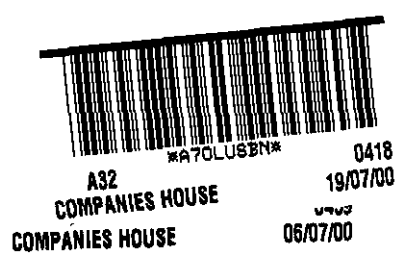


**PORTSEA HARBOUR COMPANY
LIMITED**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 1999



Company no 1748902

PORTSEA HARBOUR COMPANY LIMITED

FINANCIAL STATEMENTS

For the year ended 31 December 1999

Company registration number: 1748902

Registered office: South Street
Gosport
Hampshire
PO12 1EP

Directors: Non executive M R Wright, ARICS
J E Macmillan

Executive G D Phillips
C R P Withinshaw

Secretary: J E Macmillan

Bankers: Barclays Bank Plc
43/44 High Street
Gosport
Hampshire
PO12 1DN

National Westminster Bank Plc
PO Box 25
130 Commercial Road
Portsmouth
PO1 1ES

Lloyds Bank Plc
23/29 Albion Place
Maidstone
Kent
ME14 5DY

Solicitors: Churchers
28 High Street
Gosport
Hampshire
P12 1DQ

Auditors: Grant Thornton
Registered auditors
Chartered accountants
Enterprise House
Isambard Brunel Road
Portsmouth
PO1 2RZ

PORTSEA HARBOUR COMPANY LIMITED

FINANCIAL STATEMENTS

For the year ended 31 December 1999

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PORTSEA HARBOUR COMPANY LIMITED

REPORT OF THE DIRECTORS

The directors present their report together with financial statements for the year ended 31 December 1999.

Principal activities

The company is principally engaged in operating the landing stage at Portsea.

Business review

There was a profit for the year after taxation amounting to £63,056 (1998: profit £51,807). The directors do not recommend a dividend.

Directors

The present membership of the Board is set out below. All directors served throughout the year apart from as noted below. In accordance with the Articles of Association M R Wright retires by rotation and being eligible offers himself for re-election.

The interests of the directors and their families in the shares of the company as at 31 December 1999 and 1 January 1999, or the date of their resignation from the Board if earlier, were as follows:

	Ordinary shares	
	31 December 1999	1 January 1999
C J Solen (resigned 31 October 1999)	-	-
M R Wright, ARICS	-	-
G D Phillips	-	-
C R P Withinshaw	-	-
M G Harper (resigned 31 December 1999)	-	-
J E Macmillan	-	-

The interests of the directors in the shares of the holding company, The Portsmouth Harbour Ferry Company PLC, and of other subsidiaries of the holding company, namely Clarence Marine Engineering Limited, Gosport Ferry Limited, and Cobham Travel Services Limited are shown in those companies' accounts.

Directors' responsibilities for the financial statements

Company law requires the directors to prepare financial statements for each financial year which 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 those financial statements, the directors are required to:

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

The directors are responsible for maintaining proper accounting records, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

PORTSEA HARBOUR COMPANY LIMITED

REPORT OF THE DIRECTORS

Year 2000 compliance

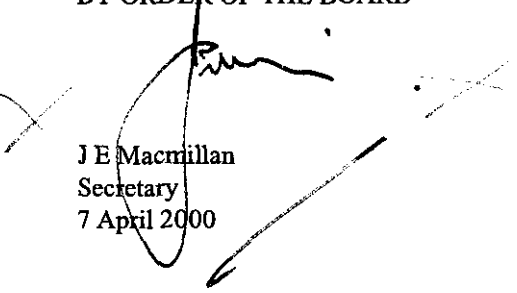
The company reviewed its computer systems for the impact of the Year 2000 date change, prepared an action plan to address the issue and carried out all necessary measures. All systems continued to operate properly over the Year 2000 date change and through any roll-over procedures that occurred at a latter date.

The issue is complex, and no business can guarantee that there will be no Year 2000 problems. As all businesses are dependant on the compliance of their major customers, suppliers and other trading partners, any impact that has occurred on their systems will affect the company's business to a greater or lesser extent.

Auditors

Grant Thornton offer themselves for reappointment as auditors in accordance with section 385 of the Companies Act 1985.

