

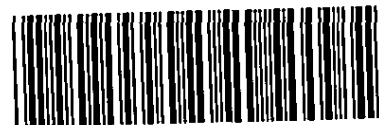
**Portsea Harbour Company Limited**

**Directors' report and financial  
statements**

**Registered number - 01748902**

**31 March 2007**

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## **Contents**

Company information	1
Directors' report	2
Statement of directors' responsibilities in respect of the directors' report and the financial statements	3
Report of the independent auditors to the members of Portsea Harbour Company Limited	4
Profit and loss account	5
Balance sheet	6
Notes	7

## **Company information**

<b>Directors</b>	JL Foster JB Ivins PJ Fuller
<b>Company Secretary</b>	JB Ivins
<b>Bankers</b>	HSBC plc 18 North Street Bishop's Stortford Hertfordshire CM23 2LP
<b>Auditor</b>	KPMG Audit Plc St Nicholas House Park Row Nottingham NG1 6FQ
<b>Registered office</b>	South Street Gosport Hampshire PO12 1EP
<b>Solicitors</b>	Blake Laphorn Tarlo Lyons New Court 1 Barnes Wallis Road Segensworth Hampshire PO15 5OA

## **Directors' report**

The directors present their report and the audited financial statements for the year ended 31 March 2007

### **Activities**

The principal activity of the company during the year was operating the landing stage at Portsea

### **Results**

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

The Portsmouth Harbour Ferry Company Limited, the company's immediate parent company, manages its operations on a divisional basis. For this reason, the company's directors believe key performance indicators for the company are not necessary for an understanding of the development, performance or position of the business. The performance of The Portsmouth Harbour Ferry Company Limited group is discussed in the ultimate parent company's directors' report, which does not form part of this report

### **Policy on payment of creditors**

The company operates a creditors payment policy designed to settle invoices within six weeks of the suppliers invoice date

### **Directors**

The directors who served the company during the year were as follows

JL Foster	
JB Ivins	- appointed 27 March 2007
PJ Fuller	- appointed 27 March 2007
C Roberts	- resigned 30 March 2007
M West	- resigned 15 November 2006
PR Bryant	- resigned 14 July 2006

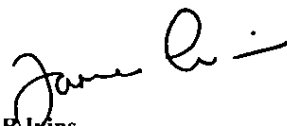
### **Disclosure of information to auditors**

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware, and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

### **Auditors**

In accordance with section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditor of the group will be put to the shareholders at the Annual General Meeting of the ultimate parent company

On behalf of the board

  
JB Ivins  
Company Secretary

29 January 2008

## **Statement of directors' responsibilities in respect of the directors' report and the financial statements**

The directors are responsible for preparing the directors' 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period

In preparing these financial statements, the directors are required to

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

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect 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 UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

## KPMG Audit Plc

St Nicholas House  
Park Row  
Nottingham NG1 6FQ  
United Kingdom

### Report of the independent auditors to the members of Portsea Harbour Company Limited

We have audited the financial statements of Portsea Harbour Company Limited for the year ended 31 March 2007 which comprise the profit and loss account, the balance sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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 auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities on page 3.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

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

#### Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

#### Opinion

In our opinion:

- the financial statements give a true and fair view in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements.



Chartered Accountants  
Registered Auditor

Dated

29 January 2008

**Profit and loss account**  
*for the year ended 31 March 2007*

	<i>Note</i>	<b>2007</b> <b>£000</b>	2006 £000
<b>Turnover</b>	2	374	266
Other operating charges	3	(125)	(221)
<b>Profit on ordinary activities before taxation</b>	4	<u>249</u>	<u>45</u>
Tax on profit on ordinary activities	6	(48)	(13)
<b>Retained profit for the financial year</b>	13	<u><u>201</u></u>	<u><u>32</u></u>

In both the current year and preceding period, the company made no material acquisitions and had no discontinued operations

There were no recognised gains or losses in either the current year or preceding period other than those disclosed in the profit and loss account

**Balance sheet**  
*as at 31 March 2007*

	Note	£000	2007 £000	£000	2006 £000
<b>Fixed assets</b>					
Tangible assets	8		250		262
<b>Current assets</b>					
Debtors	9	698		411	
Cash at bank and in hand		-		3	
		698		414	
<b>Creditors</b> amounts falling due within one year	10	(540)		(167)	
<b>Net current assets</b>			158		247
<b>Total assets less current liabilities</b>			408		509
<b>Provisions for liabilities and charges</b>	11		(69)		(71)
<b>Net assets</b>			339		438
<b>Capital and reserves</b>					
Called up share capital	12		1		1
Revaluation reserve	13		25		25
Profit and loss account	13		313		412
<b>Shareholder's funds</b>	14		339		438

