

CLYDEPORT OPERATIONS LIMITED

**Report and Financial Statements
For the year ended 31 March 2012**

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REPORT AND FINANCIAL STATEMENTS 2012

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OFFICER AND PROFESSIONAL ADVISERS

DIRECTORS

T E Allison
I G L Charnock
M MacKay
S Underwood
M Whitworth

SECRETARY

C R Marrison Gill

PRINCIPAL OFFICE

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BANKERS

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22 Castle Street
Liverpool
L2 0UP

AUDITOR

Deloitte LLP
Chartered Accountants and Statutory Auditor
Liverpool
United Kingdom

DIRECTORS' REPORT

The directors present their report and the audited financial statements of the Company for the year ended 31 March 2012.

PRINCIPAL ACTIVITIES

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

RESULTS AND DIVIDENDS

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

The directors proposed and paid interim dividends of £12,000,000 (2011: £12,000,000). No final dividend is proposed (2011: £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.

	2012 £'000	2011 £'000	Change £'000	%
Continuing operations:				
Turnover	52,003	49,254	2,749	5.6%
Gross profit	17,980	15,922	2,058	12.9%
Operating profit	14,321	12,591	1,730	13.7%

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

Net assets were £20,119,000 at 31 March 2012 (2011: £22,028,000). In addition to the profit for the financial year of £15,327,000 (2011: £13,270,000), the net asset position has changed because of an actuarial loss net of deferred tax relating to the Company's defined benefit pension scheme of £5,236,000 (2011: gain £1,646,000) and the payment of interim dividends of £12,000,000 (2011: £12,000,000).

Summary of key performance indicators

The directors use annual budgets as the basis for measuring the Company's performance. In addition, the Company prepares three year rolling forecasts and a five year strategic plan from a participative process.

The directors monitor the progress of the Company's overall strategy and the individual strategic elements by reference to certain financial and non-financial key performance indicators for the continuing business (shown overleaf).

DIRECTORS' REPORT

Summary of key performance indicators (continued)

	2012	2011	Absolute Change	% Change	Method of calculation
Turnover (£'000s)	52,003	49,254	2,749	5.6%	Year-on-year change in turnover
Gross profit margin	34.6%	32.3%	2.3%	7.1%	Ratio of gross profit to turnover expressed as a percentage
Investment in trade debtors as a percentage of turnover	10.2%	11.0%	(0.8%)	(7.3%)	Trade debtors net of provisions as a percentage of turnover
Turnover per employee (£'000s)	220	218	2	0.9%	Turnover divided by average number of employees
Tonnage throughput (millions)	13.0	12.1	0.9	7.4%	Year-on-year change in tonnage using standard tonnage measures for the Ports industry

Throughput has increased in all operational ports year-on-year with growth in a variety of commodities. In particular, we have experienced an increase in demand for coal for UK power stations. The Company has also continued to focus on containing costs, resulting in an increase in the gross profit margin, and on improving collection of trade debtors, resulting in a decrease in the investment in trade debtors as a percentage of turnover.

The level of business activity for the port operations has been satisfactory and performed in a manner consistent with expectations during the year. Although the economic outlook remains uncertain, it is anticipated that the present level of activity within the business will be maintained for the foreseeable future.

PRINCIPAL RISKS AND UNCERTAINTIES

It is now widely understood that the principal challenges facing UK businesses relate to those generated by the global economic downturn. The resulting lack of liquidity in the financial markets reduced the ability of individuals and businesses to borrow money and this ultimately led to a lack of demand in the global marketplace. Although economic recovery appeared to be in progress, recent economic data suggests this may not be the case and as a result the outlook remains uncertain.

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

Operational risks

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

Operational risks (continued)

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

Financial risks

The key financial risk arises from the level of long-term debt held by the Company and the wider Peel Ports Shareholder FinanceCo Limited Group and the interest arising thereon. The Group's loans and loan note instruments with repayment dates between 31 December 2013 and 30 September 2046 ("long-term debt") amount to £1,185.7m (2011: £1,182.7m). In addition, the cash flow risk arising in connection with interest charges is mitigated through the use of interest swaps in other Group companies. Further details on this risk can be found in the consolidated financial statements of Peel Ports Shareholder FinanceCo Limited, the smallest UK group in which the financial statements of the Company are consolidated.

The directors consider that the combination of the swap instruments, 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.

The Company operates a defined benefit pension scheme. Modest changes to the assumptions used to value the scheme's assets and liabilities can have a significant effect on the asset or liability that the Company records. The scheme and the assumptions used are more fully explained in note 18 of the financial statements, together with an indication of the sensitivity of amounts recorded to changes in assumptions. The Company manages its responsibilities with regard to the defined benefit scheme arrangements by agreeing contribution rates with the trustees of the scheme that allow for deficits to be recovered over appropriate periods of time. At 31 March 2012, the Company balance sheet recorded a pension asset, net of deferred taxation, of £388,000 (2011: £4,338,000). The year-on-year reduction in the net asset was primarily due to revised actuarial assumptions as a result of lower corporate bond yields.

