

20189  
Company Registration No: [REDACTED]

**THE MERSEY DOCKS AND HARBOUR  
COMPANY**

**Report and Financial Statements  
For the year ended 31 March 2010**



---

# THE MERSEY DOCKS AND HARBOUR COMPANY

## REPORT AND FINANCIAL STATEMENTS FOR 2010

<b>CONTENTS</b>	<b>Page</b>
<b>Officers and professional advisers</b>	<b>1</b>
<b>Directors' report</b>	<b>2</b>
<b>Directors' responsibilities statement</b>	<b>6</b>
<b>Independent auditors' report to the members</b>	<b>7</b>
<b>Profit and loss account</b>	<b>8</b>
<b>Statement of total recognised gains and losses</b>	<b>9</b>
<b>Reconciliation of movements in shareholders' funds</b>	<b>9</b>
<b>Balance sheet</b>	<b>10</b>
<b>Notes to the financial statements</b>	<b>11</b>

**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

J Whittaker (Chairman)  
T E Allison  
A A Barr  
G E Hodgson  
S Underwood

**SECRETARY**

W J Bowley (Resigned 31 July 2009)  
C R Marrison Gill (Appointed 31 July 2009)

**PRINCIPAL OFFICE**

Maritime Centre  
Port of Liverpool  
L21 1LA

**BANKERS**

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

**AUDITORS**

Deloitte LLP  
Chartered Accountants and Statutory Auditors  
Liverpool  
United Kingdom

# THE MERSEY DOCKS AND HARBOUR COMPANY

## DIRECTORS' REPORT

The directors present their report and the audited financial statements of the Company for the year ended 31 March 2010

### PRINCIPAL ACTIVITIES

The principal activities of the Company are the provision of port facilities and cargo handling and marine related services including being the Statutory Harbour Authority for the Port of Liverpool

The Company is a statutory unregistered Company constituted by The Mersey Docks and Harbour Act 1971 and such provisions of the Companies Acts as are applicable to the Company pursuant to the Unregistered Companies Regulations 2009

### 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 dividends of £46,000,000 (2009 £42,000,000) No final dividend is proposed (2009 £nil)

### REVIEW OF BUSINESS, DEVELOPMENTS AND PROSPECTS

#### *Summary of results*

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

	2010 £'000	2009 £'000	Change £'000	%
Continuing operations				
Turnover	111,527	115,670	(4,143)	(3.6)
Gross profit	52,769	56,549	(3,780)	(6.7)
Operating profit	43,241	49,000	(5,759)	(11.8)

The Company's results and financial position are set out in the profit and loss account on page 8 and balance sheet on page 10

Net assets were £364,802,000 at 31 March 2010 (2009 £374,959,000) In addition to the profit for the financial year of £39,529,000 the net asset position has changed primarily because of the payment of interim dividends to the immediate parent undertaking of £46,000,000 and an actuarial loss, net of tax on the defined benefit pension schemes of £3,686,000

#### *Port operations*

The level of business activity for the port operations has been satisfactory having been broadly in line 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 we are in a good position to benefit from the economic recovery as it gathers pace

# THE MERSEY DOCKS AND HARBOUR 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.

	2010	2009	Absolute Change	% Change	Method of calculation
Turnover	£111,527k	£115,670k	(£4,143k)	(3.6)	Year on year change in turnover expressed in £'000s
Gross profit margin	47.3%	48.9%	(1.6%)	(3.3)	The ratio of gross profit to turnover expressed as a percentage
Investment in trade debtors as a percentage of turnover	17.6%	16.5%	1.1%	0.7	Trade debtors net of provisions as a percentage of turnover
Turnover per employee	£394k	£270k	£124k	45.9	Turnover divided by average number of employees
Tonnage throughput	28.3 million	31.5 million	(3.2 million)	(10.2)	Year on year growth in tonnage using standard tonnage measures for the Ports industry

As budgeted tonnage throughput has fallen year on year as a result of the decline in the wider global economic climate. Minimum guarantees agreed with some customers helped to mitigate the impact on turnover. The small reduction in gross profit margin reflects infrastructure related fixed costs, although continuing focus on efficiency during the year has increased operating margins in our main port operations and we should see margins increase as volumes return. The increase in investment in trade debtors as a percentage of turnover reflects the increase in turnover in the final quarter of the year ended 31 March 2010 over the same period in the prior year.

## PRINCIPAL RISKS AND UNCERTAINTIES

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

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

### *Operational risk*

The 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 port 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.

## **DIRECTORS' REPORT**

### *Financial risk*

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

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

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

After making enquiries and as disclosed in note 1 to the financial statements on page 11, the directors have a reasonable expectation 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 in preparing the financial statements.

## **DIRECTORS**

The directors of the Company who served during the year and thereafter, except as noted below, are listed on page 1.