These financial statements were approved by the board of directors on 29 January 2008 and were signed on its behalf by

  
J.L. Foster  
Director



## **Notes**

*(forming part of the financial statements)*

### **1 Accounting policies**

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements

#### ***Basis of preparation***

These financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention

Under FRS 1 'Cash flow statements (revised 1996)' the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements

As the company is a wholly owned subsidiary of Falkland Island Holdings plc, the company has taken advantage of the exemption contained in FRS 8 'Related party disclosures' and has therefore not disclosed transactions or balances with entities which form part of the group. The consolidated financial statements of Falkland Island Holdings plc, within which this company is included, can be obtained from the address given in note 17

#### ***Depreciation***

Depreciation is provided by equal annual instalments to reduce the cost or valuation of fixed assets, other than freehold land on which no depreciation is charged, to residual value over their estimated useful working lives

The platform landing stage operated by the company comprises two major components with substantially different useful economic lives. In the prior year there was a change in the method of providing depreciation on the grounds that the new method gives a fairer presentation of the results and financial position. From 1 April 2005, each component of the landing stage is accounted for separately for depreciation purposes and depreciated over its individual useful economic life. The principal annual rates are

Roadway	- 40 years
Pontoon	- 10 years
Portacabin	- 10 years

#### ***Taxation***

The charge for taxation is based on the profit for the financial year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19

#### ***Classification of financial instruments issued by the company***

Under FRS 25, financial instruments issued by the company are treated as equity (i.e. forming part of shareholder's funds) only to the extent that they meet the following two conditions

- a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company, and
- b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments

## Notes (continued)

### 1 Accounting policies (continued)

#### *Classification of financial instruments issued by the company (continued)*

To the extent that this definition is not met the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges. Finance payments associated with financial instruments that are classified as part of shareholder's funds (see dividends policy), are dealt with as appropriations in the reconciliation of movements in shareholder's funds.

#### *Dividends on shares presented within shareholder's funds*

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

#### *Stocks*

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

#### *Turnover*

Turnover represents the amounts charged to customers in the ordinary course of business for goods and services provided, including fellow subsidiaries of Falkland Islands Holdings plc, exclusive of value added tax.

#### *Leases*

Assets held under finance leases are capitalised and any outstanding future lease obligations are shown in creditors.

### 2 Segmental information

	2007 £000	2006 £000
<i>Geographical analysis of turnover</i>		
United Kingdom	374	266
	<u>          </u>	<u>          </u>

### 3 Other operating charges

	2007 £000	2006 £000
Administrative expenses	125	221
	<u>          </u>	<u>          </u>

### 4 Profit on ordinary activities before taxation

	2007 £000	2006 £000
<i>Profit on ordinary activities before taxation is stated after charging</i>		
Depreciation - owned assets	12	148
	<u>          </u>	<u>          </u>

Auditor's remuneration relating to this company has been charged to Gosport Ferry Limited.

## Notes (continued)

### 5 Directors and employees

The company has no paid employees (2006 *nil*)

The directors did not receive any remuneration in the year (2006 *£nil*)

### 6 Tax on profit on ordinary activities

#### (a) Analysis of charge in the period

	2007 £000	2006 £000
<i>The taxation charge based on the profit for the year comprises</i>		
UK corporation tax at 30% (2006 30%)	50	56
	<hr/>	<hr/>
Total current tax charges	50	56
Deferred taxation (note 11)	(2)	(43)
	<hr/>	<hr/>
	48	13
	<hr/>	<hr/>

#### (b) Factors affecting the tax charge for the current period

The current tax charge for the year is lower (2006 *higher*) than the standard rate of corporation tax in the UK of 30% (2006 30%). The differences are explained below

	2007 £000	2006 £000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	249	45
	<hr/>	<hr/>
Current tax at 30% (2006 30%)	75	13
	<hr/>	<hr/>
<i>Effects of</i>		
Group relief not paid for	(27)	-
Depreciation in the financial year in excess of capital allowances	2	43
	<hr/>	<hr/>
Total current tax charge	50	56
	<hr/>	<hr/>

### 7 Dividends

	2007 £000	2006 £000
<i>Equity dividends</i>		
Dividend paid in the financial year	300	-
	<hr/>	<hr/>