In addition, the Company is party to an industry-wide defined benefit scheme, the Pilots National Pension Fund ("PNPF"). Based on recent investigations, we understand that any PNPF liability relating to Clydeport pilots is limited to Clydeport Operations Limited. In previous years this liability was disclosed within Clydeport Limited. As permitted by FRS17 'Retirement benefits', the PNPF is accounted for as if the scheme was a defined contribution scheme. Whilst the directors consider it likely that the Company will be required to fund a share of the deficit of the PNPF, they are currently unable to determine the quantum of any deficit arising or the share to be borne by the Group until a number of issues have been resolved. A court ruling in 2010 clarified that the Trustee does have wide powers to amend the scheme's rules and impose contribution requirements on all categories of participating bodies. However, the Trustee has only recently been able to engage properly in the process of completing a new formal valuation and agreeing the allocation of liabilities amongst the wide group of participating bodies. The completion of this process is likely to take some time.

Financial risk also 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.

Going concern

As referred to in note 1 to the financial statements, 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 of accounting in preparing the annual financial statements.

DIRECTORS' REPORT

DIRECTORS

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

A A Barr resigned as a director on 9 May 2011. I G L Charnock was appointed as a director on 30 November 2011.

The Company maintains directors' and officers' liability insurance which provides insurance cover for the directors and officers of the Company and its subsidiaries against liabilities which they may incur personally as a consequence of claims made against them alleging breach of duty or other wrongful act or omission in their capacity as directors or officers.

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.

AUDITOR AND THE DISCLOSURE OF INFORMATION TO THE AUDITOR

Each person who is a director of the Company at the date of approval of this report confirms that:

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

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

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

On behalf of the Board


I G L Charnock
Director
1 June 2012

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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial information differs from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CLYDEPORT OPERATIONS LIMITED

We have audited the financial statements of Clydeport Operations Limited for the year ended 31 March 2012 which comprise the profit and loss account, the statement of total recognised gains and losses, the note of historical cost profits and losses, the balance sheet and the related notes 1 to 24. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as 31 March 2012 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.

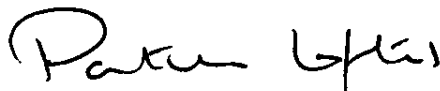
Opinion on other matter prescribed by the Companies Act 2006

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 BSc ACA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Liverpool, United Kingdom
1 June 2012

CLYDEPORT OPERATIONS LIMITED

PROFIT AND LOSS ACCOUNT For the year ended 31 March 2012

	Note	2012 £'000	2011 £'000
TURNOVER			
Cost of sales	1	52,003 (34,023)	49,254 (33,332)
GROSS PROFIT		17,980	15,922
Administrative expenses		(3,659)	(3,331)
OPERATING PROFIT	4	14,321	12,591
Net interest and similar items	7	1,239	1,045
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		15,560	13,636
Tax on profit on ordinary activities	8	(233)	(366)
PROFIT FOR THE FINANCIAL YEAR	17,18	15,327	13,270

The above results are derived from continuing operations.

CLYDEPORT OPERATIONS LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 31 March 2012

	Note	2012 £'000	2011 £'000
Profit for the financial year		<u>15,327</u>	<u>13,270</u>
Other recognised gains and losses			
Actuarial (loss)/gain relating to the pension scheme	19	(6,890)	2,224
Movement on deferred taxation relating to the pension asset		<u>1,654</u>	<u>(578)</u>
		<u>(5,236)</u>	<u>1,646</u>
Total recognised net gains relating to the financial year		<u><u>10,091</u></u>	<u><u>14,916</u></u>

NOTE OF HISTORICAL COST PROFITS AND LOSSES

For the year ended 31 March 2012

	2012 £'000	2011 £'000
Profit on ordinary activities before taxation	15,560	13,636
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	<u>178</u>	<u>178</u>
Historical cost profit on ordinary activities before taxation	<u>15,738</u>	<u>13,814</u>
Historical cost profit on ordinary activities after taxation	<u><u>15,505</u></u>	<u><u>13,448</u></u>