P A Scott and A C Simpson, and S R Baxter who were directors on 31 March 2009, resigned as directors on 1 April 2009 and 9 October 2009 and 24 June 2010 respectively. S Underwood was appointed as a director on 24 June 2010.

## **CHARITABLE AND POLITICAL CONTRIBUTIONS**

During the financial year contributions by the Company for charitable purposes totalled £50 296 (2009 £152 594). The Company made no political contributions during the financial year (2009 £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.

# THE MERSEY DOCKS AND HARBOUR COMPANY

## DIRECTORS' REPORT

### ENVIRONMENT

The Company is conscious of the impact of its operations on the environment. Necessary attention is given to environmental issues particularly when developing new projects, refurbishing existing properties and on 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

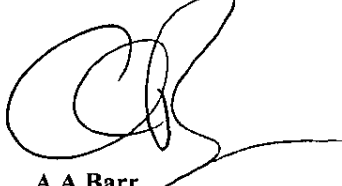
Each of the persons who is a director at the date of approval of this report confirms that

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are 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 auditors are 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 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 A Barr  
Director  
27 July 2010

**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 AUDITORS' REPORT TO THE MEMBERS OF THE MERSEY DOCKS AND HARBOUR COMPANY**

We have audited the financial statements of The Mersey Docks and Harbour Company for the year ended 31 March 2010 which comprise the profit and loss account, the statement of total recognised gains and losses, the reconciliation of movements in total shareholders' funds, the balance sheet and the related notes 1 to 27. 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 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**

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 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 (APB'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.

### **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 2010 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.

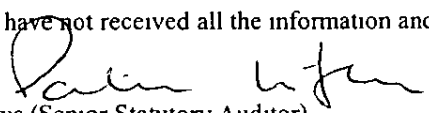
### **Opinion on other matter prescribed by the Companies Act 2006**

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.

  
Patrick Loftus (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditors  
Liverpool, United Kingdom

29 July 2010

# THE MERSEY DOCKS AND HARBOUR COMPANY

## PROFIT AND LOSS ACCOUNT For the year ended 31 March 2010

	Note	2010 £'000	2009 £'000
<b>TURNOVER</b>	2	111,527	115 670
Cost of sales		(58,758)	(59,121)
<b>GROSS PROFIT</b>		52,769	56 549
Other administrative expenses		(6,763)	(5,177)
Exceptional expenses	6	(2,765)	(2,372)
Administrative expenses		(9,528)	(7,549)
<b>OPERATING PROFIT</b>	5	43,241	49,000
Income from fixed asset investments	7	4,566	2,585
Net interest payable and similar charges	8	(117)	(4,985)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		47,690	46,600
Tax on profit on ordinary activities	9	(8,161)	(4,183)
<b>PROFIT FOR THE FINANCIAL YEAR</b>	20	39,529	42,417

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 MERSEY DOCKS AND HARBOUR COMPANY

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 31 March 2010

	Note	2010 £'000	2009 £'000
Profit for the financial year		39 529	42 417
<b>Other recognised gains and losses</b>			
Actuarial loss relating to the pension schemes	21	(5 118)	(4 957)
Movement on taxation relating to pension liabilities			
- Deferred	21	1,021	850
- Current		411	538
		(3,686)	(3,569)
<b>Total recognised net gains and losses for the financial year</b>		<u>35,843</u>	<u>38,848</u>

## RECONCILIATION OF MOVEMENTS IN TOTAL SHAREHOLDERS' FUNDS

For the year ended 31 March 2010

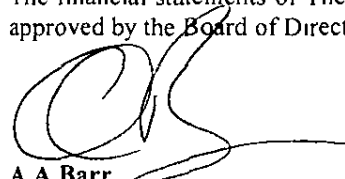
	2010 £'000	2009 £'000
Profit for the financial year	39,529	42,417
Dividends paid	(46,000)	(42,000)
Other recognised gains and losses for the financial year	(3,686)	(3,569)
<b>Net change in shareholders' funds</b>	<u>(10,157)</u>	<u>(3,152)</u>
<b>Opening shareholders' funds</b>	<u>374,959</u>	<u>378 111</u>
<b>Closing shareholders' funds</b>	<u>364,802</u>	<u>374,959</u>

