COMPANY

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report including the financial statements 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 year. 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;
- 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 2008 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 22. 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**

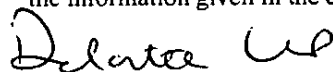
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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 2008 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**  
Chartered Accountants and Registered Auditors  
Liverpool, United Kingdom

10 December 2008



**THE MANCHESTER SHIP CANAL COMPANY**

**PROFIT AND LOSS ACCOUNT**  
**For the year ended 31 March 2008**

	Note	2008 £'000	2007 £'000
<b>TURNOVER</b>	2	26,768	24,546
Cost of sales		(16,163)	(15,439)
<b>GROSS PROFIT</b>		10,605	9,107
Other administrative expenses		(1,103)	(1,054)
Restructuring income/(expenses)	5	1,701	(2,852)
Administrative income/(expenses)		598	(3,906)
Other operating income		220	712
<b>OPERATING PROFIT</b>	5	11,423	5,913
Profit on disposal of tangible fixed assets	6	1,409	9,277
Net interest payable and similar charges	7	(772)	(1,270)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		12,060	13,920
Tax on profit on ordinary activities	8	(1,455)	(92)
<b>PROFIT FOR THE FINANCIAL YEAR</b>	17	10,605	13,828

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.

**THE MANCHESTER SHIP CANAL COMPANY**

**BALANCE SHEET**  
As at 31 March 2008

	Note	2008 £'000	2007 £'000
<b>FIXED ASSETS</b>			
Tangible assets	10	48,266	36,554
		<u>48,266</u>	<u>36,554</u>
<b>CURRENT ASSETS</b>			
Debtors	11	115,032	117,292
Cash at bank and in hand		1,116	1,827
		<u>116,148</u>	<u>119,119</u>
<b>CREDITORS: amounts falling due within one year</b>	12	<u>(66,133)</u>	<u>(66,836)</u>
<b>NET CURRENT ASSETS</b>		<u>50,015</u>	<u>52,283</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		98,281	88,837
<b>CREDITORS: amounts falling due after more than one year</b>	13	(31,119)	(31,765)
<b>PROVISIONS FOR LIABILITIES</b>	15	<u>(1,144)</u>	<u>(136)</u>
<b>NET ASSETS EXCLUDING PENSION ASSET</b>		66,018	56,936
Pension asset	18	3,236	2,824
<b>NET ASSETS INCLUDING PENSION ASSET</b>		<u>69,254</u>	<u>59,760</u>
<b>FINANCED BY CAPITAL AND RESERVES</b>			
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	44,417	34,923
<b>TOTAL SHAREHOLDERS' FUNDS</b>		<u>69,254</u>	<u>59,760</u>

The financial statements on pages 7 to 22 were approved by the Board of directors on 9 December 2008 and were signed on its behalf by:



A C Simpson  
Director

## THE MANCHESTER SHIP CANAL COMPANY

### STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 31 March 2008

	Note	2008 £'000	2007 £'000
<b>Profit for the financial year</b>		10,605	13,828
<b>Other recognised gains and losses</b>			
Change in asset categories of certain properties		-	(14,845)
Capital contribution		-	10,000
Actuarial (loss)/gain relating to the pension schemes	18(e)	(349)	2,528
Movement on deferred taxation relating to pension liability		98	(758)
		<u>(251)</u>	<u>(3,075)</u>
<b>Total recognised net gains and losses for the financial year</b>		<u>10,354</u>	<u>10,753</u>

### RECONCILIATION OF MOVEMENTS IN TOTAL SHAREHOLDERS' FUNDS

For the year ended 31 March 2008

	Note	2008 £'000	2007 £'000
Profit for the financial year		10,605	13,828
Dividends paid	9	(860)	(26,945)
Other recognised gains and losses for the financial year		(251)	(3,075)
<b>Net change in shareholders' funds</b>		<u>9,494</u>	<u>(16,192)</u>
Opening shareholders' funds		<u>59,760</u>	<u>75,952</u>
<b>Closing shareholders' funds</b>		<u>69,254</u>	<u>59,760</u>

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 March 2008**

**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.

**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.

**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.

**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.

**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.

# THE MANCHESTER SHIP CANAL COMPANY

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2008

### 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.

### 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

	2008 £'000	2007 £'000
Turnover arises in the UK from the following sources:		
Port and canal operations	25,792	24,311
Rental income	976	235
	<u>26,768</u>	<u>24,546</u>

The Company has taken advantage of the exemption from SSAP 25 "segmental reporting" on the basis that such disclosures are included in the consolidated financial statements of Peel Ports Shareholder FinanceCo Limited.