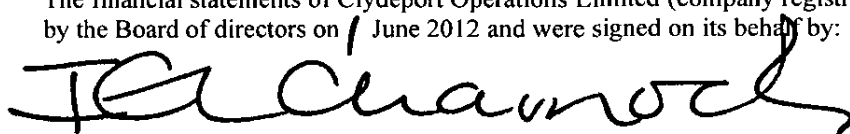
CLYDEPORT OPERATIONS LIMITED

BALANCE SHEET

As at 31 March 2012

	Note	2012 £'000	2011 £'000
FIXED ASSETS			
Tangible assets	10	51,570	49,208
CURRENT ASSETS			
Stocks	11	305	345
Debtors	12	77,720	70,340
Cash at bank and in hand		10,586	6,995
		88,611	77,680
CREDITORS: amounts falling due within one year	13	(40,156)	(28,782)
NET CURRENT ASSETS		48,455	48,898
TOTAL ASSETS LESS CURRENT LIABILITIES		100,025	98,106
CREDITORS: amounts falling due after more than one year	14	(78,423)	(78,525)
PROVISIONS FOR LIABILITIES	15	(1,871)	(1,891)
NET ASSETS EXCLUDING PENSION ASSET		19,731	17,690
Pension asset	19	388	4,338
NET ASSETS INCLUDING PENSION ASSET		20,119	22,028
CAPITAL AND RESERVES			
Called-up share capital	16	-	-
Revaluation reserve	17	1,644	1,822
Profit and loss account	17	18,475	20,206
TOTAL SHAREHOLDER'S FUNDS	18	20,119	22,028

The financial statements of Clydeport Operations Limited (company registration number SC134759) were approved by the Board of directors on 1 June 2012 and were signed on its behalf by:



I G L Charnock
Director

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2012

1. ACCOUNTING POLICIES

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

Going concern

In considering the appropriateness of the going concern basis of preparation, the directors have considered forecasts for the next twelve months from the date of signing the 2012 financial statements, which include detailed cash flow forecasts and working capital availability. These forecasts show that sufficient resources remain available to the business for the next twelve months.

The Company is party to the cross-guarantee of the debt facility of Peel Ports Shareholder FinanceCo Limited group ("the Group"). Therefore, the directors of the Company have considered the assumptions and conclusions of Group's management in making their assessment of going concern on a Group basis and are cognisant of the following going concern disclosure, which appears in the financial statements of Peel Ports Shareholder FinanceCo Limited for the year ended 31 March 2012:

- "the directors prepare and update detailed annual budgets, three year forecasts, and five year strategic plans. Together these show that sufficient resources are available to the business and on this basis the directors continue to adopt the going concern assumption;
- at the balance sheet date, the Group has net liabilities of £473.0m (2011: £449.3m) which are principally attributed to the reorganisation of the Group in 2006 which was accounted for under merger accounting principles and resulted in the creation of a merger relief reserve of £506.1m;
- at the balance sheet date, the Group has borrowings of £1,062.7m (2011: £1,062.7m), which are subject to covenant restrictions. The borrowings are in place until 31 December 2013. No breaches have occurred in the historical period. The continuing economic conditions create uncertainty. However, even after taking account of all reasonably possible sensitivities for changes in trading performance, the Group's forecasts and projections indicate that it is expected to continue to comply with covenant requirements for a period of at least 12 months from the date of approval of the financial statements;
- in the year ended 31 March 2012, turnover increased by £21.6m to £380.5m and Group operating profit increased by £15.8m to £92.6m, despite the continuing uncertainty in the global economic environment. This was due to a combination of higher volumes and better sales mix and the realised benefit of the continuing focus on the Group's core businesses following restructurings in prior years;
- cash inflows generated in the year enabled the Group to finance fixed asset additions of £28.2m from cash, together with all financing outflows. In addition, the Group acquired the De Facto 1693 Limited group of companies for £32.0m, financed by a combination of £18.0m from cash, a £11.0m loan from the Group's immediate parent company and £3.0m from the issue of loan notes to the investors in the Group's immediate parent company. Overall, the Group's net cash position improved by £21.3m in the year; and
- there are undrawn loan facilities of £100.7m 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 the Company have adequate resources to continue in operational existence for the foreseeable future. For this reason, the directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 March 2012****1. ACCOUNTING POLICIES (CONTINUED)****Turnover**

Turnover is stated net of VAT, rebates and trade discounts. Turnover from the sale of goods and services is recognised when the significant risk and benefits of ownership of the product have transferred to the buyer or the service has been discharged, which may be upon shipment, completion of the product or the product being ready for delivery, based on specified contract terms. 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. All turnover arises in the United Kingdom.

Leased assets

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

Tangible fixed assets

Fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, excluding freehold land and capital work in progress, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

- Buildings, docks and quays at rates varying between 2% and 10% per annum;
- Dredging and navigation aids at rates varying between 5% and 10% per annum;
- Plant and machinery at rates varying between 2% and 33% per annum; and
- No depreciation is charged on capital work in progress until the assets are available for use. On completion, such assets are transferred to the appropriate category of tangible fixed assets.

