

Gosport Ferry Limited

Financial statements

For the period from 1 January 2004 to
31 March 2005

Grant Thornton 



Company No. 2254382

Company information

Company registration number	2254382
Registered office	South Street Gosport Hampshire PO12 1EP
Directors	A M Knightley J L Foster
Secretary	A M Knightley
Bankers	Barclays Bank plc Gosport
Solicitors	Blake Lapthorn Linnell New Court 1 Barnes Wallis Road Segensworth Hampshire PO15 5OA
Auditors	Grant Thornton UK LLP Chartered Accountants Registered Auditors Barnes Wallis Road Segensworth Hampshire PO15 5GT

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Report of the directors

The directors present their report and the financial statements of the company for the period from 1 January 2004 to 31 March 2005.

Principal activities and business review

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 period and the company's financial position at the end of the period are shown in the attached financial statements.

The directors have recommended the following dividends:

	Period to 31 March 2005	Year to 31 December 2003
	£	£
Proposed dividends on ordinary shares	<u>200,000</u>	<u>110,000</u>

Directors

The directors who served the company during the period were as follows:

J E Macmillan	(Resigned 4 April 2005)
M R Wright, ARICS	(Resigned 31 May 2005)
A M Knightley	(Appointed 17 December 2004)
J L Foster	(Appointed 2 February 2005)
C R P Withinshaw	(Resigned 12 December 2004)
G D Phillips	(Resigned 13 December 2004)
B McGreal	(Served from 17 December 2004 to 2 February 2005)

The interests of the directors who are also directors of the parent and ultimate parent undertaking are disclosed in that company's financial statements.

Policy on the payment of creditors

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

Directors' responsibilities

United Kingdom 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 at the end of the period and of the profit or loss for the period then ended. 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
- 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, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Donations

During the period the company made the following contributions:

	Period to 31 March 2005	Year to 31 December 2003
	£	£
Charitable	<u>450</u>	<u>2,870</u>

Auditors

Grant Thornton UK LLP offer themselves for reappointment as auditors in accordance with section 385 of the Companies Act 1985. On 1 July 2004, the Grant Thornton partnership converted to a Limited Liability Partnership called Grant Thornton UK LLP. Under section 26(5) of the Companies Act 1989, the directors consented to extend the audit appointment to Grant Thornton UK LLP from 1 July 2004.

ON BEHALF OF THE BOARD



J.L. Foster
Director

28 June 2005

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

We have audited the financial statements of Gosport Ferry Limited for the period from 1 January 2004 to 31 March 2005 which comprise the principal accounting policies, profit and loss account, balance sheet and notes 1 to 22. 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 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

The directors' responsibilities for preparing the report of the directors and the financial statements in accordance with United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards.

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 if, in our opinion, the report of the directors is not consistent with the financial statements, if 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 transactions with the company is not disclosed.

We read other information contained in the report of the directors and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

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.

Report of the independent auditors to the members of Gosport Ferry Limited (continued)

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 March 2005 and of its profit for the period then ended, and have been properly prepared in accordance with the Companies Act 1985.

Grant Thornton UK LLP

GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS

PORTSMOUTH
30 June 2005

Principal accounting policies

Basis of accounting

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

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

Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (revised) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its ultimate parent undertaking publishes a consolidated cash flow statement.

Turnover

The turnover shown in the profit and loss account represents amounts invoiced during the period.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Plant & Machinery	- Periods between 5 and 10 years
Motor Vehicles	- 4 Years
Small Harbour Launches & Ferry Vessels	- Periods between 15 and 30 years

Stocks

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

Hire purchase agreements

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the profit and loss account on a straight line basis.

Pension costs

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the profit and loss account.

Deferred taxation

Deferred tax is recognised on all timing differences where the transactions or events that give the company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

Profit and loss account

	Note	Period to 31 Mar 05 £	Year to 31 Dec 03 £
Turnover	1	3,493,189	2,837,895
Cost of sales		(1,695,467)	(1,415,793)
Gross profit		1,797,722	1,422,102
Other operating charges	2	(946,123)	(859,388)
Operating profit	3	851,599	562,714
Loss on disposal of fixed assets	5	(3,993)	—
Profit on ordinary activities before taxation		847,606	562,714
Tax on profit on ordinary activities	6	(258,046)	(165,629)
Profit on ordinary activities after taxation		589,560	397,085
Dividends	7	(200,000)	(110,000)
Retained profit for the financial period	19	389,560	287,085

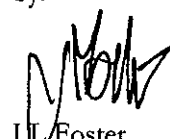
All of the activities of the company are classed as continuing.

The company has no recognised gains or losses other than the results for the period as set out above.

