

**Gosport Ferry Limited**

**Directors' report and financial  
statements**

Registered number - 02254382

31 March 2009



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## **Company information**

### **Directors**

JL Foster  
JB Ivins  
PJ Fuller  
CM Waters

### **Company Secretary**

JL Foster  
JB Ivins

### **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 Laphorn 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 2009.

### **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 £650,000 (2008: *£nil*) was paid in the year. The directors do not recommend the payment of a final dividend (2008: *£nil*).

### **Donations**

The company made charitable donations amounting to *£nil* (2008: *£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 period are shown on page 1.

### **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



**JB Ivins**  
*Company Secretary*

Dated: 28 September 2009

## **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.



## KPMG Audit Plc

St Nicholas House  
Park Row  
Nottingham NG1 6FQ  
United Kingdom

### 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 2009 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 2009 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: 28 September 2009

**Profit and loss account**  
*for the year ended 31 March 2009*

	<i>Note</i>	2009 £000	2008 £000
<b>Turnover</b>	2	3,671	3,497
Cost of sales		(1,728)	(1,624)
<b>Gross profit</b>		<u>1,943</u>	<u>1,873</u>
Other operating charges	3	(1,398)	(1,517)
<b>Operating profit</b>		<u>545</u>	<u>356</u>
Other interest receivable		58	42
<b>Profit on ordinary activities before taxation</b>	4	<u>603</u>	<u>398</u>
Tax on profit on ordinary activities	7	(158)	(150)
<b>Profit for the financial year</b>	15	<u><u>445</u></u>	<u><u>248</u></u>

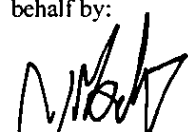
In both the current year and preceding period, the company made no material acquisitions and had no discontinued operations.

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 2009*

	Note	2009 £000	2008 £000
<b>Fixed assets</b>			
Tangible assets	9	59	66
<b>Current assets</b>			
Stocks	10	19	4
Debtors	11	2,404	1,509
Cash at bank and in hand		1,158	1,626
		<u>3,581</u>	<u>3,139</u>
<b>Creditors: amounts falling due within one year</b>	12	<u>(2,850)</u>	<u>(2,219)</u>
<b>Net current assets</b>		<u>731</u>	<u>920</u>
<b>Total assets less current liabilities</b>		<u>790</u>	<u>986</u>
<b>Provisions for liabilities</b>	13	-	-
<b>Net assets</b>		<u><u>790</u></u>	<u><u>986</u></u>
<b>Capital and reserves</b>			
Called up share capital	14	60	60
Profit and loss account	15	730	926
<b>Shareholder's funds</b>	16	<u><u>790</u></u>	<u><u>986</u></u>

These financial statements were approved by the board of directors on 28 September 2009 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, except as noted below:

#### ***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 22.

#### ***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 principal annual rates are:

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

#### ***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.

## Notes (continued)

### 1 Accounting policies (continued)

#### *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.

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 fair value of options granted after 7 November 2002 is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. 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 share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

#### *Leases*

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

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

### 2 Segmental information

	2009 £000	2008 £000
<i>Geographical analysis of turnover:</i>		
United Kingdom	3,671	3,497
	<hr/>	<hr/>

## Notes (continued)

### 3 Other operating charges

	2009 £000	2008 £000
Administrative expenses	1,398	1,517

### 4 Profit on ordinary activities before taxation

	2009 £000	2008 £000
<i>Profit on ordinary activities before taxation is stated after charging:</i>		
Depreciation - owned assets	21	155
<i>Auditors' remuneration:</i>		
- audit of these financial statements	24	24

### 5 Employees

	2009 Number	2008 Number
<i>The average number of persons employed by the company during the period, analysed by category, was:</i>		
Ferry operatives	29	28
Maintenance	6	6
Management and administrative	6	6
	41	40
	£000	£000
<i>The aggregate payroll costs of the above were:</i>		
Wages and salaries	1,172	1,170
Social security costs	113	110
Other pension costs	128	87
	1,413	1,367

### 6 Directors' remuneration

	2009 £000	2008 £000
Emoluments for management services	61	116
Contributions to pension schemes	54	10
	115	126

## Notes (continued)

### 7 Tax on profit on ordinary activities

#### (a) Analysis of charge in the financial year

	2009 £000	2008 £000
<i>The taxation charge based on the profit for the financial year comprises:</i>		
UK corporation tax at 28% (2008: 30%)	177	115
Adjustments in respect of prior financial years	(29)	(34)
	<hr/>	<hr/>
Total current tax charges	148	81
Deferred taxation (note 13)	11	69
Changes in recoverable amounts	(1)	-
	<hr/>	<hr/>
Tax on profit on ordinary activities	158	150
	<hr/>	<hr/>

#### (b) Factors affecting the tax charge for the current financial year

The current tax charge for the financial year is lower (2008: lower) than the standard rate of corporation tax in the UK of 28% (2008: 30%). The differences are explained below:

	2009 £000	2008 £000
<i>Current tax reconciliation:</i>		
Profit on ordinary activities before tax	603	398
	<hr/>	<hr/>
Current tax at 28% (2008: 30%)	169	119
<i>Effects of:</i>		
Expenses not deductible for tax purposes	4	-
Other short term timing differences	4	-
Tax at marginal rate	-	(4)
Adjustments in respect of prior financial years	(29)	(34)
	<hr/>	<hr/>
Total current tax charge	148	81
	<hr/>	<hr/>