# THE MERSEY DOCKS AND HARBOUR COMPANY

## BALANCE SHEET As at 31 March 2010

	Note	2010 £'000	2009 £'000
<b>FIXED ASSETS</b>			
Tangible assets	11	170,655	171,618
Investments	12	450	450
		<u>171,105</u>	<u>172,068</u>
<b>CURRENT ASSETS</b>			
Stocks	13	491	534
Debtors amounts falling due within one year	14	490,329	473,665
Debtors amounts falling due after more than one year	14	83,739	83,739
Cash at bank and in hand		1,028	3,880
		<u>575,587</u>	<u>561,818</u>
<b>CREDITORS, amounts falling due within one year</b>	15	<u>(202,844)</u>	<u>(181,597)</u>
<b>NET CURRENT ASSETS</b>		<u>372,743</u>	<u>380,221</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>543,848</u>	<u>552,289</u>
<b>CREDITORS, amounts falling due after more than one year</b>	16	(178,800)	(180,711)
<b>PROVISIONS FOR LIABILITIES</b>	18	<u>(5,978)</u>	<u>(4,976)</u>
<b>NET ASSETS EXCLUDING PENSION ASSET</b>		<u>359,070</u>	<u>366,602</u>
Pension asset	21	5,732	8,357
<b>NET ASSETS INCLUDING PENSION ASSET</b>		<u>364,802</u>	<u>374,959</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	19	7,927	7,927
Share premium account	20	18,095	18,095
Capital redemption reserve	20	1,323	1,323
Special reserve	20	95,000	95,000
Profit and loss account	20	242,457	252,614
<b>TOTAL SHAREHOLDERS' FUNDS</b>		<u>364,802</u>	<u>374,959</u>

The financial statements of The Mersey Docks and Harbour Company (company registration number ZC189), were approved by the Board of Directors on 27 July 2010 and were signed on its behalf by

  
A A Barr  
Director

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2010

### 1 ACCOUNTING POLICIES

These financial statements are prepared under the historical cost convention 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 year is set out below.

#### Basis of preparation

The Company is a main operating company of the Peel Ports Shareholder FinanceCo Limited Group (the Group) and is party to the cross guarantee of the Group's debt facility. Therefore in making their assessment of the Company's going concern assumption the directors have considered the assumptions and conclusions of Group's management in making their assessment of going concern on a Group basis. The directors of the Company are 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 2010:

- the directors prepare and update detailed annual budgets, three year higher level forecasts and three year strategic plans. Together these show that sufficient resources are available to the business and on this basis the directors continue to adopt the going concern assumption,
- at the balance sheet date the Group has borrowings of £1,063,572,000 which are subject to covenant restrictions. The borrowings are in place until 31 December 2013. No breaches have occurred in the historical period and the budgets and forecasts prepared by the directors, taking account of reasonable changes in trading performance, indicate the Group will continue to comply with covenant requirements for a period of at least 12 months from the date of approval of the financial statements,
- in the year ended 31 March 2010 the reduction in turnover in an extremely challenging economic environment was contained at £37m or 9.2%. £22m of the reduction in turnover related to lower margin non-Ports business. Despite the reduced turnover the fall in operating profit before exceptional items was contained at 2.1% due to a combination of improved sales mix and the realised benefit of the Group's restructuring exercises.
- during the two years ended 31 March 2010 the Group responded to the difficult economic environment by restructuring its business and cutting costs. Whilst the opportunities for growth in turnover during the next twelve months remain constrained, the financial statements for the year ending 31 March 2011 will show a lower cost base reflecting the benefit of the steps taken by the directors.
- cash inflows generated in the year enabled the Group to finance fixed asset additions of £25m from cash, together with all financing outflows, resulting in a marginal year on year reduction in net cash of £0.9m, and
- there are undrawn loan facilities of £60 million available to the Group.

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 Group and therefore 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 in preparing the financial statements.

#### Turnover

Port income comprises amounts receivable by the Company in respect of services provided during the financial year. Property 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. All turnover is generated from the Company's principal activities operated wholly within the United Kingdom.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2010

### 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 currencies arising in the ordinary course of business are included in operating profit. The Company uses forward foreign exchange contracts to cover certain transactional currency exposures. Gains and losses arising are matched with the underlying transaction being covered.

### Tangible fixed assets

Tangible fixed assets are stated at cost net of depreciation and any provision for impairment. Depreciation is provided on other fixed assets excluding freehold land at rates calculated to write off the cost 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 machinery at rates varying between 15% 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.

### Fixed asset investments

Investments are stated at cost to the Company less any provision for impairment.

### Stocks

Stocks are stated at the lower of cost including attributable overheads, or estimated net realisable value.

### Leased assets

Assets acquired under finance leases are capitalised at a value equivalent to the cost incurred by the lessor and depreciated over their expected useful economic lives. Finance charges thereon are charged to the profit and loss account in the period in which they accrue. The capital element of the future lease payments is reflected within creditors.

Expenditure on operating leases is charged directly to the profit and loss account.

### Government grants

Government grants received in respect of capital expenditure are credited to a deferred income account and released to the profit and loss account over the useful economic life of the assets to which they relate.

### 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 on the 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2010

## 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 defined benefit schemes which require contributions to be made to separately administered funds. These have 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 schemes expected to arise from employee service in the period is charged against operating profit. The expected return on the schemes' assets and the increase during the period in the present value of the schemes' 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 schemes over the present value of the schemes' liabilities, only to the extent that it is able to recover the surpluses either through reduced contributions in the future or from refunds from the schemes.