Residual value is calculated on prices prevailing at the date of acquisition or revaluation.

The carrying value of previously revalued tangible fixed assets was frozen under the transitional arrangements of FRS 15 'Tangible Fixed Assets'.

Stocks

Stocks are stated at the lower of cost and estimated net realisable value. Provision is made where necessary for obsolete, slow moving and defective stocks.

Foreign currencies

Assets and liabilities denominated in foreign currencies are translated into sterling at rates applicable at the balance sheet date or forward foreign exchange contract rates as appropriate. Transactions in foreign currencies are translated into sterling at the exchange rate ruling at the transaction date. Gains and losses on foreign currency transactions arising in the ordinary course of business are included in operating profit.

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.

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 separately administered funds. This has been accounted for under the requirements of FRS 17 "Retirement Benefits" ("FRS 17").

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

1. ACCOUNTING POLICIES (CONTINUED)

Pension costs (continued)

Under FRS 17, the pension 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 schemes.

The Company also participates in an industry-wide defined benefit pension scheme. Where the Company is unable to determine its share of the assets and liabilities on a consistent and reliable basis it accounts for this scheme as a defined contribution scheme. Further information is contained within note 19.

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

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

Financial instruments

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Financial assets

All financial assets are recognised and derecognised on a trade date basis where the purchase or sale of a financial asset is under a contract whose terms require delivery of the asset within the timeframe established by the market concerned. They are initially measured at fair value, plus transaction costs.

Financial assets are classified depending on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is a rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2012

1. ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Loans and receivables

Trade debtors, loans and other debtors that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest method, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For certain categories of financial asset, such as trade debtors, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio, as well as observable changes in economic conditions that correlate with default on debtors.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets.

Derecognition of financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire.

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or equity in accordance with the substance of the contractual arrangement and is determined at the time of initial recognition. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Other financial liabilities

Other financial liabilities, including borrowings are initially measured at fair value, net of transaction costs. These are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is a rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Risk management

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

1. ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

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

See notes 13 and 14 for details of the balances included in other financial liabilities.

Cash flow statement

The Company is a wholly-owned subsidiary of Peel Ports Shareholder FinanceCo Limited. The cash flows of the Company are included in the consolidated cash flow statement of Peel Ports Shareholder FinanceCo Limited. Consequently, the Company is exempt, under the terms of FRS 1 (Revised 1996), from publishing a cash flow statement.

Related party transactions

The Company has taken advantage of the exemption in paragraph 3 (c) of FRS 8 "Related party disclosures" and has not disclosed details of transactions with fellow wholly-owned undertakings within the Peel Ports Shareholder FinanceCo Limited group of companies.

2. SEGMENTAL INFORMATION

	2012 £'000	2011 £'000
Turnover arises in the UK from the following sources:		
Port and canal operations	45,607	40,691
Shipping income	3,548	5,166
Rental income	2,091	1,794
Other trading income	757	1,603
	<u>52,003</u>	<u>49,254</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.

3. PILOTAGE

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

	2012 £'000	2011 £'000
Pilotage Revenue	<u>2,790</u>	<u>2,504</u>
Revenue from Pilotage exemption certificates	<u>16</u>	<u>14</u>
Aggregate expenditure	<u>1,637</u>	<u>1,482</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2012

4. OPERATING PROFIT

	2012 £'000	2011 £'000
Operating profit is stated after charging/(crediting):		
Depreciation – owned assets	3,269	2,894
Loss/(profit) on disposal of fixed assets	22	(6)
Hire of plant and machinery under operating leases	2,575	3,948
Hire of other assets under operating leases	420	527
Foreign currency exchange losses /(gains)	82	(21)
Grant releases	(99)	(99)
	<u>16</u>	<u>16</u>
Fees payable to the Company's auditor for the audit of the Company's annual financial statements		
	<u>16</u>	<u>16</u>

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

5. EMPLOYEE INFORMATION

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

	2012 Number	2011 Number
Administration	19	18
Operational	217	208
	<u>236</u>	<u>226</u>

The staff costs for the above persons were:

	2012 £'000	2011 £'000
Wages and salaries	8,645	7,871
Social security costs	870	741
Pension fund service cost (note 19)	1,214	1,058
Other pension costs (note 19)	179	198
	<u>10,908</u>	<u>9,868</u>

6. DIRECTORS' REMUNERATION

The remuneration of the directors of the Company was as follows:

	2012 £'000	2011 £'000
Emoluments	<u>421</u>	<u>229</u>

At 31 March 2012, retirement benefits are accruing to one (2011: one) director under a defined benefit scheme. No benefits are accruing to directors under a defined contribution scheme (2011: none).