BY ORDER OF THE BOARD



J E Macmillan
Secretary
7 April 2000

**REPORT OF THE AUDITORS TO THE MEMBERS OF
PORTSEA HARBOUR COMPANY LIMITED**

We have audited the financial statements on pages 4 to 11 which have been prepared under the accounting policies set out on page 4.

Respective responsibilities of directors and auditors

As described on page 1 the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

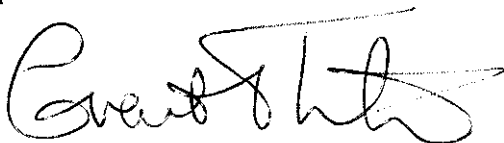
Basis of opinion

We conducted our audit in accordance with United Kingdom Auditing Standards 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 judgements 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 of the state of the company's affairs as at 31 December 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**GRANT THORNTON
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS**

**PORTSMOUTH
7 April 2000**

BASIS OF PREPARATION

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention as modified by the revaluation of certain assets.

The principal accounting policies of the company have remained unchanged from the previous year and are set out below.

TURNOVER

Turnover is the total amount receivable by the company for goods supplied and services provided, excluding VAT.

DEPRECIATION

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets by equal annual instalments over their expected useful lives. The periods generally applicable are:

Fixed roadway and pontoon	periods between 25 and 30 years
---------------------------	---------------------------------

DEFERRED TAXATION

Deferred tax is provided for under the liability method using the tax rates estimated to arise when the timing differences reverse and is accounted for to the extent that it is probable that a liability or asset will crystallise.

PORTSEA HARBOUR COMPANY LIMITED**PROFIT AND LOSS ACCOUNT**

For the year ended 31 December 1999

	Note	1999 £	1998 £
Turnover	1	204,856	199,521
Administrative expenses		(111,215)	(89,996)
Operating profit		93,641	109,525
Interest payable and similar charges	2	(30,321)	(49,469)
Profit on ordinary activities before taxation	1	63,320	60,056
Tax on profit on ordinary activities	4	(264)	(8,249)
Profit transferred to reserves	12	63,056	51,807

There were no recognised gains or losses other than the profit for the financial year.

The accompanying accounting policies and notes form an integral part of these financial statements.

PORTSEA HARBOUR COMPANY LIMITED

BALANCE SHEET AT 31 DECEMBER 1999

	Note	1999 £	1998 £
Fixed assets			
Tangible assets	5	574,918	572,371
Current assets			
Debtors	6	169,252	10,900
Cash at bank and in hand		5,369	3,444
		<u>174,621</u>	<u>14,344</u>
Creditors: amounts falling due within one year	7	(182,861)	(71,209)
Net current liabilities		<u>(8,240)</u>	<u>(56,865)</u>
Total assets less current liabilities		566,678	515,506
Creditors: amounts falling due after more than one year	8	(350,000)	(350,000)
Provisions for liabilities and charges	9	(37,678)	(49,562)
		<u>179,000</u>	<u>115,944</u>
Capital and reserves			
Called up share capital	11	1,000	1,000
Revaluation reserve	12	25,000	25,000
Profit and loss account	12	153,000	89,944
Shareholders' funds	13	<u>179,000</u>	<u>115,944</u>

The financial statements were approved by the Board of Directors on 7 April 2000

C P R Withinshaw

Director



The accompanying accounting policies and notes form an integral part of these financial statements.

PORTSEA HARBOUR COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 1999

1 TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The profit on ordinary activities is stated after:

	1999 £	1998 £
--	-----------	-----------

Depreciation:

Tangible fixed assets, owned	<u>33,250</u>	<u>32,000</u>
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Auditors' remuneration of £1,000 (1998:£1,000) has been charged in The Portsmouth Harbour Ferry Company PLC which relates to this company.

2 INTEREST PAYABLE AND SIMILAR CHARGES

	1999 £	1998 £
Interest payable to group undertakings	<u>30,321</u>	<u>49,469</u>

3 DIRECTORS AND EMPLOYEES

The company has no paid employees. The directors did not receive any remuneration in the year.