## 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.

## 2 SEGMENTAL INFORMATION

	2010 £'000	2009 £'000
Turnover arises in the UK from the following sources		
Port and canal operations	94,512	99,654
Rental income	17,015	16,016
	<u>111,527</u>	<u>115,670</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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2010

3 EMPLOYEE INFORMATION

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

	2010 Number	2009 Number
Administration	95	103
Operational staff	188	326
	<u>283</u>	<u>429</u>

The staff costs for the above persons were

	2010 £'000	2009 £'000
Wages and salaries	11,370	15,853
Social security costs	1,028	1,318
Pension fund service cost (note 21)	567	1,439
Other pension costs (note 21)		
- Group pension schemes	148	112
- Multi employer schemes	135	154
	<u>13,248</u>	<u>18,876</u>

4 DIRECTORS' REMUNERATION

The remuneration of directors of the Company was as follows

	2010 £'000	2009 £'000
Emoluments	200	76
Payments in lieu of notice	-	182
Company contributions to defined contribution schemes	22	4
Total	<u>222</u>	<u>262</u>

At 31 March 2010 retirement benefits are accruing to no directors (2009 one £141,000) under a Group defined benefit pension scheme and to one director under a defined contribution scheme (2009 one)

The above analysis excludes the emoluments of directors who are remunerated by other undertakings in the Peel Ports Shareholder FinanceCo Limited group of companies or by the wider Peel Holdings group of companies. Those directors are remunerated by entities within the Peel Ports Shareholder FinanceCo Limited group of companies or by the wider Peel Holdings group of companies, and have to account in turn to those undertakings.

The remuneration of the highest paid director was as follows

	2010 £'000	2009 £'000
Fees and other emoluments	<u>200</u>	<u>221</u>
Accrued pension at year end	<u>-</u>	<u>141</u>



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2010

5 OPERATING PROFIT

	2010 £'000	2009 £'000
Operating profit is stated after charging/(crediting).		
Depreciation – owned assets	12 503	10 690
Depreciation – leased assets	788	787
Profit on disposal of plant and machinery	(1 051)	(288)
Hire of plant and machinery under operating leases	929	1 076
Foreign currency exchange loss/(gain)	767	(2 245)
Grant releases	(594)	(586)

The analysis of auditors' remuneration is as follows

Fees payable to the Company's auditors for the audit of the Company's annual accounts

74	75
----	----

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 intermediate parent Peel Ports Shareholder FinanceCo Limited are required to disclose non-audit fees on a consolidated basis

	2010 £'000	2009 £'000
Income includes		
Pilotage	8,469	8,345
Conservancy	5,391	5 684

Expenditure includes

Pilotage	7 710	7 505
Conservancy	3,709	3 841

6 EXCEPTIONAL EXPENSES

	2010 £'000	2009 £'000
Restructuring expenses	2,765	2,372

Restructuring expenses comprise redundancy and other costs incurred in connection with the streamlining and reorganisation of activities as part of a strategic review of the Company's operations

7 INCOME FROM FIXED ASSET INVESTMENTS

	2010 £'000	2009 £'000
Dividends received from joint venture undertakings	4,566	2 585

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 March 2010**

**8 NET INTEREST PAYABLE AND SIMILAR CHARGES**

	<b>2010</b>	<b>2009</b>
	<b>£'000</b>	<b>£'000</b>
<b>Interest payable and similar charges</b>		
On banks loans	(2 559)	(9,028)
On other loans	(349)	(1,164)
Finance lease and other interest	(197)	(282)
	<hr/>	<hr/>
Total interest payable and similar charges	(3 105)	(10 474)
	<hr/>	<hr/>
<b>Interest receivable and similar income</b>		
On loans to Group undertakings	2 125	4,191
Other interest receivable	211	106
	<hr/>	<hr/>
Total interest receivable and similar income	2,336	4,297
	<hr/>	<hr/>
<b>Other finance income</b>		
Expected return on pension scheme assets	9,315	10 353
Interest on pension scheme liabilities	(8,663)	(9 161)
	<hr/>	<hr/>
Total other finance income (see Note 21)	652	1 192
	<hr/>	<hr/>
<b>Net interest payable and similar charges</b>	<hr/> <b>(117)</b> <hr/>	<hr/> <b>(4,985)</b> <hr/>

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2010**

**9 TAX ON PROFIT ON ORDINARY ACTIVITIES**

	<b>2010</b>	<b>2009</b>
	<b>£'000</b>	<b>£'000</b>
<b>Current tax</b>		
UK corporation tax	7,045	3 994
<b>Adjustments in respect of prior years</b>		
UK corporation tax	114	-
<b>Total current tax</b>	<u>7 159</u>	<u>3 994</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	649	1 422
Adjustment in respect of prior years	353	(1,233)
<b>Total deferred tax</b>	<u>1 002</u>	<u>189</u>
<b>Total tax on profit on ordinary activities</b>	<u>8,161</u>	<u>4 183</u>