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2012

6. DIRECTORS' REMUNERATION (CONTINUED)

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 have to account in turn to those undertakings.

The remuneration of the highest paid director was as follows:

	2012	2011
	£'000	£'000
Emoluments	421	229
Accrued defined benefit pension scheme entitlements at year end	105	99

7. NET INTEREST AND SIMILAR ITEMS

	2012	2011
	£'000	£'000
Interest payable and similar charges:		
Irredeemable loan stock	(116)	(117)
Total interest payable and similar charges	(116)	(117)
Interest receivable and similar income:		
Interest receivable	4	14
Total interest receivable and similar income	4	14
Other finance income:		
Expected return on pension scheme assets	6,051	5,858
Interest on pension scheme liabilities	(4,700)	(4,710)
Total other finance income (note 19)	1,351	1,148
Net interest and similar items	1,239	1,045

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2012 £'000	2011 £'000
Current tax		
UK corporation tax	-	-
Total current tax charge	-	-
Deferred tax		
Origination and reversal of timing differences	122	165
Change in UK tax rate	(145)	(128)
Adjustment in respect of prior years	3	62
Pension cost relief in excess of pension charge	370	315
Pension cost – adjustment for change of UK tax rate	(117)	(48)
Total deferred tax charge	233	366
Total tax on profit on ordinary activities	233	366

Excluding deferred tax items relating to the defined benefit pension scheme, the deferred tax credit is £20,000 (2011: charge of £99,000) (note 15).

On 21 March 2012, the UK government announced its intention to reduce the rate of corporation tax to 24% from 1 April 2012 and then by 1% per annum to 22% from 1 April 2014. The reduction to 24% was substantively enacted before the balance sheet date. The further intended reductions have not been substantively enacted. The deferred tax balances as at 31 March 2012 have therefore been calculated at a rate of 24%, which has resulted in a credit to the profit and loss account of £262,000.

Reconciliation of current tax charge

The tax assessed for the year is lower (2011: lower) than that arising from applying the standard rate of UK corporation tax of 26% (2011: 28%). The differences are explained below:

	2012 £'000	2011 £'000
Profit on ordinary activities before taxation	15,560	13,636
Profit on ordinary activities multiplied by the standard rate of UK corporation tax of 26% (2011: 28%)	4,046	3,818
Effects of:		
Capital allowances in excess of depreciation	(141)	(184)
Other timing differences	9	6
Expenses not deductible for tax purposes	177	164
Pension relief in excess of pension charge	(400)	(340)
Group relief claimed without payment	(3,691)	(3,464)
Current tax charge	-	-

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2012

9. EQUITY DIVIDENDS PAID

	2012 £'000	2011 £'000
Interim ordinary dividends of £15,000 (2011: £15,000) per share	12,000	12,000

10. TANGIBLE FIXED ASSETS

	Freehold land and buildings, docks, quays, and dredging navigation aids £'000	Owned plant and machinery £'000	Capital work- in-progress £'000	Total £'000
Cost or valuation				
At 1 April 2011	52,409	37,135	1,331	90,875
Additions	146	1,465	4,088	5,699
Disposals	(15)	(1,396)	-	(1,411)
Transfer from capital work in progress	62	1,179	(1,241)	-
At 31 March 2012	52,602	38,383	4,178	95,163
Depreciation				
At 1 April 2011	21,455	20,212	-	41,667
Charge for year	868	2,401	-	3,269
Disposals	(12)	(1,331)	-	(1,343)
At 31 March 2012	22,311	21,282	-	43,593
Net book value				
At 31 March 2012	30,291	17,101	4,178	51,570
At 31 March 2011	30,954	16,923	1,331	49,208

Historical cost of fixed assets

At 31 March 2012, tangible fixed assets include:

- Land valued in 1971 at £1,802,000 for which the historical cost was £434,000; and
- Other assets valued at £4,054,000 as at 31 December 1999, for which the cost to the Company was £1,296,000. These assets have a net book value at 31 March 2012 of £856,750 (2011: £1,117,750).

Non-depreciable land

Included within land and buildings is land, which is not subject to depreciation, amounting to £11,087,000 (2011: £11,087,000).

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2012

	2012	2011
	£'000	£'000
11. STOCKS		
Consumables and engineering stores	305	345

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

12. DEBTORS (LOANS AND RECEIVABLES)

	2012	2011
	£'000	£'000
Amounts falling due within one year:		
Trade debtors	5,288	5,397
Amounts owed by Group undertakings	72,023	63,915
Amounts owed by related undertakings	42	43
Other taxes and social security	126	265
Other debtors	-	118
Prepayments and accrued income	241	602
	77,720	70,340

The allowance for bad debt provision included in trade debtors above and the amounts that are past due but not impaired are immaterial for separate disclosure in the financial statements. The Company has no significant concentration of credit risk. The carrying amount of trade and other debtors approximates to their fair value.