4 TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax charge represents:

	1999 £	1998 £
UK Corporation tax at 20% (1998:21%)	12,148	11,605
Release of deferred tax provision	<u>(11,884)</u>	<u>(3,356)</u>
	<u>264</u>	<u>8,249</u>

PORTSEA HARBOUR COMPANY LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 1999

5 TANGIBLE FIXED ASSETS

	Plant and equipment £
Cost or valuation	
At 1 January 1999	889,157
Additions	35,797
At 31 December 1999	<u>924,954</u>
Depreciation	
At 1 January 1999	316,786
Provided in the year	33,250
At 31 December 1999	<u>350,036</u>
Net book amount at 31 December 1999	<u><u>574,918</u></u>
Net book amount at 31 December 1998	<u><u>572,371</u></u>

The fixed roadway landing stage at Portsea was valued during 1985 at £25,000 on the basis of its continued existing use. In the opinion of the directors the remaining fixed roadway continues to represent the value ascribed to the whole in 1985. No provision has been made in the deferred taxation account for the estimated corporation tax which would be payable if the asset was disposed of at its valuation because in the opinion of the directors the asset is unlikely to be disposed of in the foreseeable future.

6 DEBTORS

	1999 £	1998 £
Trade debtors	2,000	27
Amounts owed by group undertakings	166,005	9,665
Prepayments and accrued income	1,247	1,208
	<u>169,252</u>	<u>10,900</u>

7 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1999 £	1998 £
Amounts owed to group undertakings	170,663	59,304
Corporation tax	12,148	11,605
Accruals and deferred income	50	300
	<u>182,861</u>	<u>71,209</u>

PORTSEA HARBOUR COMPANY LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 1999

8 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	1999 £	1998 £
Amounts owed to group undertakings	<u>350,000</u>	<u>350,000</u>

The loan is repayable fully in 2001. Interest is charged at 2 1/2% above the Barclays Bank base rate.

9 PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred taxation £
At 1 January 1999	49,562
Released during the year	(11,884)
At 31 December 1999	<u>37,678</u>

10 DEFERRED TAXATION

Deferred taxation provided for and not provided for in the financial statements is set out below.

	Amount provided		Amount unprovided	
	1999 £	1998 £	1999 £	1998 £
Accelerated capital allowances	<u>37,678</u>	<u>49,562</u>	<u>59,658</u>	<u>51,945</u>

11 SHARE CAPITAL

	1999 £	1998 £
Authorised 1,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
Allotted, called up and fully paid 1,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

PORTSEA HARBOUR COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 1999

12 RESERVES

	Revaluation reserve £	Profit and loss account £
At 1 January 1999	25,000	89,944
Retained profit for the year	-	63,056
At 31 December 1999	<u>25,000</u>	<u>153,000</u>

The balance on the revaluation reserve is not distributable under the Companies Act 1985.

13 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1999 £	1998 £
Profit for the financial year	<u>63,056</u>	<u>51,807</u>
Net increase in shareholders' funds	63,056	51,807
Shareholders' funds at 1 January 1999	<u>115,944</u>	<u>64,137</u>
Shareholders' funds at 31 December 1999	<u>179,000</u>	<u>115,944</u>

14 CAPITAL COMMITMENTS

The company had no capital commitments at 31 December 1999 or 31 December 1998.

15 CONTINGENT LIABILITIES

There were no contingent liabilities at 31 December 1999 or 31 December 1998.

16 ULTIMATE PARENT UNDERTAKING

The directors consider that the ultimate parent undertaking of this company is The Portsmouth Harbour Ferry Company PLC, registered in England and Wales.

The Portsmouth Harbour Ferry Company plc is the company's controlling and ultimate controlling related party by virtue of owning 100% of the issued share capital of the company.

The largest and smallest group of undertakings for which group accounts have been drawn up is that headed by The Portsmouth Harbour Ferry Company PLC which is registered in England and Wales. Copies of the group accounts can be obtained from The Portsmouth Harbour Ferry Company plc, South Street, Gosport, Hampshire PO12 1EP.

17 RELATED PARTY TRANSACTIONS

As a wholly owned subsidiary of The Portsmouth Harbour Ferry Company plc, the company is exempt from the requirements of FRS 8 to disclose transactions with other members of the group.