

**Gosport Ferry Limited**

**Directors' report and financial  
statements**

Registered number - 02254382

31 March 2011



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## **Company information**

### **Directors**

KDW Edwards  
JL Foster  
CM Waters

### **Company Secretary**

JL Foster  
CM Waters

### **Bankers**

HSBC plc  
18 North Street  
Bishop's Stortford  
Hertfordshire  
CM23 2LP

### **Auditor**

KPMG Audit Plc  
St Nicholas House  
Park Row  
Nottingham  
NG1 6FQ

### **Registered office**

South Street  
Gosport  
Hampshire  
PO12 1EP

### **Solicitors**

Blake Lapthorn Tarlo Lyons  
New Court  
1 Barnes Wallis Road  
Segensworth  
Hampshire  
PO15 5OA

## **Directors' report**

The directors present their report and financial statements for the year ended 31 March 2011

### **Activities**

The principal activity of the company during the year was the operation of the passenger ferry service between Gosport and Portsmouth and pleasure cruises in the Solent area

### **Results and dividends**

The trading results for the year and the company's financial position at the end of the year are shown in the attached financial statements

An interim dividend of £531,000 (2010 *£nil*) was paid in the year. The directors do not recommend the payment of a final dividend (2010 *£nil*)

### **Donations**

The company made charitable donations amounting to £8 000 (2010 *£nil*)

### **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 and to the date of this report are as follows

KDW Edwards	(appointed 6 December 2010)
JL Foster	
PJ Fuller	(resigned 31 December 2010)
JB Ivins	(resigned 28 February 2011)
CM Waters	

### **Directors' indemnity**

Certain directors benefited from qualifying third party indemnity provisions in place during the financial year and at the date of this report

### **Disclosure of information to auditor**

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 auditor is unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information

### **Auditors**

Pursuant to section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG Audit Plc will therefore continue in office

On behalf of the board



J Foster  
Director

Dated 13 December 2011

## **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)

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 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 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



## Report of the independent auditors to the members of Gosport Ferry Limited

We have audited the financial statements of Gosport Ferry Limited for the year ended 31 March 2011 set out on pages 5 to 15. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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

### Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 3, 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 (APB's) Ethical Standards for Auditors.

### Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

### 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 at 31 March 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with UK 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.

TM Widdas (Senior Statutory Auditor)

for and on behalf of KPMG Audit Plc, Statutory Auditor  
Chartered Accountants  
St Nicholas House  
Park Row  
Nottingham  
NG1 6FQ

13 December 2011

**Profit and loss account**  
*for the year ended 31 March 2011*

	<i>Note</i>	<b>2011</b> <b>£000</b>	2010 £000
<b>Turnover</b>	2	<b>3,697</b>	3,670
Cost of sales		<b>(1,756)</b>	(1 707)
<b>Gross profit</b>		<b>1,941</b>	1,963
Other operating charges	3	<b>(1,375)</b>	(1,400)
<b>Operating profit</b>		<b>566</b>	563
Other interest receivable		<b>4</b>	4
<b>Profit on ordinary activities before taxation</b>	4	<b>570</b>	567
Tax on profit on ordinary activities	7	<b>(164)</b>	(166)
<b>Profit for the financial year</b>	15	<b>406</b>	401

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 2011*

	<i>Note</i>	<b>£000</b>	<b>2011 £000</b>	<b>£000</b>	<b>2010 £000</b>
<b>Fixed assets</b>					
Tangible assets	9		71		47
<b>Current assets</b>					
Stocks	10	50		36	
Debtors	11	3,333		3,412	
Cash at bank and in hand		1,413		1,150	
		<u>4,796</u>		<u>4,598</u>	
<b>Creditors: amounts falling due within one year</b>	12	<u>(3,763)</u>		<u>(3 438)</u>	
<b>Net current assets</b>			<u>1,033</u>		<u>1 160</u>
<b>Net assets</b>			<u>1,104</u>		<u>1,207</u>
<b>Capital and reserves</b>					
Called up share capital	14	60		60	
Profit and loss account	15	1,044		1 147	
<b>Shareholder's funds</b>	16		<u>1,104</u>		<u>1 207</u>