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR (OTHER FINANCIAL LIABILITIES)

	2012	2011
	£'000	£'000
Trade creditors	2,173	3,755
Amounts owed to Group undertakings	32,225	20,715
Amounts owed to related undertakings	-	10
Other taxes and social security	237	225
Other creditors	381	182
Accruals and deferred income	5,041	3,796
Government grants	99	99
	40,156	28,782

The carrying amount of the Company's financial liabilities approximates to their fair value.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2012

14. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (OTHER FINANCIAL LIABILITIES)

	2012 £'000	2011 £'000
3% irredeemable stock	1,437	1,439
4% irredeemable stock	1,827	1,828
Debt falling due after more than one year	3,264	3,267
Government grants	2,083	2,182
Amounts owed to Group undertakings	73,076	73,076
	78,423	78,525

The irredeemable stock is 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.

Grants may be repayable in whole or in part if conditions relating to the award of such grants are not met. However, the directors are not aware of any instances where such conditions have not been met and consider the likelihood of this to be remote.

Prior to 31 March 2012, the Company received confirmation from Peel Ports Investments Limited that it would not seek repayment of the amount due to that company of £73,076,000 (2011: £73,076,000) for a period of at least twelve months from the date of signing of these financial statements. Accordingly, the balance has been shown as falling due after more than one year.

The carrying amount of the Company's financial liabilities approximates to their fair value.

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

15. PROVISION FOR LIABILITIES

	Deferred taxation £'000
At 1 April 2011	1,891
Profit and loss account (note 8)	(20)
At 31 March 2012	1,871

The provision for deferred tax comprises:

	2012 £'000	2011 £'000
Capital allowances in excess of depreciation	1,907	1,926
Other timing differences	(36)	(35)
	1,871	1,891

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2012

16. CALLED-UP SHARE CAPITAL

	2012 Number	2011 Number	2012 £	2011 £
<i>Authorised, allotted, called-up and fully paid</i> Ordinary shares of 25p each	800	800	200	200

17. RESERVES

	Revaluation reserve £'000	Profit and loss account £'000
At 1 April 2011	1,822	20,206
Profit for the financial year	-	15,327
Dividends (note 9)	-	(12,000)
Actuarial loss on pension scheme net of deferred tax	-	(5,236)
Transfer from revaluation reserve to profit and loss account	(178)	178
At 31 March 2012	1,644	18,475

18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

	2012 £'000	2011 £'000
Profit for the financial year	15,327	13,270
Dividends	(12,000)	(12,000)
Actuarial (loss)/gain on pension scheme net of deferred tax	(5,236)	1,646
Net change in shareholder's funds	(1,909)	2,916
Opening shareholder's funds	22,028	19,112
Closing shareholder's funds	20,119	22,028

19. 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 3% and 6% (2011: varied between 3% and 6%) of pensionable salaries for the financial year. Company contributions to money purchase pension schemes are matched by employees. Contributions totalling £179,000 were paid during the year (2011: £198,000).

Defined benefit scheme

The Company also participates in a defined benefit pension scheme, for qualifying employees, based on final pensionable pay. This scheme is closed to new entrants. The assets of the scheme are held separately from those of the Company.

Contributions of the Company to the defined benefit pension scheme are based on pension costs across the Company as a whole. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. A full actuarial valuation was carried out at 6 July 2009 and updated to 31 March 2012 by a qualified actuary.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

19. PENSION FUNDS (CONTINUED)

Contributions totalling £1,402,000 were paid during the year (2011: £1,123,000). The contributions of the Company to the defined benefit pension scheme were 17.8% (2011: 17.8%) of pensionable earnings in the period. The contributions made by employees to the defined benefit pension scheme during the year were 6% (2011: 6%) of pensionable salaries.

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 2012, the assets of the defined benefit pension scheme were valued at £97,917,000 (2011: £92,802,000).

Company contributions for the defined benefit pension scheme for the year ending 31 March 2013 are expected to be in the region of £1,400,000.

The most recent actuarial valuation was updated to 31 March 2012 by qualified actuaries. This informal valuation used a set of assumptions consistent with those required under FRS 17. The major assumptions used by the actuaries are set out below.

