

Gosport Ferry Limited

**Directors' report and financial
statements**

Registered number - 02254382

31 March 2006

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Company information

Directors

C Roberts
JL Foster

Company Secretary

JL Foster

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 2006.

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

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.

Post balance sheet event

With effect from 1 April 2006, the trade and certain assets and liabilities of The Portsmouth Harbour Ferry Company Limited and Clarence Marine Engineering Limited were transferred to the company.

Donations

The company made charitable donations amounting to £5,000 (2005: £450).

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 were as follows:

JL Foster	
C Roberts	- appointed 7 February 2006
M West	- appointed 7 February 2006, resigned 15 November 2006
AM Knightley	- appointed 4 April 2005, resigned 31 March 2006
MR Wright	- resigned 31 May 2005
JE Macmillan	- resigned 4 April 2005
PR Bryant	- appointed 7 February 2006, resigned 14 July 2006

The interests of the directors who are also directors of the parent and ultimate parent undertakings are disclosed in the directors' report of the ultimate parent company.

Directors' report *(continued)*

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

Grant Thornton UK LLP resigned as auditors during the year and KPMG Audit Plc were appointed in their place. 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


JL Foster
Company Secretary

23 January 2007

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 Gosport Ferry Limited

We have audited the financial statements of Gosport Ferry Limited for the year ended 31 March 2006 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 4.

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 2006 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.

KPMG Audit Plc

Chartered Accountants
Registered Auditor

Dated: 23 January 2007

Profit and loss account
for the year ended 31 March 2006

	<i>Note</i>	Year to 31 Mar 06 £	15 months to 31 Mar 05 £
Turnover	2	3,296,361	3,493,189
Cost of sales		(1,378,662)	(1,695,467)
Gross profit		1,917,699	1,797,722
Other operating charges	3	(1,034,177)	(946,123)
Operating profit		883,522	851,599
Loss on disposal of fixed assets		-	(3,993)
Profit on ordinary activities before taxation	4	883,522	847,606
Tax on profit on ordinary activities	6	(252,457)	(258,046)
Profit for the financial year	14	631,065	589,560

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 2006

	<i>Note</i>	2006	2005
		£	£
Fixed assets			
Tangible assets	8	3,202,860	3,170,866
Current assets			
Stocks	9	4,403	4,403
Debtors	10	2,157,119	376,347
Cash at bank and in hand		12,840	17,184
		<u>2,174,362</u>	<u>397,934</u>
Creditors: amounts falling due within one year	11	(1,856,863)	(802,580)
Net current assets\liabilities		<u>317,499</u>	<u>(404,646)</u>
Total assets less current liabilities		<u>3,520,359</u>	<u>2,766,220</u>
Provisions for liabilities	12	(478,357)	(355,283)
Net assets		<u><u>3,042,002</u></u>	<u><u>2,410,937</u></u>
Capital and reserves			
Called up share capital	13	60,000	60,000
Profit and loss account	14	2,982,002	2,350,937
Shareholder's funds	15	<u><u>3,042,002</u></u>	<u><u>2,410,937</u></u>

These financial statements were approved by the board of directors on 23 January 2007 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.

In these financial statements the following new standards have been adopted for the first time:

- FRS 21 'Events after the balance sheet date';
- the presentation requirements of FRS 25 'Financial instruments: presentation and disclosure'; and
- FRS 28 'Corresponding amounts'.

The corresponding amounts in these financial statements are restated in accordance with the new policies.

The accounting policies under these new standards are set out below together with an indication of the effects of their adoption. FRS 28 'Corresponding amounts' has had no material effect as it imposes the same requirements for comparatives as hitherto required by the Companies Act 1985.

The adoption of FRS 21 'Events after the balance sheet date' and the presentation requirements of FRS 25 'Financial instruments: presentation and disclosure' have resulted in no impact on either the current or prior year results.

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 19.

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
Vessels	Periods between 15 - 30 years

Taxation

The charge for taxation is based on the profit for the period 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.

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'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.

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.

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.

Leases

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

2 Segmental information

	Year to 31 Mar 06 £	15 months to 31 Mar 05 £
<i>Geographical analysis of turnover:</i>		
United Kingdom	3,296,361	3,493,189

Notes (continued)

3 Other operating charges

	Year to 31 Mar 06 £	15 months to 31 Mar 05 £
Administrative expenses	1,034,177	946,123

4 Profit on ordinary activities before taxation

	Year to 31 Mar 06 £	15 months to 31 Mar 05 £
<i>Profit on ordinary activities before taxation is stated after charging:</i>		
Depreciation - owned assets	116,936	69,828
- held under finance leases and hire purchase agreements	-	2,107
Loss on disposal of fixed assets	-	3,993

Auditor's remuneration relating to this company has been charged to The Portsmouth Harbour Ferry Company Limited.

5 Directors and employees

	Year to 31 Mar 06 Number	15 months to 31 Mar 05 Number
<i>The average number of persons employed by the company during the period, analysed by category, was:</i>		
Ferry operatives	26	27
	£	£
<i>The aggregate payroll costs of the above were:</i>		
Wages and salaries	734,803	750,856
Social security costs	71,925	80,680
Other pension costs	48,393	54,670
	855,121	886,206

The directors did not receive any remuneration in the year (2005: £nil).