These financial statements were approved by the board of directors on 13 December 2011 and were signed on its behalf by

  
**J.L. Foster**  
*Director*

Company registered number 02254382



## **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 accounting rules

Under FRS 1 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 and has therefore not disclosed transactions or balances with wholly owned subsidiaries 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 21

#### ***Going Concern***

The directors believe that the company will be able to maintain current trading volume without significant increase in the cost of so doing in the coming year. As a consequence and in conjunction with the company's existing financial resources the Directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future and therefore continue to prepare annual financial statements on the going concern basis of accounts preparation

#### ***Depreciation***

Depreciation is provided to write off the cost or valuation less the estimated residual value of fixed assets, by equal instalments over their estimated useful economic lives as follows

Plant and machinery	Periods between 5 - 10 years
Fixtures and fittings	Periods between 3 - 10 years

No depreciation is provided on freehold land

#### ***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

#### ***Stocks***

Stocks are stated 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 to fellow subsidiaries of Falkland Islands Holdings plc, exclusive of value added tax

#### ***Leases***

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease

## Notes (continued)

### 1 Accounting policies (continued)

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

Following the adoption of 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 exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments

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.

#### *Post retirement benefits*

The company contributes to a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The amounts charged to the profit and loss account represent the contributions payable to the scheme in respect of the accounting period.

#### *Share based payments*

The share option programme allows employees to acquire shares of the parent company, Falkland Islands Holdings plc. The grant date fair value of share-based payment awards granted after 7 November 2002 is recognised as an employee expense with a corresponding increase in equity over the period that the employees become unconditionally entitled to the award. The fair value of the options granted is measured using an option pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual incomes.

### 2 Analysis of turnover

	2011 £000	2010 £000
<i>By geographical market</i>		
United Kingdom	3,697	3,670

## Notes (continued)

### 3 Other operating charges

	2011 £000	2010 £000
Administrative expenses	1,375	1 400

### 4 Notes to the profit and loss account

	2011 £000	2010 £000
<i>Profit on ordinary activities before taxation is stated after charging</i>		
Depreciation - owned assets	23	22
Hire of plant and machinery - operating leases	3	3
<i>Auditors' remuneration</i>		
- audit of these financial statements	24	24
- other services relating to taxation	6	6

### 5 Staff numbers and costs

	Number of employees 2011	2010
The average number of persons employed by the company (including directors) during the year analysed by category was as follows		
Ferry operatives	28	29
Maintenance	6	6
Management and administrative	6	6
	40	41
	£000	£000
The aggregate payroll costs of these persons were as follows		
Wages and salaries	1,174	1 101
Social security costs	119	109
Other pension costs	128	139
	1,421	1 349

### 6 Directors' remuneration

	2011 £000	2010 £000
Emoluments for management services	104	66
Contributions to pension schemes	47	57
	151	123

## Notes (continued)

### 7 Taxation

#### *Analysis of charge in the financial year*

	2011 £000	2010 £000
<i>UK corporation tax at 28% (2010 28%)</i>	159	162
Adjustments in respect of prior financial years	(4)	(2)
	<u>155</u>	<u>160</u>
Total current tax	155	160
Deferred taxation (note 13)	9	6
	<u>164</u>	<u>166</u>
Tax on profit on ordinary activities	<u>164</u>	<u>166</u>

#### *Factors affecting the tax charge for the current financial year*

The current tax charge for the financial year is lower (2010 higher) than the standard rate of corporation tax in the UK of 28% (2010 28%). The differences are explained below

	2011 £000	2010 £000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	570	567
	<u>570</u>	<u>567</u>
Current tax at 28% (2010 28%)	160	159
<i>Effects of</i>		
Expenses not deductible for tax purposes	2	13
Other short term timing differences	(3)	(9)
Group relief not paid for	-	(1)
Adjustments to tax charge in respect of prior financial years	(4)	(2)
	<u>155</u>	<u>160</u>
Total current tax charge	<u>155</u>	<u>160</u>