Major actuarial assumptions

	2012 % pa	2011 % pa
Rate of increase in pensionable salaries	3.10	3.40
Rate of increase of pensions in payment (LPI)	3.10	3.40
Rate of increase for deferred pensioners	3.10	3.40
Discount rate	4.70	5.50
Price inflation (RPI)	3.10	3.40
Price inflation (CPI)	2.10	2.40
Mortality		
Current pensioners		
Actuarial tables used	120% SAPS tables, birth year, with medium cohort improvements and a 1% underpin	120% SAPS tables, birth year, with medium cohort improvements and a 1% underpin
Male life expectancy at age 65	20.0 years	19.9 years
Future pensioners		
Actuarial tables used	120% SAPS tables, birth year, with medium cohort improvements and a 1% underpin	120% SAPS tables, birth year, with medium cohort improvements and a 1% underpin
Male life expectancy at age 65 (currently aged 45)	21.9 years	21.8 years

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2012

19. PENSION FUNDS (CONTINUED)

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.

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%
Inflation	+/- 0.5%	+/- 3%
Rate of increase in pensionable salaries	+/- 0.5%	+/- 2%
Mortality	+1 year	+4%

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

	2012 £'000	2011 £'000
Opening defined benefit liability	86,940	86,826
Service cost	1,214	1,058
Interest cost	4,700	4,710
Employee contributions	248	245
Actuarial losses/(gains) on scheme liabilities	8,578	(2,169)
Benefits paid	(4,274)	(3,730)
Closing defined benefit liability	<u>97,406</u>	<u>86,940</u>

Analysis of the defined benefit obligation:

	2012 £'000	2011 £'000
Present value of funded liabilities	<u>97,406</u>	<u>86,940</u>

Reconciliation of fair value of scheme assets:

	2012 £'000	2011 £'000
Opening fair value of scheme assets	92,802	89,251
Expected return on scheme assets	6,051	5,858
Actuarial gains on scheme assets	1,688	55
Contributions by the Company	1,402	1,123
Contributions by employees	248	245
Benefits paid	(4,274)	(3,730)
Closing fair value of scheme assets	<u>97,917</u>	<u>92,802</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2012

19. PENSION FUNDS (CONTINUED)

Amounts to be recognised in the balance sheet:	2012 £'000	2011 £'000
Present value of funded liabilities	(97,406)	(86,940)
Fair value of scheme assets	97,917	92,802
Recognisable asset before deferred taxation	511	5,862
Deferred taxation	(123)	(1,524)
Amount recognised in the balance sheet	388	4,338

Amount to be recognised in the profit and loss account:	2012 £'000	2011 £'000
Current service cost	1,214	1,058
Interest cost	4,700	4,710
Expected return on scheme assets	(6,051)	(5,858)
Total income	(137)	(90)

Of the credit for the year (2011: credit), a charge of £1,214,000 (2011: £1,058,000) has been included in administrative expenses and a credit of £1,351,000 (2011: £1,148,000) has been included within net interest and similar items.

Cumulative amount of actuarial gains and losses recognised in the statement of total recognised gains and losses since adoption of FRS 17:	2012 £'000	2011 £'000
Opening cumulative	(11,936)	(14,160)
Actuarial (losses)/gains	(6,890)	2,224
Closing cumulative	(18,826)	(11,936)

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2012

19. PENSIONS FUND (CONTINUED)

Plan assets	Fair value of assets		Expected rate of return	Fair value of assets		Expected rate of return
	31 March 2012	31 March 2012		31 March 2011	31 March 2011	
	£'000	%	%	£'000	%	%
Equities	25,948	27	8.0	28,903	31	8.5
Hedge funds	16,744	17	8.0	11,430	12	8.5
Fixed-interest gilts	-	-	2.8	4,039	4	4.2
Corporate bonds	46,021	47	4.7	36,876	40	5.5
Index-linked gilts	9,204	9	2.8	8,090	9	4.2
Cash	-	-	0.5	3,464	4	0.5
Total market value of assets	<u>97,917</u>	<u>100</u>	<u>6.0</u>	<u>92,802</u>	<u>100</u>	<u>6.5</u>

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 for the year was a gain of £7,739,000 (2011: £5,913,000).

History of experience gains and losses	2012 £'000	2011 £'000	2010 £'000	2009 £'000	2008 £'000
Present value of defined benefit liability	(97,406)	(86,940)	(86,826)	(67,295)	(71,870)
Fair value of scheme assets*	<u>97,917</u>	<u>92,802</u>	<u>89,251</u>	<u>71,477</u>	<u>85,522</u>
Surplus	<u>511</u>	<u>5,862</u>	<u>2,425</u>	<u>4,182</u>	<u>13,652</u>
Experience (losses)/gains on scheme liabilities and changes in assumptions					
Amount	(8,578)	2,169	(17,848)	6,412	10,818
Percentage of present value of scheme liabilities	(9%)	2%	(21%)	10%	15%
Difference between expected and actual return on scheme assets					
Amount	1,688	55	15,891	(16,600)	(8,287)
Percentage of scheme assets	<u>2%</u>	<u>0%</u>	<u>18%</u>	<u>(23%)</u>	<u>(10%)</u>