# THE MANCHESTER SHIP CANAL COMPANY

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2008

### 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 2008 (2007: £nil).

### 4. EMPLOYEE INFORMATION

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

	2008 No.	2007 No
Administration	22	27
Port operational and maintenance staff	55	67
	<u>77</u>	<u>94</u>

The staff costs for the above persons were:

	2008 £'000	2007 £'000
Wages and salaries	2,049	2,116
Social security costs	145	207
Pension fund service cost (note 18)	515	672
	<u>2,709</u>	<u>2,995</u>

### 5. OPERATING PROFIT

	2008 £'000	2007 £'000
<b>Operating profit is stated after charging/(crediting):</b>		
Depreciation – owned assets	1,455	1,420
Depreciation – leased assets	69	70
Grant releases	(70)	(73)
Restructuring costs (see below)	(1,701)	2,852
Auditors' remuneration – audit services	25	30
	<u>1,436</u>	<u>1,492</u>
<b>Port and Canal income includes:</b>		
Pilotage (including exemption certificates of £6,000 (2007: £6,000))	1,436	1,492
Railways	390	388
	<u>1,371</u>	<u>1,173</u>
<b>Port and canal expenditures includes:</b>		
Pilotage	1,371	1,173

During the year ended 31 March 2007, as part of a wider strategy across the Peel Ports Group, the Company recognised costs of £2.9 million concerning restructuring and centralisation of operations to the Port of Liverpool. However, during the current financial year, successful performance by management significantly reduced the costs expected to arise on this transition, resulting in a release of the provision of £1.7 million.

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.

**THE MANCHESTER SHIP CANAL COMPANY**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 March 2008**

**6. PROFIT ON DISPOSAL OF TANGIBLE FIXED ASSETS**

	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>
Sale of land options	-	6,675
Disposal of investment properties	-	2,391
Disposal of fixed assets	1,409	211
	<u>1,409</u>	<u>9,277</u>

**7. NET INTEREST PAYABLE AND SIMILAR CHARGES**

	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>
<b>Interest payable and similar charges:</b>		
On banks loans	(1,573)	(1,821)
On other loans	(80)	(81)
Finance lease and other interest	(64)	(69)
Dividends on shares classed as financial liabilities	(140)	(140)
	<u>(1,857)</u>	<u>(2,111)</u>
 <b>Interest receivable and similar income:</b>		
On bank and other deposits	166	110
 <b>Other finance income:</b>		
Expected return on pension scheme assets	3,210	2,973
Interest on pension scheme liabilities	(2,291)	(2,242)
	<u>919</u>	<u>731</u>
 <b>Net interest payable and similar charges</b>	<u>(772)</u>	<u>(1,270)</u>

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

**THE MANCHESTER SHIP CANAL COMPANY**

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2008**

**8. TAX ON PROFIT ON ORDINARY ACTIVITIES**

	2008 £'000	2007 £'000
<b>Current tax</b>		
Group relief	300	-
UK corporation tax	-	-
	300	-
<b>Adjustments in respect of prior years</b>		
Group relief	-	(33)
UK corporation tax	-	97
	-	64
<b>Total current tax</b>	300	64
<b>Deferred tax</b>		
Origination and reversal of timing differences	673	(997)
Origination and reversal of timing differences—rate and law change	485	-
Movement in FRS 17 deferred taxation	147	1,047
Adjustment in respect of prior years	(150)	(22)
	1,155	28
<b>Total deferred tax</b>	1,155	28
<b>Total tax on profit on ordinary activities</b>	1,455	92