## Notes (continued)

### 8 Tangible assets

	Plant and equipment £000
<i>Cost or valuation</i>	
At 1 April 2006 and 31 March 2007	938
<i>Accumulated depreciation</i>	
At 1 April 2006	676
Charge for the year	12
At 31 March 2007	688
<i>Net book value</i>	
At 31 March 2007	250
At 31 March 2006	262

The fixed roadway landing at Portsea was valued during 1985 at £25,000 on the basis of its continued existing use. This valuation is included in the fixed assets of the company at the balance sheet date. The cost and net book value of this asset prior to revaluation was £nil. The transitional arrangements under FRS 15 have been followed and this valuation has not been updated.

No provision has been made in the deferred tax account for the estimated corporation tax that would be payable on disposal of this valuation because, in the opinion of the directors, this asset is unlikely to be disposed of in the foreseeable future.

As set out in note 1, during the year to 31 March 2006, the company amended its method of providing depreciation on the Portsea pontoon. The structural elements of the pontoon have been depreciated over 40 years and the shorter life elements over 10 years.

### 9 Debtors

	2007 £000	2006 £000
Trade debtors	3	-
Amounts owed by group undertakings	695	411
	698	411

### 10 Creditors' amounts falling due within one year

	2007 £000	2006 £000
Bank loans and overdraft	41	-
Amounts owed to group undertakings	411	111
Corporation tax	50	56
Accruals and deferred income	38	-
	540	167

## Notes (continued)

### 11 Provisions for liabilities and charges

#### *Deferred taxation*

The movement in the deferred taxation account during the year was

	2007 £000	2006 £000
Balance brought forward	71	113
Profit and loss account movement arising during the year (note 6)	(2)	(42)
	<hr/>	<hr/>
Balance carried forward	69	71
	<hr/>	<hr/>

The balance of the deferred taxation account consists of the tax effect of timing differences in respect of

	2007 £000	2006 £000
Excess of taxation allowances over depreciation on fixed assets	69	71
	<hr/>	<hr/>

### 12 Called up share capital

	2007 £000	2006 £000
<i>Authorised</i>		
1,000 ordinary shares of £1 each	1	1
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
1,000 ordinary shares of £1 each	1	1
	<hr/>	<hr/>

### 13 Reserves

	Revaluation reserve £000	Profit and loss account £000	Total £000
Balance brought forward	25	412	437
Profit for the year	-	201	201
Dividend paid	-	(300)	(300)
	<hr/>	<hr/>	<hr/>
Balance carried forward	25	313	338
	<hr/>	<hr/>	<hr/>

## Notes (continued)

### 14 Reconciliation of movements in shareholder's funds

	2007 £000	2006 £000
Profit for the year	201	32
Dividend paid	(300)	-
	<hr/>	<hr/>
Net (reduction in)/addition to shareholder's funds	(99)	32
Opening shareholder's funds	438	406
	<hr/>	<hr/>
Closing shareholder's funds	339	438
	<hr/>	<hr/>

### 15 Contingent liabilities

There were no contingent liabilities at 31 March 2007 or 31 March 2006

### 16 Capital commitments

As at 31 March 2007 the company had no capital commitments authorised but not contracted for (2006 £nil)

### 17 Ultimate and immediate parent company

The directors consider that the parent undertaking of this company is The Portsmouth Harbour Ferry Company Limited, and that the ultimate parent company is Falkland Islands Holdings plc, both companies are incorporated in Great Britain

A copy of the financial statements of Falkland Islands Holdings plc, in which the results of Portsea Harbour Company Limited are consolidated, can be obtained from Falkland Islands Holdings plc, Kenburgh Court, 133-137 South Street, Bishop's Stortford, Hertfordshire, CM23 3HX

### 18 Post balance sheet events

A number of changes to the UK corporation tax system were announced in the March 2007 Budget Statement and are expected to be enacted in the 2007 and 2008 Finance Acts. The changes had not been substantively enacted at the balance sheet date and, therefore, are not included in the financial statements.

The effect of the changes to be enacted in the Finance Act 2007 would be to decrease the deferred tax provision recognised at 31 March 2007 by £5,000.

This reduction in the deferred tax provision is due to the reduction in the corporation tax rate from 30% to 28% with effect from 1 April 2008 and to the abolition of balancing adjustments for industrial buildings allowances.

The other changes to be enacted would have no further effects on the deferred tax provided at 31 March 2007.