Balance sheet

	Note	31 Mar 05 £	31 Dec 03 £
Fixed assets			
Tangible assets	8	<u>3,170,866</u>	<u>1,357,510</u>
Current assets			
Stocks	9	4,403	1,126
Debtors	10	376,347	1,000,337
Cash at bank and in hand		<u>17,184</u>	<u>12,877</u>
		<u>397,934</u>	<u>1,014,340</u>
Creditors: amounts falling due within one year	11	<u>802,580</u>	<u>124,639</u>
Net current (liabilities)/assets		<u>(404,646)</u>	<u>889,701</u>
Total assets less current liabilities		<u>2,766,220</u>	<u>2,247,211</u>
Creditors: amounts falling due after more than one year	12	—	468
		<u>2,766,220</u>	<u>2,246,743</u>
Provisions for liabilities and charges			
Deferred taxation	15	<u>355,283</u>	<u>225,366</u>
		<u>2,410,937</u>	<u>2,021,377</u>
Capital and reserves			
Called-up equity share capital	18	60,000	60,000
Profit and loss account	19	<u>2,350,937</u>	<u>1,961,377</u>
Shareholders' funds	20	<u>2,410,937</u>	<u>2,021,377</u>

These financial statements were approved by the directors on 28 June 2005 and are signed on their behalf by:


J L Foster
Director

Notes to the financial statements

1 Turnover

The turnover and profit before tax are attributable to the one principal activity of the company.

An analysis of turnover is given below:

	Period to 31 Mar 05	Year to 31 Dec 03
	£	£
United Kingdom	<u>3,493,189</u>	<u>2,837,895</u>

2 Other operating charges

	Period to 31 Mar 05	Year to 31 Dec 03
	£	£
Administrative expenses	<u>946,123</u>	<u>859,388</u>

3 Operating profit

Operating profit is stated after charging:

	Period to 31 Mar 05	Year to 31 Dec 03
	£	£
Depreciation of owned fixed assets	69,828	129,470
Depreciation of assets held under finance leases and hire purchase agreements	<u>2,107</u>	<u>2,838</u>

Auditors' remuneration relating to this company has been charged in The Portsmouth Harbour Ferry Company plc.

4 Directors and employees

The average number of staff employed by the company during the financial period amounted to:

	Period to 31 Mar 05	Year to 31 Dec 03
	No	No
Ferry operatives	<u>27</u>	<u>26</u>

The aggregate payroll costs of the above were:

	Period to 31 Mar 05	Year to 31 Dec 03
	£	£
Wages and salaries	750,856	601,280
Social security costs	80,680	55,702
Other pension costs	54,670	40,746
	<u>886,206</u>	<u>697,728</u>

The directors did not receive any remuneration in the period (2003: £nil).

5 Loss on disposal of fixed assets

	Period to 31 Mar 05	Year to 31 Dec 03
	£	£
Loss on disposal of fixed assets	<u>(3,993)</u>	<u>-</u>

6 Taxation on ordinary activities

(a) Analysis of charge in the period

	Period to 31 Mar 05	Year to 31 Dec 03
	£	£
Current tax:		
In respect of the period:		
UK Corporation tax based on the results for the period at 30% (2003: 30%)	124,799	151,826
Over/(under) provision in prior year	3,330	(4,583)
Total current tax	<u>128,129</u>	<u>147,243</u>
Deferred tax:		
Origination and reversal of timing differences	129,917	18,386
Tax on profit on ordinary activities	<u>258,046</u>	<u>165,629</u>

6 Taxation on ordinary activities (continued)

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the period is lower than the standard rate of corporation tax in the UK of 30% (2003 - 30%).

	Period to 31 Mar 05	Year to 31 Dec 03
	£	£
Profit on ordinary activities before taxation	<u>847,606</u>	<u>562,714</u>
Profit on ordinary activities multiplied by rate of tax	254,282	168,814
Expenses not deductible for tax purposes	434	1,397
Capital allowances for the period in excess of depreciation	(129,917)	(18,385)
Adjustments to tax charge in respect of previous periods	<u>3,330</u>	<u>(4,583)</u>
Total current tax (note 6(a))	<u>128,129</u>	<u>147,243</u>

7 Dividends

	Period to 31 Mar 05	Year to 31 Dec 03
	£	£
Equity dividends:		
Paid or proposed dividend on ordinary shares	<u>200,000</u>	<u>110,000</u>

8 Tangible fixed assets

	Plant & Machinery	Motor Vehicles	Vessels	Total
	£	£	£	£
Cost				
At 1 January 2004	167,396	11,238	1,594,777	1,773,411
Additions	2,467	—	1,877,659	1,880,126
Disposals	—	(11,238)	—	(11,238)
Transfer from group undertaking	—	—	11,458	11,458
At 31 March 2005	<u>169,863</u>	<u>—</u>	<u>3,483,894</u>	<u>3,653,757</u>
Depreciation				
At 1 January 2004	159,672	2,838	253,391	415,901
Charge for the period	3,604	2,107	66,224	71,935
On disposals	—	(4,945)	—	(4,945)
At 31 March 2005	<u>163,276</u>	<u>—</u>	<u>319,615</u>	<u>482,891</u>
Net book value				
At 31 March 2005	<u>6,587</u>	<u>—</u>	<u>3,164,279</u>	<u>3,170,866</u>
At 31 December 2003	<u>7,724</u>	<u>8,400</u>	<u>1,341,386</u>	<u>1,357,510</u>

8 Tangible fixed assets (continued)

Included within the net book value of £3,170,866 is £Nil (2003 - £8,400) relating to motor vehicles held under finance leases and hire purchase agreements. The depreciation charged to the financial statements in the period amounted to £2,107 (2003 - £2,838). The asset was disposed of during the year.