#### *Factors that may affect future tax charges*

The 2011 Budget on 23 March 2011 announced that the UK corporation tax rate will reduce to 23% over a period of 4 years from 2011. The first reduction in the UK corporation tax rate from 28% to 27% (effective from 1 April 2011) was substantively enacted on 20 July 2010, and further reductions to 26% (effective from 1 April 2011) and 25% (effective from 1 April 2012) were substantively enacted on 29 March 2011 and 5 July 2011 respectively.

This will reduce the company's future current tax charge accordingly and further reduce the deferred tax asset at 31 March 2011 (which has been calculated based on the rate of 26% substantively enacted at the balance sheet date).

It has not yet been possible to quantify the full anticipated effect of the announced further 2% rate reduction, although this will further reduce the company's future current tax charge and reduce the company's deferred tax asset accordingly.

### 8 Dividends

	2011 £000	2010 £000
<i>Equity dividends</i>		
Dividends paid in the financial year	531	-
	<u>531</u>	<u>-</u>

## Notes (continued)

### 9 Tangible assets

	Plant and machinery £000	Fixtures and fittings £000	Total £000
<i>Cost or valuation</i>			
At beginning of year	280	12	292
Additions	47	-	47
	<hr/>	<hr/>	<hr/>
At end of year	327	12	339
	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>			
At beginning of year	233	12	245
Charge for the year	23	-	23
	<hr/>	<hr/>	<hr/>
At end of year	256	12	268
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 March 2011	71	-	71
	<hr/>	<hr/>	<hr/>
At 31 March 2010	47	-	47
	<hr/>	<hr/>	<hr/>

### 10 Stocks

	2011 £000	2010 £000
Raw materials and consumables	50	36
	<hr/>	<hr/>

### 11 Debtors

	2011 £000	2010 £000
Trade debtors	6	9
Amounts owed by group undertakings	3,179	3 281
Other debtors	25	10
Prepayments and accrued income	90	70
Deferred tax (note 13)	33	42
	<hr/>	<hr/>
	3,333	3 412
	<hr/>	<hr/>

## Notes (continued)

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

	2011 £000	2010 £000
Trade creditors	63	50
Amounts owed to group undertakings	3,237	2,876
Corporation tax	86	165
Other creditors	37	32
Accruals and deferred income	340	315
	<u>3,763</u>	<u>3,438</u>

### 13 Deferred taxation

#### *Deferred taxation*

The movement in the deferred taxation asset during the year was

	2011 £000	2010 £000
Balance brought forward	(42)	(48)
Profit and loss account movement arising during the year (note 7)	9	6
	<u>(33)</u>	<u>(42)</u>

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

	2011 £000	2010 £000
Excess of depreciation over capital allowances on fixed assets	(33)	(42)

A deferred tax asset of £5,600 (2010 £4,480) relating to share based payments has not been recognised on the basis that the timing and amount of the future deduction cannot be assessed with reasonable certainty

### 14 Called up share capital

	2011 £000	2010 £000
<i>Allotted, called up and fully paid</i>		
60,000 ordinary shares of £1 each	<u>60</u>	<u>60</u>

## Notes (continued)

### 15 Reserves

	Profit and loss account £000
At beginning of year	1,147
Profit for the financial year	406
Dividends on shares classified in shareholder s funds	(531)
Share based payments	22
	<hr/>
At end of year	1,044
	<hr/>

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

	2011 £000	2010 £000
Profit for the financial year	406	401
Dividends on shares classified in shareholder s funds	(531)	-
Share based payments	22	16
	<hr/>	<hr/>
Net movement in shareholder s funds	(103)	417
Opening shareholder s funds	1,207	790
	<hr/>	<hr/>
Closing shareholder's funds	1,104	1 207
	<hr/>	<hr/>

### 17 Contingent liabilities

The company is party to a cross guarantee of the secured bank loans of the Falkland Islands Holdings plc group along with other group companies. The total amount guaranteed at the year end was £2,011,000 (2010 £1,292,000) of which £nil (2010 £nil) is included within the financial statements of the company.