**Reconciliation of current tax charge**

The corporation tax charge is lower (2007: lower) than that arising from applying the standard rate of UK corporation tax of 30% (2007: 30%). The differences are explained below:

	2008 £'000	2007 £'000
Profit on ordinary activities before taxation	12,060	13,920
Tax at 30%	3,618	4,176
Capital allowances in excess of depreciation	(87)	(57)
Movement in FRS 17 pension surplus deferred taxation	(243)	(1,047)
Net disallowable expenditure/non-taxable income	54	(1,093)
Movement in short term timing differences	(634)	1,054
Excess of book profits over taxable profits on sale of fixed assets	(120)	(771)
Group relief claimed without payment	(2,288)	(2,262)
Adjustments to tax charge in respect of prior years	-	64
<b>Total current tax</b>	300	64

**9. EQUITY DIVIDENDS PAID**

	2008 £'000	2007 £'000
Interim ordinary dividends of £0.227 per share (2007: £7.112 per share)	860	26,945



**THE MANCHESTER SHIP CANAL COMPANY**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 March 2008**

**10. TANGIBLE FIXED ASSETS**

	Land and buildings – freehold and long leasehold	Plant and machinery - owned	Plant and machinery - leased	Capital work in progress	Total
	£'000	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>					
At 1 April 2007	29,239	56,163	1,497	50	86,949
Reclassification	29,536	(29,536)	-	-	-
Additions	12,355	753	-	223	13,331
Disposals	(70)	(45)	-	-	(115)
Transfer from capital work in progress	-	50	-	(50)	-
	<u>71,060</u>	<u>27,385</u>	<u>1,497</u>	<u>223</u>	<u>100,165</u>
<b>Depreciation</b>					
At 1 April 2007	6,301	43,528	566	-	50,395
Reclassification	23,233	(23,233)	-	-	-
Charge for year	768	687	69	-	1,524
Disposals	-	(20)	-	-	(20)
	<u>30,302</u>	<u>20,962</u>	<u>635</u>	<u>-</u>	<u>51,899</u>
<b>Net book value</b>					
At 31 March 2008	<u>40,758</u>	<u>6,423</u>	<u>862</u>	<u>223</u>	<u>48,266</u>
At 31 March 2007	<u>22,938</u>	<u>12,635</u>	<u>931</u>	<u>50</u>	<u>36,554</u>

**Non depreciable land**

Included within land and buildings is freehold and long leasehold land, which is not subject to depreciation, amounting to £11,201,000 (2007: £11,075,000) and £81,000 (2007: £81,000) respectively.

**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 £82,394,000 (2007: £69,178,000).

**THE MANCHESTER SHIP CANAL COMPANY**

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2008**

**11. DEBTORS**

	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>
<b>Amounts falling due within one year:</b>		
Trade debtors	4,815	3,024
Amounts owed by group undertakings	109,953	113,136
Other debtors	48	806
Prepayments and accrued income	216	326
	<b>115,032</b>	<b>117,292</b>
	<b>115,032</b>	<b>117,292</b>

**12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>
Bank overdrafts	204	-
Finance leases	198	176
	402	176
Debt falling due within one year	402	176
Trade creditors	923	1,168
Development costs to site completion	-	24
Amounts owed to group undertakings	53,941	53,985
Other taxes and social security	8	64
Other creditors	423	336
Government grants	70	70
Accruals and deferred income	3,586	4,233
Dividends on shares classed as financial liabilities	6,780	6,780
	<b>66,133</b>	<b>66,836</b>
	<b>66,133</b>	<b>66,836</b>

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

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

	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>
Bank loans	24,238	24,238
Perpetual debenture stocks	2,233	2,233
Finance leases	227	415
3,999,980 3.5% (net) preference shares (see note 16)	4,000	4,000
	30,698	30,886
Debt falling due after more than one year	30,698	30,886
Other creditors	-	389
Government grants	421	490
	<b>31,119</b>	<b>31,765</b>
	<b>31,119</b>	<b>31,765</b>