### 8 Dividends

	2009 £000	2008 £000
<i>Equity dividends:</i>		
Dividends paid in the financial year	650	-
	<hr/>	<hr/>

## Notes (continued)

### 9 Tangible assets

	Plant and machinery £000	Fixtures and fittings £000	Total £000
<i>Cost or valuation:</i>			
At 1 April 2008	256	12	268
Additions	14	-	14
	<hr/>	<hr/>	<hr/>
At 31 March 2009	270	12	282
	<hr/>	<hr/>	<hr/>
<i>Accumulated depreciation:</i>			
At 1 April 2008	196	6	202
Charge for the year	18	3	21
	<hr/>	<hr/>	<hr/>
At 31 March 2009	214	9	223
	<hr/>	<hr/>	<hr/>
<i>Net book value:</i>			
At 31 March 2009	56	3	59
	<hr/>	<hr/>	<hr/>
At 31 March 2008	60	6	66
	<hr/>	<hr/>	<hr/>

### 10 Stocks

	2009 £000	2008 £000
Consumable stores	19	4
	<hr/>	<hr/>

### 11 Debtors

	2009 £000	2008 £000
Trade debtors	20	17
Amounts owed by group undertakings	2,268	1,348
Other debtors	6	8
Prepayments and accrued income	62	78
Deferred tax (note 13)	48	58
	<hr/>	<hr/>
	2,404	1,509
	<hr/>	<hr/>

## Notes (continued)

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

	2009 £000	2008 £000
Trade creditors	35	34
Amounts owed to group undertakings	2,378	1,878
Corporation tax	166	63
Other creditors	33	35
Accruals and deferred income	238	209
	<u>2,850</u>	<u>2,219</u>

### 13 Provisions for liabilities

#### *Deferred taxation*

The movement in the deferred taxation account during the year was:

	2009 £000	2008 £000
Balance brought forward	(58)	556
Profit and loss account movement arising during the year (note 7)	10	69
Transfer of assets to a group company	-	(683)
	<u>(48)</u>	<u>(58)</u>
Balance carried forward	(48)	(58)

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

	2009 £000	2008 £000
Excess of capital allowances over depreciation on fixed assets	(48)	(58)

### 14 Called up share capital

	2009 £000	2008 £000
<i>Authorised:</i>		
60,000 ordinary shares of £1 each	60	60
	<u>60</u>	<u>60</u>
<i>Allotted, called up and fully paid:</i>		
60,000 ordinary shares of £1 each	60	60
	<u>60</u>	<u>60</u>

## Notes (continued)

### 15 Profit and loss account

	2009 £000	2008 £000
Balance brought forward	926	673
Profit for the financial year	445	248
Dividends on shares classified in shareholder's funds	(650)	-
Share based payments	9	5
	<hr/>	<hr/>
<b>Balance carried forward</b>	<b>730</b>	<b>926</b>
	<hr/>	<hr/>

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

	2009 £000	2008 £000
Profit for the financial year	445	248
Dividends on shares classified in shareholder's funds	(650)	-
Share based payments	9	5
	<hr/>	<hr/>
Net (reduction in)/addition to shareholder's funds	(196)	253
Opening shareholder's funds	986	733
	<hr/>	<hr/>
Closing shareholder's funds	790	986
	<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 £4,057,000 (2008: £6,099,000).

### 18 Capital commitments

As at 31 March 2009 the company had no capital commitments authorised but not contracted for (2008: £nil).

### 19 Commitments under operating leases

Annual commitments under non-cancellable operating leases are as follows:

	2009 £000	2008 £000
<i>Operating leases which expire:</i>		
In less than one year	4	-
In two to five years	9	7
	<hr/>	<hr/>

## Notes (continued)

### 20 Pensions

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 (2008: £87,000). There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

### 21 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
18 June 2007 Management incentive scheme 2 participants	7,500	Subject to earnings growth conditions	10 years
5 July 2007 SAYE scheme 2 participants	5,670		10 years
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		10 years

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

	2009 Weighted average exercise price	2009 Number of options	2008 Weighted average exercise price	2008 Number of options
Outstanding at the beginning of the period	£3.0400	30,670	-	-
Granted during the period	£3.2325	15,072	£3.04	30,670
Forfeited during the period	-	-	-	-
Exercised during the period	-	-	-	-
Lapsed during the period	-	-	-	-
Outstanding at the end of the period	£3.1034	45,742	£3.04	30,670
Exercisable at the end of the period	-	-	-	-

The options outstanding at the year end have an exercise price in the range of £2.50 to £3.19 and a weighted average contractual life of ten years.



## Notes (continued)

### 21 Share based payments (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.

	30 July 2008	4 December 2007	5 July 2007	18 June 2007
	SAYE	Management incentive scheme	SAYE	Management incentive scheme
Fair value at measurement date	£1.35	£1.19	£1.08	£0.82
Weighted average share price	£4.00	£3.40	£3.03	£2.83
Exercise price	£3.2325	£3.19	£2.50	£3.09
Expected volatility (expressed as % used in the modelling under Black-Scholes model)	35%	33%	40%	31%
Option life (expressed as weighted average life used in the modelling under binomial lattice model)	3 years	6.5 years	3 years	6.5 years
Expected dividends	2.0%	2.1%	2.3%	2.5%
Risk free interest rate (based on national government bonds)	4.80%	4.5%	5.7%	5.6%

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 period arising from share based payments are as follows:

	2009	2008
	£000	£000
Equity settled share based payments	9	5

### 22 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 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.