### 18 Commitments

(a) As at 31 March 2011 the company had no capital commitments authorised but not contracted for (2010 £nil)

(b) Annual commitments under non-cancellable operating leases are as follows

	2011 £000	2010 £000
<i>Operating leases which expire</i>		
Within one year	14	4
In the second to fifth years inclusive	8	8
	<hr/>	<hr/>

### 19 Pension scheme

The company contributes to a defined contribution pension scheme. The pension cost charge for the financial year represents contributions payable by the company to the scheme and amounted to £128,000 (2010 £139,000). There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

## Notes (continued)

### 20 Employee share schemes

#### Share based payments

Share options in the ultimate parent undertaking, Falkland Islands Holdings plc, have been granted to certain employees for their services to the company

The terms and conditions of grants are as follows, whereby all options are settled by physical delivery of shares

Grant date/ Employees entitled/ nature of scheme	Number of instruments	Vesting conditions	Contractual life of options
4 December 2007 Management incentive scheme 8 participants	17,500	Subject to earnings growth conditions	10 years
30 July 2008 SAYE Scheme 18 participants	15,072		3½ years
9 December 2009 Management incentive scheme 6 participants	6,000	Subject to earnings growth conditions	10 years
21 December 2010 Management incentive scheme 8 participants	26,500	Subject to earnings growth conditions	10 years

The number and weighted average exercise prices of share options in issue are as follows

	2011 Weighted average exercise price	2011 Number of options	2010 Weighted average exercise price	2010 Number of options
Outstanding at the beginning of the year	£3 20	51,742	£3 10	45,742
Granted during the year	£3 43	26,500	£3 90	6,000
Forfeited during the year	-	-	-	-
Exercised during the year	£2 84	(13,170)	-	-
Lapsed during the year	-	-	-	-
Outstanding at the end of the year	£3 43	65,072	£3 20	51,742
Exercisable at the end of the year	£3 19	17,500	-	-

The options outstanding at the year end have an exercise price in the range of £3 19 to £3 53 and a weighted average contractual life of eight years



## Notes (continued)

### 20 Employee share schemes (continued)

The fair values of the options are estimated at the date of grant using appropriate option pricing models and are charged to the profit and loss account over the expected life of the options. The assumptions made in determining the fair value of the options are set out below.

	21 December 2010 Management Incentive scheme	9 December 2009 Management incentive scheme	30 July 2008 SAYE
Fair value at measurement date	£1 24	£1 45	£1 35
Weighted average share price	£3 425	£3 90	£4 00
Exercise price	£3 425	£3 90	£3 2325
Expected volatility (expressed as % used in the modelling under Black-Scholes model)	44%	40%	35%
Option life (expressed as weighted average life used in the modelling under binomial lattice model)	6.5 years	6.5 years	3 years
Expected dividends	2.4%	2.0%	2.0%
Risk free interest rate (based on national government bonds)	2.90%	3.14%	4.80%

The expected volatility is based on the historic daily volatility of the share price of Falkland Islands Holdings plc up to the date of grant over a period commensurate with the expected life of the options.

Share options are granted under a service condition and, for grants to the management incentive scheme, a non-market performance condition. Such conditions are not taken into account in the grant date fair value measurement of the services received. There are no market conditions associated with the share option grants.

The total expenses recognised for the year arising from share based payments are as follows:

	2011 £000	2010 £000
Equity settled share based payments	22	16

### 21 Related party disclosures

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 Gosport Ferry Limited are consolidated, can be obtained from Falkland Islands Holdings plc, Kenburgh Court, 133-137 South Street, Bishop's Stortford, Hertfordshire CM23 3HX.