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2008

14. BORROWINGS

	2008 £'000	2007 £'000
<b>(a) Analysis of net debt</b>		
Creditors – amounts falling due within one year	402	176
Creditors – amounts falling due after more than one year	30,698	30,886
	<u>31,100</u>	<u>31,062</u>
Gross debt	31,100	31,062
Cash at bank and in hand	(1,116)	(1,827)
	<u>29,984</u>	<u>29,235</u>
<b>(b) Maturity of financial liabilities</b>		
<b>Finance leases</b>		
Within one year	198	176
Between one and two years	153	207
Between two and five years	74	208
	<u>425</u>	<u>591</u>
<b>Other debt</b>		
Within one year	204	-
After five years	30,471	30,471
	<u>30,675</u>	<u>30,471</u>
Gross debt	<u>31,100</u>	<u>31,062</u>

Other debt includes bank loans of £24,238,000 (2007: 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 fair value of the debentures at 31 March 2008 was £1,644,000.

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 noncancellable operating leases.

**THE MANCHESTER SHIP CANAL COMPANY**

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2008**

**15. PROVISIONS FOR LIABILITIES**

	<b>Deferred taxation £'000</b>	
At 1 April 2007		136
Profit and loss account		1,008
		1,144
At 31 March 2008		1,144
Provision for deferred tax comprises:		
	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>
Accelerated capital allowances	1,245	1,359
Other timing differences	(101)	(1,223)
	1,144	136

**16. CALLED UP SHARE CAPITAL**

	<b>Number</b>	<b>2008 £'000</b>	<b>2007 £'000</b>
<b>Authorised under the Manchester Ship Canal Acts and Orders</b>			
Ordinary shares of £1 each	4,000,000	4,000	4,000
3.5% (net) preference shares of £1 each*	4,000,000	4,000	4,000
		8,000	8,000
<b>Total authorised share capital at 31 March</b>	<b>8,000,000</b>	<b>8,000</b>	<b>8,000</b>
<b>Allotted, called-up and fully paid share capital</b>			
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
		3,999,980	3,999,980
<b>Shares classed as equity shareholder funds</b>	<b>4,000,000</b>	<b>4,000</b>	<b>4,000</b>
3.5% (net) preference shares of £1 each*	3,999,980	4,000	4,000
		7,999,980	7,999,980
<b>Total allotted share capital at 31 March</b>	<b>7,999,980</b>	<b>8,000</b>	<b>8,000</b>

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

Section 12 of the Manchester Ship Canal (Finance) Act 1904 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.

# THE MANCHESTER SHIP CANAL COMPANY

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2008

### 17. RESERVES

	Revaluation reserve £'000	Investment in own shares £'000	Capital redemption reserve £'000	Profit and loss account £'000	Total £'000
At 1 April 2007	17,771	(212)	3,278	34,923	55,760
Profit for the financial year	-	-	-	10,605	10,605
Dividends	-	-	-	(860)	(860)
Actuarial gain relating to the pension fund (note 18(e))	-	-	-	(349)	(349)
Movement on tax relating to pension asset	-	-	-	98	98
At 31 March 2008	<u>17,771</u>	<u>(212)</u>	<u>3,278</u>	<u>44,417</u>	<u>65,254</u>

### 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% (2007: 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 £6,000 were paid during the year (2007: £13,000).

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 2008 by a qualified independent actuary (in accordance with FRS 17).

#### (a) Major actuarial assumptions

	31 March 2008 % pa	31 March 2007 % pa	31 March 2006 % pa
Rate of increase in salaries	4.25	3.85	4.25
Rate of increase of pensions in payment	3.50	3.40	2.75
Rate of increase for deferred pensioners	3.50	3.10	2.75
Discount rate	6.50	5.30	5.40
Inflation	3.50	3.10	2.75