The current tax charge is lower (2009 lower) than that arising from applying the standard rate of UK corporation tax of 28% (2009 28%). The differences are explained below

	<b>2010</b>	<b>2009</b>
	<b>£'000</b>	<b>£'000</b>
<b>Reconciliation of current tax charge</b>		
Profit on ordinary activities before taxation	<u>47 690</u>	<u>46 600</u>
Profit on ordinary activities multiplied by the standard rate of UK corporation tax 28% (2009 28%)	13 353	13 048
Capital allowances in excess of depreciation	(630)	(474)
Net disallowable expenditure	1,081	656
Movement in other timing differences	(19)	(948)
UK dividend income	(1,278)	(724)
Excess of book profits over taxable profits on sale of fixed assets	125	(32)
Group relief claimed without payment	(5 587)	(7 532)
Adjustment in respect of prior years	114	-
<b>Total current tax charge</b>	<u>7 159</u>	<u>3,994</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2010

10 DIVIDENDS PAID

	2010 £'000	2009 £'000
Interim ordinary dividends of £0.5803 per share (2009: £0.530 per share)	46,000	42,000

11 TANGIBLE FIXED ASSETS

	Land and buildings - freehold £'000	Plant and machinery - owned £'000	Plant and machinery - leased £'000	Capital work in progress £'000	Total £'000
<b>Cost</b>					
At 1 April 2009	248,382	95,477	15,806	4,253	363,918
Additions	1,971	6,726	-	3,952	12,649
Disposals	-	(7,347)	(1,692)	-	(9,039)
Transfer from capital work in progress	545	1,905	-	(2,450)	-
At 31 March 2010	250,898	96,761	14,114	5,755	367,528
<b>Depreciation</b>					
At 1 April 2009	131,453	52,553	8,294	-	192,300
Charge for year	6,317	6,186	788	-	13,291
Disposals	-	(7,026)	(1,692)	-	(8,718)
At 31 March 2010	137,770	51,713	7,390	-	196,873
<b>Net book value</b>					
At 31 March 2010	113,128	45,048	6,724	5,755	170,655
At 31 March 2009	116,929	42,924	7,512	4,253	171,618

Non depreciable land

Included within land and buildings is freehold land, which is not subject to depreciation, amounting to £25,566,000 (2009: £25,049,000)

# THE MERSEY DOCKS AND HARBOUR COMPANY

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2010

### 12 INVESTMENTS

	Interests in joint ventures and other investments £'000
<b>Cost</b>	
At 1 April 2009 and 31 March 2010	455
<b>Amounts written off</b>	
At 1 April 2009 and 31 March 2010	(5)
<b>Net book amount</b>	
At 31 March 2009 and 31 March 2010	450

The Company's interest in joint ventures as at 31 March 2010 was as follows

Country of Incorporation	Name of undertaking	Shareholding	Principal activity
Great Britain	Cammell Laird Shiprepairers & Shipbuilders Limited	47.49%	Ship repairing and ship conversions

The Company has taken advantage of the exemption from preparing consolidated financial statements afforded by Section 400 of the Companies Act 2006 as it is a wholly-owned subsidiary of Peel Ports Shareholder FinanceCo Limited which prepares consolidated financial statements that are publicly available

### 13 STOCKS

	2010 £'000	2009 £'000
Raw materials and consumables	491	534

There is no material difference between the balance sheet value of stocks and their replacement cost

### 14 DEBTORS

	2010 £'000	2009 £'000
<b>Amounts falling due within one year</b>		
Trade debtors	19,637	19,072
Amounts owed by Group undertakings	469,615	453,256
Amounts owed by joint venture undertakings	194	116
Other debtors	395	674
Prepayments and accrued income	488	547
	490,329	473,665
<b>Amounts falling due after more than one year</b>		
Amounts owed by Group undertakings	83,739	83,739

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2010

15 CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR

	2010 £'000	2009 £'000
Finance leases	1 363	1 292
Loan notes	150	150
Debt falling due within one year	1,513	1,442
Trade creditors	10,782	4 774
Amounts owed to Group undertakings	160 298	131 976
Amounts owed to joint venture undertakings	124	-
Corporation tax	7 308	3 561
Other taxes and social security	406	2 124
Other creditors	5 861	5 567
Accruals and deferred income	15,961	31,568
Government grants	591	585
	<u>202 844</u>	<u>181 597</u>

Details of security on the above borrowings are disclosed in note 17

16 CREDITORS AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2010 £'000	2009 £'000
Bank loans	168 407	168 407
Secured borrowings	728	728
Finance leases	1,581	2,944
Debt falling due after more than one year	170,716	172,079
Other creditors	1 642	1 642
Government grants	6,442	6 990
	<u>178,800</u>	<u>180 711</u>