Notes (continued)

6 Tax on profit on ordinary activities

(a) Analysis of charge in the period

	Year to 31 Mar 06 £	15 months to 31 Mar 05 £
<i>The taxation charge based on the profit for the period comprises:</i>		
UK corporation tax at 30% (2005: 30%)	129,850	124,799
Adjustments in respect of prior periods	(467)	3,330
	<hr/>	<hr/>
Total current tax charges	129,383	128,129
Deferred taxation (note 12)	123,074	129,917
	<hr/>	<hr/>
Tax on profit on ordinary activities	252,457	258,046
	<hr/>	<hr/>

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

The current tax charge for the period is lower (2005: lower) than the standard rate of corporation tax in the UK of 30% (2005: 30%). The differences are explained below:

	£	£
<i>Current tax reconciliation:</i>		
Profit on ordinary activities before tax	883,522	847,606
	<hr/>	<hr/>
Current tax at 30% (2005: 30%)	265,057	254,282
<i>Effects of:</i>		
Expenses not deductible for tax purposes	300	434
Capital allowances in the period in excess of depreciation	(123,074)	(129,917)
Other short term timing differences	(12,433)	-
Adjustments in respect of prior periods	(467)	3,330
	<hr/>	<hr/>
Total current tax charge	129,383	128,129
	<hr/>	<hr/>

7 Dividends

	Year to 31 Mar 06 £	15 months to 31 Mar 05 £
<i>Equity dividends:</i>		
Dividends paid in the financial year	-	200,000
	<hr/>	<hr/>

Notes (continued)

8 Tangible assets

	Plant and machinery £	Vessels £	Total £
<i>Cost or valuation:</i>			
At 1 April 2005	169,863	3,483,894	3,653,757
Additions	40,534	108,396	148,930
	<hr/>	<hr/>	<hr/>
At 31 March 2006	210,397	3,592,290	3,802,687
	<hr/>	<hr/>	<hr/>
<i>Accumulated depreciation:</i>			
At 1 April 2005	163,276	319,615	482,891
Charge for the year	3,085	113,851	116,936
	<hr/>	<hr/>	<hr/>
At 31 March 2006	166,361	433,466	599,827
	<hr/>	<hr/>	<hr/>
<i>Net book value:</i>			
At 31 March 2006	44,036	3,158,824	3,202,860
	<hr/>	<hr/>	<hr/>
At 31 March 2005	6,587	3,164,279	3,170,866
	<hr/>	<hr/>	<hr/>

9 Stocks

	2006 £	2005 £
Consumable stores	4,403	4,403
	<hr/>	<hr/>

10 Debtors

	2006 £	2005 £
Trade debtors	7,254	28,991
Amounts owed by group undertakings	2,149,865	307,793
Corporation tax repayable	-	32,714
Other debtors	-	2,115
Prepayments and accrued income	-	4,734
	<hr/>	<hr/>
	2,157,119	376,347
	<hr/>	<hr/>

Notes (continued)

11 Creditors: amounts falling due within one year

	2006 £	2005 £
Bank loans and overdrafts	340,209	-
Trade creditors	72,013	15,784
Amounts owed to group undertakings	1,269,437	738,712
Corporation tax	129,850	-
Other creditors	213	18,062
Accruals and deferred income	45,141	30,022
	<u>1,856,863</u>	<u>802,580</u>

12 Provisions for liabilities

Deferred taxation

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

	2006 £	2005 £
Balance brought forward	355,283	225,366
Profit and loss account movement arising during the year (note 6)	123,074	129,917
	<u>478,357</u>	<u>355,283</u>

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

	2006 £	2005 £
Excess of capital allowances over depreciation on fixed assets	478,357	355,283
	<u>478,357</u>	<u>355,283</u>

13 Called up share capital

	2006 £	2005 £
<i>Authorised:</i>		
60,000 ordinary shares of £1 each	60,000	60,000
	<u>60,000</u>	<u>60,000</u>
<i>Allotted, called up and fully paid:</i>		
60,000 ordinary shares of £1 each	60,000	60,000
	<u>60,000</u>	<u>60,000</u>

Notes (continued)

14 Profit and loss account

	2006 £	2005 £
Balance brought forward	2,350,937	1,961,377
Profit for the period	631,065	589,560
Dividends on shares classified in shareholder's funds	-	(200,000)
	<hr/>	<hr/>
Balance carried forward	2,982,002	2,350,937
	<hr/>	<hr/>

15 Reconciliation of movements in shareholder's funds

	2006 £	2005 £
Profit for the period	631,065	589,560
Dividends on shares classified in shareholder's funds	-	(200,000)
	<hr/>	<hr/>
Net addition to shareholder's funds	631,065	389,560
Opening shareholder's funds	2,410,937	2,021,377
	<hr/>	<hr/>
Closing shareholder's funds	3,042,002	2,410,937
	<hr/>	<hr/>

16 Contingent liabilities

There were no contingent liabilities at 31 March 2006 or 2005.

17 Capital commitments

As at 31 March 2006 the company had no capital commitments authorised but not contracted for (2005: £nil).

18 Pensions

The company contributes to a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the company to the scheme and amounted to £48,393 (2005: £54,670). There were no outstanding or prepaid contributions at either the beginning or end of the financial period.

19 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, Charringtons House, The Causeway, Bishop's Stortford, Hertfordshire, CM23 2ER.

20 Post balance sheet events

With effect from 1 April 2006, the trade and certain assets and liabilities of The Portsmouth Harbour Ferry Company Limited and Clarence Marine Engineering Limited were transferred to the company.