

GOSPORT FERRY LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 1998



GOSPORT FERRY LIMITED

FINANCIAL STATEMENTS

For the year ended 31 December 1998

Company registration number: 2254382

Registered office: South Street
Gosport
Hampshire
PO12 1EP

Directors: Non executive M R Wright, ARICS
M Harper, OBE
J Macmillan

Executive C J Solen
G D Phillips
C R P Withinshaw

Secretary: M L Bell, LLB, Notary Public

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

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

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

Solicitors: Churchers
28 High Street
Gosport
Hampshire
PO12 1DQ

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

GOSPORT FERRY LIMITED

FINANCIAL STATEMENTS

For the year ended 31 December 1998

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GOSPORT FERRY LIMITED

REPORT OF THE DIRECTORS

The directors present their report together with financial statements for the year ended 31 December 1998.

Principal activities

The company is principally engaged in operating the passenger ferry service between Gosport and Portsmouth and pleasure cruises in the Solent area.

Business review

There was a profit for the year after taxation amounting to £228,586 (1997: profit £106,096). The directors do not recommend the payment of a dividend.

Directors

The present membership of the Board is set out below. All directors served throughout the year apart from M Harper and J Macmillan, who were appointed to the Board on 1 July 1998 and 1 September 1998 respectively. In accordance with the Articles of Association M R Wright retires by rotation and being eligible offers himself for re-election.

C J Solen
M R Wright
M L Bell (resigned 1/9/98)
G D Phillips
C R P Withinshaw
M Harper
J Macmillan

None of the directors in office at the year end had any interest in the shares of the company.

The interests of the directors in the shares of the holding company, The Portsmouth Harbour Ferry Company Public Limited Company, are shown in that company's financial statements.

Year 2000 Compliance

Many computer systems which express dates using only the last two digits of the year may malfunction due to the date change to the Year 2000. This risk to the business relates not only to the company's computer systems, but also to some degree on those of our customers and suppliers.

During the year Portsmouth Harbour Ferry Company Plc has upgraded their accounts software and believe it to be Year 2000 compliant. The directors are of the opinion that no other systems will be effected by the Year 2000.

GOSPORT FERRY LIMITED

REPORT OF THE DIRECTORS

Directors' responsibilities for the financial statements

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

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

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

Auditors

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

BY ORDER OF THE BOARD

M L Bell
Secretary
31 March 1999

**REPORT OF THE AUDITORS TO THE MEMBERS OF
GOSPORT FERRY LIMITED**

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

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

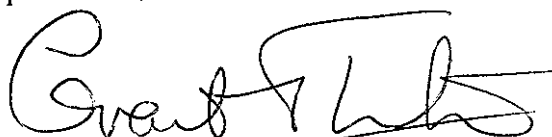
Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**GRANT THORNTON
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS**

PORTSMOUTH
31 March 1999

GOSPORT FERRY LIMITED

PRINCIPAL ACCOUNTING POLICIES

BASIS OF PREPARATION

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

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

TURNOVER

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

DEPRECIATION

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

Plant and machinery	Periods between 5 and 10 years
Small harbour launches	Periods between 10 and 15 years

STOCKS

Stocks are stated at the lower of cost and net realisable value.

DEFERRED TAXATION

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

CONTRIBUTIONS TO PENSION FUNDS

Defined benefit scheme

The pension costs charged against profits are based on actuarial methods and assumptions designed to spread the anticipated pension costs over the service lives of the employees in the scheme, so as to ensure that the regular pension cost represents a substantially level percentage of the current and expected future pensionable payroll. Variations from regular cost are spread over the average remaining service lives of current employees in the scheme.

LEASED ASSETS

All leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight-line basis over the lease term.

GOSPORT FERRY LIMITED**PROFIT AND LOSS ACCOUNT**

For the year ended 31 December 1998

	Note	1998 £	1997 £
Turnover	1	1,875,862	1,746,095
Cost of sales		(997,258)	(965,445)
Gross profit		878,604	780,650
Administrative expenses		(557,093)	(678,930)
Exceptional items			
Profit on sale of fixed assets		9,498	25,408
Profit on ordinary activities before taxation	1	331,009	127,128
Tax on profit on ordinary activities	3	(102,423)	(21,032)
Profit transferred to reserves	11	228,586	106,096

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

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

GOSPORT FERRY LIMITED**BALANCE SHEET AT 31 DECEMBER 1998**

	Note	1998 £	1997 £
Fixed assets			
Tangible assets	4	70,108	77,942
Current assets			
Stocks	5	725	4,301
Debtors	6	519,137	308,053
Cash at bank and in hand		110	210
		<u>519,972</u>	<u>312,564</u>
Creditors: amounts falling due within one year	7	<u>(169,218)</u>	<u>(203,273)</u>
Net current assets		<u>350,754</u>	<u>109,291</u>
Total assets less current liabilities		<u>420,862</u>	<u>187,233</u>
Provisions for liabilities and charges	8	<u>(18,002)</u>	<u>(12,959)</u>
		<u>402,860</u>	<u>174,274</u>
Capital and reserves			
Called up share capital	10	60,000	60,000
Profit and loss account	11	342,860	114,274
Shareholders' funds	12	<u>402,860</u>	<u>174,274</u>

The financial statements were approved by the Board of Directors on 31 March 1999

C J Solen



Director

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

GOSPORT FERRY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 1998

1 TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The profit on ordinary activities is stated after:

	1998 £	1997 £
Depreciation:		
Tangible fixed assets, owned	19,105	16,415
Hire of plant and equipment	4,610	4,531

Auditors' remuneration of £2,500 (1997:£2,200) has been charged in The Portsmouth Harbour Ferry Company plc which relates to this company.