Details of security on the above borrowings are disclosed in note 17

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2010

17 BORROWINGS

	2010 £'000	2009 £'000
<b>(a) Analysis of net debt</b>		
Creditors – amounts falling due within one year	1,513	1,442
Creditors – amounts falling due after more than one year	170,716	172,079
Gross debt	172,229	173,521
Cash at bank and in hand	(1,028)	(3,880)
Net debt	171,201	169,641
<b>(b) Maturity of financial liabilities</b>		
<b>Net obligations under finance leases are payable as follows</b>		
In one year or less	1,363	1,292
In more than one year but not more than two years	943	1,363
In more than two years but not more than five years	638	1,581
	2,944	4,236
<b>Maturity of other financial liabilities:</b>		
In one year or less or on demand	150	150
In more than two years but not more than five years	168,407	168,407
	168,557	168,557
In more than five years - 3 625% Irredeemable debentures	728	728
	169,285	169,285
Gross debt	172,229	173,521

Secured borrowings include 3 625% irredeemable debentures which are secured by a fixed charge over certain securities and a floating charge over Peel Ports (IDS) Limited. 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 irredeemable debentures are listed on the London Stock Exchange, a regulated market. The directors consider that the fair value of the instruments is not materially different from the carrying value in the financial statements.

Other financial liabilities include bank loans of £168,407,000 (2009: £168,407,000) 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.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2010

18 PROVISIONS FOR LIABILITIES

		Deferred taxation £'000
At 1 April 2009		4,976
Profit and loss account		1 002
At 31 March 2010		<u>5 978</u>
	2010 £'000	2009 £'000
The provision for deferred tax comprises		
Accelerated capital allowances	6,866	6 061
Other timing differences	(888)	(1,085)
	<u>5,978</u>	<u>4,976</u>

19 CALLED UP SHARE CAPITAL

	Number	2010 £'000	2009 £'000
<b>Authorised</b>			
Ordinary shares of 10p each	110 000 000	11 000	11 000
<b>Allotted, called-up and fully paid share capital</b>			
Ordinary shares of 10p each	79,270,896	7,927	7 927

20 RESERVES

	Share premium account £'000	Capital redemption reserve £'000	Special reserve £'000	Profit and loss account £'000	Total £'000
At 1 April 2009	18 095	1,323	95 000	252,614	367 032
Profit for the financial year	-	-	-	39,529	39 529
Dividends	-	-	-	(46,000)	(46,000)
Actuarial loss relating to pension funds (note 21)	-	-	-	(5,118)	(5,118)
Movement on tax relating to pension asset	-	-	-	1,432	1 432
At 31 March 2010	<u>18 095</u>	<u>1 323</u>	<u>95,000</u>	<u>242,457</u>	<u>356,875</u>



**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2010**

**21 PENSION FUNDS**

**Defined contribution schemes**

The Company operates a money purchase pension scheme providing benefits based on actual contributions paid. 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 2% and 6% (2009 varied between 2% and 6%) of pensionable salaries for the financial period. Company contributions to money purchase pension schemes are matched by employees. Contributions totalling £148,000 were paid during the year (2009 £112,000).

**Defined benefit schemes**

The Company also operates a number of defined benefit pension schemes based on final pensionable pay. The assets of the schemes are held separately from the assets of the Company and are administered by trustees and managed professionally. In addition there are unfunded pensions payable to certain retired employees, who are not members of the above schemes.

Contributions of the Company to the defined benefits pension schemes 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 actuarial valuations are at April 2009.

Contributions totalling £1,387,000 were paid during the year (2009 £2,168,000). No special contributions were made during the year (2009 £nil). The contributions of the Company to the defined benefits pension schemes varied between 25.6% and 26.5% of Contribution Pay less the percentage of Contribution Pay payable by the employees. The contributions made by employees to the defined benefits pension schemes varied between 2.5% and 9% 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 2010, the assets of the defined benefits pension schemes were valued at £176 million.

Company contributions for the defined benefit pension schemes for the year ending 31 March 2011 are expected to be in the region of £1,800,000.

The most recent actuarial valuations were updated to 31 March 2010 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.