The directors reviewed the useful economic life of the vessels class of assets and assessed the life to be 30 years rather than 15 years. The effect of this change has been to reduce the depreciation charged in the period by £66,682.

Included within vessels is £1,889,116 (2003: £Nil) which is not depreciated. This vessel became operational on 11 May 2005.

9 Stocks

	31 Mar 05	31 Dec 03
	£	£
Consumable stores	<u>4,403</u>	<u>1,126</u>

10 Debtors

	31 Mar 05	31 Dec 03
	£	£
Trade debtors	28,991	5,858
Amounts owed by group undertakings	307,793	957,401
Corporation tax repayable	32,714	37,078
Other debtors	2,115	—
Prepayments and accrued income	4,734	—
	<u>376,347</u>	<u>1,000,337</u>

11 Creditors: amounts falling due within one year

	31 Mar 05	31 Dec 03
	£	£
Bank loans and overdrafts	—	2,978
Trade creditors	15,784	9,776
Amounts owed to group undertakings	738,712	89,145
Amounts due under finance leases and hire purchase agreements	—	2,810
Other creditors	18,062	14,034
Accruals and deferred income	30,022	5,896
	<u>802,580</u>	<u>124,639</u>

12 Creditors: amounts falling due after more than one year

	31 Mar 05	31 Dec 03
	£	£
Amounts due under finance leases and hire purchase agreements	<u>—</u>	<u>468</u>

13 Commitments under finance leases and hire purchase agreements

Future commitments under finance leases and hire purchase agreements are as follows:

	31 Mar 05	31 Dec 03
	£	£
Amounts payable within 1 year	—	2,810
Amounts payable between 1 and 2 years	—	468
	<u>—</u>	<u>3,278</u>

14 Pensions

Defined Contribution Scheme

The company operates a defined contribution pension scheme for the benefit of the employees and directors. The assets of the scheme are administered by trustees in a fund independent from those of the company.

The pension cost charge for the period was £54,670 (2003: £40,746).

15 Deferred taxation

The movement in the deferred taxation provision during the period was:

	Period to 31 Mar 05	Year to 31 Dec 03
	£	£
Provision brought forward	225,366	206,980
Profit and loss account movement arising during the period	129,917	18,386
Provision carried forward	<u>355,283</u>	<u>225,366</u>

The provision for deferred taxation consists of the tax effect of timing differences in respect of:

	31 Mar 05	31 Dec 03
	£	£
Excess of taxation allowances over depreciation on fixed assets	<u>355,283</u>	<u>225,366</u>

16 Contingent liabilities

There were no contingent liabilities at 31 March 2005 or 31 December 2003.

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 headed up by Falkland Islands Holdings plc on the grounds that group accounts are prepared.

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

18 Share capital

Authorised share capital:

	31 Mar 05	31 Dec 03
	£	£
60,000 Ordinary shares of £1 each	<u>60,000</u>	<u>60,000</u>

Allotted, called up and fully paid:

	31 Mar 05		31 Dec 03
	No	£	No
	60,000	<u>60,000</u>	60,000
			<u>60,000</u>
Ordinary shares of £1 each			

19 Profit and loss account

	Period to 31 Mar 05	Year to 31 Dec 03
	£	£
Balance brought forward	1,961,377	1,674,292
Retained profit for the financial period	<u>389,560</u>	<u>287,085</u>
Balance carried forward	<u>2,350,937</u>	<u>1,961,377</u>

20 Reconciliation of movements in shareholders' funds

	31 Mar 05	31 Dec 03
	£	£
Profit for the financial period	589,560	397,085
Dividends	<u>(200,000)</u>	<u>(110,000)</u>
	<u>389,560</u>	<u>287,085</u>
Opening shareholders' equity funds	<u>2,021,377</u>	<u>1,734,292</u>
Closing shareholders' equity funds	<u>2,410,937</u>	<u>2,021,377</u>

21 Capital commitments

The company had no capital commitments at 31 March 2005 or 31 December 2003.

22 Ultimate parent company

The directors consider that the parent undertaking of this company is The Portsmouth Harbour Ferry Company plc, and that the ultimate parent undertaking is Falkland Islands Holdings plc by virtue of owning 100% of the share capital in the parent undertaking.

Falkland Islands Holdings plc is the company's controlling party and ultimate controlling related party by virtue of owning 100% of the issued share capital of the parent undertaking.