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2008**

**(b) Pension fund valuation and surplus / (deficit)**

	Expected rate of return 31 March 2008 %	Fair value of assets 31 March 2008 £'000	Expected rate of return 31 March 2007 %	Fair value of assets 31 March 2007 £'000	Expected rate of return 31 March 2006 %	Fair value of assets 31 March 2006 £'000
Equities	7.75	23,155	7.75	31,863	7.75	31,473
Bonds	6.50	11,577	5.30	3,804	4.50	11,691
Gilts	4.60	11,578	4.80	9,035	-	-
Other investments	-	-	5.00	2,854	4.00	145
Total market value of assets		46,310		47,556		43,309
Present value of scheme liabilities		(40,308)		(43,522)		(45,290)
Surplus/(deficit) in the scheme		6,002		4,034		(1,981)
Irrecoverable surplus		(1,507)		-		-
Recognised surplus / (deficit)		4,495		4,034		(1,981)
Related deferred tax (liability)/asset		(1,259)		(1,210)		595
<b>Net pension asset/(liability)</b>		<b>3,236</b>		<b>2,824</b>		<b>(1,386)</b>

**(c) Analysis of amounts charged to performance statements**

The following amounts have been recognised in the performance statements in the year to 31 March 2008 under the requirements of FRS 17:

	2008 £'000	2007 £'000	2006 £'000
<b>Operating profit</b>			
Current service cost	(509)	(659)	(748)
Total pension fund service costs	(509)	(659)	(748)
<b>Other finance income</b>			
Expected return on pension scheme assets	3,210	2,973	2,440
Interest on pension scheme liabilities	(2,291)	(2,242)	(2,104)
Total other finance income (note 7)	919	731	336
<b>Statement of Group total recognised gains and losses</b>			
Actual return less expected return on pension scheme assets	(3,335)	(210)	5,861
Experience gains and losses arising on the scheme liabilities	(97)	338	(172)
Changes in assumptions underlying the present value of scheme liabilities	4,590	2,400	(4,230)
Irrecoverable surplus	(1,507)	-	-
Variance between pension fund actuarial assumptions and actual experience	(349)	2,528	1,459
Deferred tax relating to above items	98	(758)	(438)
Actuarial gain recognised in the Statement of Group total recognised gains and losses	(251)	1,770	1,021

**THE MANCHESTER SHIP CANAL COMPANY**

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2008**

**(d) Movements in gross surplus/(deficit) during the year**

	<b>2008</b>	<b>2007</b>	<b>2006</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Surplus/(deficit) in scheme at beginning of the year	4,034	(1,981)	(3,829)
Current and past service costs	(509)	(659)	(748)
Contributions paid by the Company	400	3,415	801
Other finance income	919	731	336
Actuarial (loss)/gain	(349)	2,528	1,459
	<u>4,495</u>	<u>4,034</u>	<u>(1,981)</u>

**(e) History of experience gains and losses**

	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Difference between expected and actual return on scheme assets:</b>					
Amount	(3,335)	(210)	5,861	932	4,383
Percentage of scheme assets	(7.2%)	(0.4%)	13.5%	2.6%	13.7%
<b>Experience gains on scheme liabilities:</b>					
Amount	(97)	338	(172)	(246)	(109)
Percentage of present value of scheme liabilities	(0.2%)	0.8%	(0.4%)	(0.6%)	(0.3%)
<b>Total gross amount recognised in statement of total recognised gains and losses:</b>					
Amount	(349)	2,528	1,459	66	4,804
Percentage of present value of scheme liabilities	(0.9%)	5.8%	3.2%	0.2%	13.1%

**(f) 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. During the year ended 31 March 2008, the Company made voluntary contributions of £nil (2007: £121,000) to this scheme.

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 have 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.

**19. CAPITAL COMMITMENTS**

	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>
Capital expenditure contracted for but not provided for in these financial statements	<u>328</u>	<u>582</u>

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 March 2008**

**20. 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 2008 this amounted to £1,051,988,000 (2007: £1,043,992,000).

**21. ULTIMATE AND IMMEDIATE HOLDING COMPANY**

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

The largest 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

**22. ULTIMATE CONTROLLING PARTY**

Tokenhouse Investments (Guernsey) 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 (formerly Peel Ports Holdings (Guernsey) Limited), the Company considers The 1997 Billown Settlement Trust to be the ultimate controlling party.