# THE MERSEY DOCKS AND HARBOUR COMPANY

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2010

Major actuarial assumptions	31 March 2010 % pa	31 March 2009 % pa
Rate of increase in pensionable salaries	3.60	4.00
Rate of increase of pensions in payment	3.60	2.75
Rate of increase for deferred pensioners	3.60	2.75
Discount rate	5.50	6.75
Inflation	3.60	2.75
Mortality		
<i>Current pensioners</i>		
Actuarial tables used	110% SAPS tables birth year, with medium cohort improvements and a 1% underpin	PMA92/PFA92 tables birth year, with medium cohort improvements and a +4 year age rating
Male life expectancy at age 65	20.6 years	18.8 years
<i>Future pensioners</i>		
Actuarial tables used	110% SAPS tables birth year, with medium cohort improvements and a 1% underpin*	PMA92/PFA92 tables birth year with medium cohort improvements and a +4 year age rating
Male life expectancy at age 65 (currently aged 45)	22.5 years	19.7 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

### Changes in the present value of the defined benefit liabilities are as follows

	2010 £'000	2009 £'000
Opening defined benefit liability	134,000	144,974
Service cost	899	1,530
Interest cost	8,663	9,161
Employee contributions	444	663
Actuarial losses/(gains) on scheme liabilities	37,205	(10,379)
Benefits paid	(12,737)	(11,858)
Past service cost	37	230
Curtailments and settlements	(369)	(321)
Closing defined benefit liability	168,142	134,000

### Analysis of the defined benefit obligation

	2010 £'000	2009 £'000
Present value of unfunded liabilities	1,628	1,608
Present value of funded liabilities	166,514	132,392
	168,142	134,000

# THE MERSEY DOCKS AND HARBOUR COMPANY

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2010

<b>Reconciliation of fair value of scheme assets</b>	<b>2010 £'000</b>	<b>2009 £'000</b>
Opening fair value of scheme assets	145,607	172 161
Expected return on scheme assets	9,315	10 353
Actuarial gains/(losses) on scheme assets	32 087	(27,880)
Contributions by the Company	1 387	2 168
Contributions by employees	444	663
Benefits paid	(12,737)	(11 858)
Closing fair value of scheme assets	<u>176 103</u>	<u>145 607</u>
 <b>Amounts to be recognised in the balance sheet</b>	 <b>2010 £'000</b>	 <b>2009 £'000</b>
Present value of funded liabilities	(166,514)	(132,392)
Fair value of scheme assets	<u>176 103</u>	<u>145 607</u>
	9,589	13,215
Present value of unfunded liabilities	<u>(1 628)</u>	<u>(1,608)</u>
Surplus	7 961	11 607
Irrecoverable surplus	-	-
Recognisable asset before deferred taxation	7 961	11,607
Deferred taxation	<u>(2,229)</u>	<u>(3,250)</u>
Amount recognised in the balance sheet	<u>5,732</u>	<u>8 357</u>
 <b>Amount to be recognised in the profit and loss account:</b>	 <b>2010 £'000</b>	 <b>2009 £'000</b>
Current service cost	899	1 530
Interest cost	8 663	9 161
Expected return on scheme assets	(9,315)	(10 353)
Past service cost	37	230
Gains on curtailment and settlements	<u>(369)</u>	<u>(321)</u>
Total (income)/expense	<u>(85)</u>	<u>247</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 March 2010

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

	2010 £'000	2009 £'000
Opening cumulative	3,425	8,382
Actuarial (losses)/gains on scheme liabilities	(37,205)	10,379
Actuarial gains/(losses) on scheme assets	32,087	(27,880)
Irrecoverable surplus	-	12,544
Movement in the year	(5,118)	(4,957)
Closing cumulative	(1,693)	3,425

**Plan assets**

	Fair value of assets		Expected rate of return		Fair value of assets		Expected rate of return	
	31 March 2010	31 March 2010	31 March 2010	31 March 2010	31 March 2009	31 March 2009	31 March 2009	31 March 2009
	£'000	%	%	%	£'000	%	%	%
Equities	78,501	45	8.50		53,277	37	8.50	
Fixed Interest Gilts	-	-	4.50		21,815	15	3.80	
Index Linked Gilts	24,157	14	4.50		22,067	15	3.80	
Corporate Bonds	73,409	41	5.50		48,390	33	6.75	
Cash and insured schemes	36	-	0.50		58	-	0.50	
Total market value of assets	176,103	100	6.70		145,607	100	6.50	

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 £41,402,000 (2009: loss £17,527,000).

**History of experience gains and losses**

	2010 £'000	2009 £'000	2008 £'000	2007 £'000	2006 £'000
Present value of defined benefit liability	(168,142)	(134,000)	(144,974)	(203,297)	(199,369)
Fair value of scheme assets*	176,103	145,607	172,161	210,111	207,600
Surplus	7,961	11,607	27,187	6,814	8,231

**Experience (losses)/gains on scheme liabilities and changes in assumptions**

Amount	(37,205)	10,379	19,404	568	(12,000)
Percentage of present value of scheme liabilities	(22%)	8%	13%	0.3%	(6%)

**Difference between expected and actual return on scheme assets.**

Amount	32,087	(27,880)	(3,235)	(6,185)	25,000
Percentage of scheme assets	18%	(19%)	(2%)	(3%)	12%