2 DIRECTORS AND EMPLOYEES

Staff costs during the year were as follows:

	1998 £	1997 £
Wages and salaries	514,392	551,454
Social security costs	38,824	39,409
Other pension costs	43,773	47,097
	596,989	637,960

The average number of employees of the company during the year, by category were as follows:

	1998 Number	1997 Number
Ferry operatives	30	31
Management	-	1
	30	32

3 TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax charge is based on the profit for the year and represents:

	1998 £	1997 £
UK Corporation tax at 31% (1997: 31%)	97,380	20,534
Deferred taxation	5,043	3,581
Adjustments in respect of prior periods:		
UK Corporation tax	-	(3,083)
	102,423	21,032

GOSPORT FERRY LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 1998

4 TANGIBLE FIXED ASSETS

	Plant and machinery £	Vessels £	Total £
Cost			
At 1 January 1998	140,562	39,741	180,303
Additions	11,272	-	11,272
At 31 December 1996	151,834	39,741	191,575
Disposals	-	(39,741)	(39,741)
At 31 December 1998	151,834	-	151,834
Depreciation			
At 1 January 1998	62,621	39,740	102,361
Provided in the year	19,105	-	19,105
At 31 December 1996	81,726	39,740	121,466
Eliminated on disposals	-	(39,740)	(39,740)
At 31 December 1998	81,726	-	81,726
Net book amount at 31 December 1998	70,108	-	70,108
Net book amount at 31 December 1997	77,941	1	77,942

5 STOCKS

	1998 £	1997 £
Consumable stores	725	4,301

6 DEBTORS

	1998 £	1997 £
Trade debtors	8,987	4,206
Amounts owed by group	490,278	278,492
Other debtors	478	19,327
Prepayments and accrued income	19,394	6,028
	519,137	308,053

GOSPORT FERRY LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 1998

7 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1998 £	1997 £
Bank loans and overdraft	1,041	7,050
Trade creditors	7,808	7,741
Amounts owed to group undertakings	61,199	161,604
Corporation tax	88,775	16,117
Other creditors	2,145	1,591
Accruals and deferred income	8,250	9,170
	<u>169,218</u>	<u>203,273</u>

8 PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred taxation £
At 1 January 1998	12,959
Provided during the year	5,043
At 31 December 1998	<u>18,002</u>

9 DEFERRED TAXATION

Deferred taxation provided for in the financial statements is set out below.

	Amount provided	
	1998 £	1997 £
Accelerated capital allowances	<u>18,002</u>	<u>12,959</u>

10 SHARE CAPITAL

	1998 £	1997 £
Authorised 60,000 ordinary shares of £1 each	<u>60,000</u>	<u>60,000</u>
Allotted, called up and fully paid 60,000 ordinary shares of £1 each	<u>60,000</u>	<u>60,000</u>

GOSPORT FERRY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 1998

11 RESERVES

	Profit and loss account £
At 1 January 1998	114,274
Retained profit for the year	228,586
At 31 December 1998	<u>342,860</u>

12 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1998 £	1997 £
Profit for the financial year	228,586	106,096
Net increase in shareholders' funds	<u>228,586</u>	<u>106,096</u>
Shareholders' funds at 1 January 1998	174,274	68,178
Shareholders' funds at 31 December 1998	<u>402,860</u>	<u>174,274</u>

13 LEASING COMMITMENTS

Operating lease payments amounting to £- (1997: £3,120) are due within one year. The leases to which these amounts relate expire as follows:

	1998 Other £	1997 Other £
Between one and five years	-	3,120

14 PENSIONS

Defined Benefit Scheme

The company operates a defined benefit pension scheme through its holding company. The scheme is funded as stated in the accounting policies and was valued by an independent actuary as at 31 July 1996. The cost charged in the profit and loss account for the year amounted to £43,773 (1997: £47,097) and no further provision is considered necessary. Full details of the actuarial valuation of the scheme are given in the financial statements of the ultimate parent undertaking.

15 CAPITAL COMMITMENTS

The company had no capital commitments at 31 December 1998 or 31 December 1997.

GOSPORT FERRY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 1998

16 CONTINGENT LIABILITIES

There were no contingent liabilities at 31 December 1998 or 31 December 1997.

17 ULTIMATE PARENT UNDERTAKING

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

18 TRANSACTIONS WITH GROUP COMPANIES

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.