* The fair value of scheme assets is shown at mid-market value at 31 March 2008 and at bid value at all other dates.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2012

19. PENSIONS FUND (CONTINUED)

Industry-wide defined benefit scheme

The Pilots National Pension Fund ("PNPF")

The PNPF is a multi-employer industry-wide defined benefit pension scheme. The most recent formal actuarial valuation, completed 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. The most recent updated assessment available from the scheme actuary is at 31 December 2007. The value of the scheme's 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 in 2004 were as follows:

	%
Inflation	2.9
Rate of increase of pensionable salaries	3.9
Rate of increase for pensions in payment	2.8
Rate of increase for deferred pensions	2.8
Discount rate	4.7
Expected return on plan assets:	
- Pre-retirement	7.9
- Post-retirement	4.8

The scheme rules have not historically provided a mechanism for the allocation of past-service deficits. In the absence of an agreement on the allocation of the past-service deficit, the Company is unable to determine its share of assets and liabilities for this scheme on a consistent and reasonable basis. As permitted by FRS 17 'Retirement benefits', the scheme is accounted for by the Company as if the scheme was a defined contribution scheme, the cost recognised within the profit and loss account being equal to the contributions payable to the scheme for the year.

Based on recent investigations, we understand that any PNPF liability relating to Clydeport pilots is limited to Clydeport Operations Limited (although we are as yet unable to determine the quantum of this exposure as noted above). In previous years this liability was disclosed within Clydeport Limited.

Whilst the directors consider it likely that the Company will be required to fund a share of the deficit of the PNPF, they are currently unable to determine the quantum of any deficit arising or the share to be borne by the Company on a consistent and reasonable basis until a number of issues have been resolved. A court ruling in 2010 clarified that the Trustee does have wide powers to amend the scheme's rules and impose contribution requirements on all categories of participating bodies. However, the Trustee has only recently been able to engage properly in the process of completing a new formal valuation and agreeing the allocation of liabilities amongst the wide group of participating bodies. The completion of this process is likely to take some time.

20. CAPITAL COMMITMENTS

	2012 £'000	2011 £'000
Capital expenditure contracted for but not provided for in these financial statements	376	210

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2012

21. OTHER FINANCIAL COMMITMENTS

At 31 March 2012, the Company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings 2012 £'000	Other operating leases 2012 £'000	Land and buildings 2011 £'000	Other operating leases 2011 £'000
Expiry date:				
- within one year	-	12	-	8
- between two and five years	-	2,242	-	2,171
- after five years	344	-	471	-
	<u>344</u>	<u>2,254</u>	<u>471</u>	<u>2,179</u>

22. CONTINGENT LIABILITIES

The Company may become liable, as tenant of three leased areas, for removal of certain installations and re-instatement of those sites on termination of the leases. Upon termination of these leases in 2074 and 2075 the lessors have the option to take over such installations, in which case any such liability would not arise. The extent to which any such liability may arise cannot therefore presently be determined. Accordingly, no provision has been provided in connection therewith. Under the terms of two of the leases the Company is entitled to break each lease during or after 2015. Under the terms of the other lease the Company is entitled to break that lease during or after 2006.

Group borrowing facility

The Company together with certain of its fellow Group undertakings, has guaranteed the bank loans and overdrafts of certain other Group companies. At 31 March 2012 this amounted to £1,062,679,000 (2011: £1,062,679,000).

23. RELATED PARTY TRANSACTIONS

Related Party	Transaction	2012 £'000	2011 £'000
<i>Joint ventures</i>			
CLYDEBoyd Fort William Limited	Accounting and support fee	15	15
	Rent received	<u>229</u>	<u>35</u>

At the balance sheet date £9,000 (2011: £26,000) was included in debtors in relation to CLYDEBoyd Fort William Limited.

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 entity:

		2012 £'000	2011 £'000
Peel Holdings Land & Property (UK) Limited	Salary recharges	291	310
	Rent paid	(426)	(378)
	Service charge	(83)	(58)
	Rent received	<u>40</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2012

23. RELATED PARTY TRANSACTIONS (CONTINUED)

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

Entities in the Peel Holdings group of companies

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

	2012 £'000	2011 £'000
Peel Holdings Land & Property (UK) Limited	45	(5)

24. IMMEDIATE AND ULTIMATE PARENT UNDERTAKINGS

The directors regard Tokenhouse Limited, a company incorporated in the Isle of Man, as the ultimate holding company and Clydeport 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.

25. ULTIMATE CONTROLLING PARTY

Tokenhouse Limited is controlled by the Billown 1997 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 Billown 1997 Settlement trust to be the ultimate controlling party.