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

# THE MERSEY DOCKS AND HARBOUR COMPANY

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2010

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%

### Industry wide schemes

#### **The Former Registered Dock Workers Pension Fund ("FRDWPF")**

The FRDWPF is an industry wide defined benefits pension scheme. As at 5 April 2007 the date of the most recent valuation carried out by an independent actuary the scheme had assets with a market value of £868 million. There was a funding ratio of 107.6% and a net funding ratio of 105.9% after allowance was made for deficits arising from future contributions. As at 5 April 2007, approximately 20% of the scheme's assets were invested in equities, 78% in bonds and 2% in cash. The valuation assumptions adopted by the actuary at the time of the most recent valuation were as follows:

	%
Inflation	3.20
Rate of increase of pensionable salaries	4.20
Rate of increase for pensions in payment	3.00
Rate of increase for deferred pensions	3.20
Discount rate	4.70
Expected return on plan assets	<u>5.00</u>

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.

During the year the Company made contributions of £10,000 (2009: £29,000) to this scheme in relation to its current active members and has recorded those as defined contribution costs within the profit and loss account.

#### **The Pilots National Pension Fund ("PNPF")**

The PNPF is an industry-wide defined benefits 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 valuation available from the scheme actuary is at 31 December 2006. 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	<u>4.80</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2010

The scheme rules have not historically provided a mechanism for the allocation of past-service deficits. A number of different legal opinions has been issued concerning this scheme. However, the Company has been unable to determine its share of the past-service deficit on a reasonable and consistent basis. In prior years, the participating bodies for this scheme had agreed a voluntary arrangement to increase contributions in order to reduce the deficit. Based on legal advice the directors agreed to make voluntary contributions in respect of the Company's share of past-service deficit totalling £2,900,000 payable in instalments over a 5 year period from 1 April 2006.

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

Since the balance sheet date, a court judgment has been issued in favour of the trustees. However, as at this time, the Company has not yet been able to assess the impact of this. 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. 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.

## Merchant Navy Officers Pension Fund ("MNOFF")

The MNOFF is an industry wide defined benefits pension scheme. The scheme is divided into two sections: the Old Section and the New Section, both of which are closed to new members. The most recent valuation for each section was carried out on 31 March 2009. As at 31 March 2009, the Old Section had assets of £1,113 million, representing 89% of the benefits accrued to members, whilst the New Section had assets of £1,547 million, representing 68% of the benefits accrued to members as at that date. Following the previous valuation, the trustees undertook court proceedings to determine which employers were liable for the past-service deficit for the New Section. In 2005, the court established which employers were liable for the past-service deficit and the trustees adopted an allocation consistent with the court ruling. The valuation assumptions adopted by the actuary were as follows:

	Old Section	New Section
	%	%
Inflation	3.0	3.0
Rate of increase for pensions in payment	-	3.0
Discount rate - investment return on existing assets	4.5	-
- Pre-retirement	-	7.25
- Post-retirement	-	4.75

During the year, the Company made contributions of £125,000 (2009: £125,000) in relation to the past-service deficit. The Company has no current active members in 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.

## 22 CAPITAL COMMITMENTS

	2010	2009
	£'000	£'000
Capital expenditure contracted for but not provided for in these accounts	2,499	168

# THE MERSEY DOCKS AND HARBOUR COMPANY

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2010

### 23 GROUP BORROWING FACILITY

The Company together with certain of its fellow Group undertakings has guaranteed the loans and bank overdrafts of certain Group companies. At 31 March 2010 this amounted to £895 165 000 (2009 £895 165 000)

### 24 RELATED PARTY TRANSACTIONS

#### *Joint ventures*

Related Party	Transaction	2010 £'000	2009 £'000
Cammell Laird Shiprepairers & Shipbuilders Limited	Sales	570	516
	Purchases	(473)	(625)
	Dividends received	4,566	2 585

#### *Entities in the Peel Holdings group of companies*

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

Related Party		2010 £'000	2009 £'000
Peel Holdings Land & Property (UK) Limited	Sales	219	341
	Purchases	(6)	(27)
	Capital purchase	(430)	-
Peel Holdings (Energy) Limited	Sales	37	57
	Purchases	-	(17)

At the balance sheet date the following significant amounts were owed by / (due to) related parties

#### *Joint ventures*

Related Party	2010 £'000	2009 £'000
Cammell Laird Shiprepairers & Shipbuilders Limited	71	57

#### *Entities in the Peel Holdings group of companies*

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

Related Party	2010 £'000	2009 £'000
Peel Holdings Land & Property (UK) Limited	24	206
Peel Holdings (Energy) Limited	-	51

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2010**

**25 OTHER FINANCIAL COMMITMENTS**

At 31 March 2010 the Company had annual commitments under non-cancellable operating leases for plant and machinery as follows

	2010 £'000	2009 £'000
Expiring between 2 and 5 years inclusive	676	794

**26 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

**27 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