

GOSPORT FERRY LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 1996

GOSPORT FERRY LIMITED

FINANCIAL STATEMENTS

For the year ended 31 December 1996

Company registration number: 2254382

Registered office: South Street
Gosport
Hampshire
PO12 1EP

Directors: Non executive C J Solen, M Land Inst
M R Wright, ARICS
M L Bell, LLB, Notary Public

Executive G D Phillips
C R P Withinshaw

Secretary: D R Smith, FCIS

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 1996

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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 1996.

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 £3,001 (1995: profit £70,129). The directors recommend the payment of a dividend absorbing £2,500 (1995: £65,000), leaving £501 retained (1995: £5,129 retained).

During the year passenger numbers reduced slightly although the shortfall in revenue was more than offset by a fare increase in the spring. Leisure activities were assisted by good weather in the summer.

Directors

The membership of the Board on 31 December 1996 is set out below. All directors served throughout the year apart from M L Bell, who was appointed to the Board on 1 July 1996. In accordance with the Articles of Association members will be asked to confirm the appointment of M L Bell and C R P Withinshaw, who was appointed on 1 January 1997. M R Wright retires by rotation and being eligible offers himself for re-election.

C J Solen
M R Wright
D R Smith (resigned 31/12/96)
M L Bell (appointed 1/7/96)
G D Phillips

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.

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 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.

GOSPORT FERRY LIMITED

REPORT OF THE DIRECTORS

Auditors

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

BY ORDER OF THE BOARD



D R Smith
Secretary
26 March 1997

**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 the directors and auditors

As described on page 1 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.

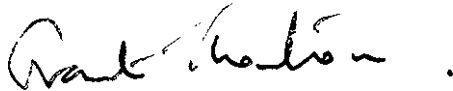
Basis of opinion

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 1996 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
26 March 1997

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 period 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 1996

	Note	1996 £	1995 £
Turnover	1	1,673,834	1,608,727
Cost of sales		(1,004,084)	(954,405)
Gross profit		669,750	654,322
Administrative expenses		(649,810)	(577,931)
Profit on ordinary activities before taxation	1	19,940	76,391
Tax on profit on ordinary activities	3	(16,939)	(6,262)
Profit for the financial year	12	3,001	70,129
Dividends	4	(2,500)	(65,000)
Profit transferred to reserves	11	501	5,129

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

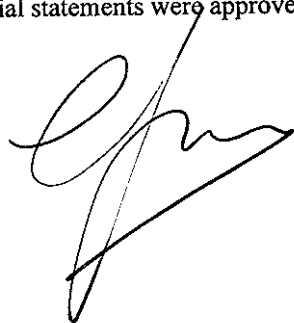
The accompanying accounting policies and notes form an integral part of these financial statements.

GOSPORT FERRY LIMITED**BALANCE SHEET AT 31 DECEMBER 1996**

	Note	1996 £	1995 £
Fixed assets			
Tangible assets	5	99,356	98,526
Current assets			
Stocks		5,231	3,326
Debtors	6	233,710	111,075
Cash at bank and in hand		260	100
		<u>239,201</u>	<u>114,501</u>
Creditors: amounts falling due within one year	7	<u>(261,002)</u>	<u>(136,674)</u>
Net current liabilities		<u>(21,801)</u>	<u>(22,173)</u>
Total assets less current liabilities		<u>77,555</u>	<u>76,353</u>
Provisions for liabilities and charges	8	<u>(9,378)</u>	<u>(8,677)</u>
		<u>68,177</u>	<u>67,676</u>
Capital and reserves			
Called up share capital	10	60,000	60,000
Profit and loss account	11	8,177	7,676
Shareholders' funds	12	<u>68,177</u>	<u>67,676</u>

The financial statements were approved by the Board of Directors on 26 March 1997

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 1996

1 TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The profit on ordinary activities is stated after:	1996 £	1995 £
Auditors' remuneration	2,200	2,200
Depreciation:		
Tangible fixed assets, owned	17,702	15,614
Hire of plant and equipment	3,472	4,323

2 DIRECTORS AND EMPLOYEES

Staff costs during the year were as follows:	1996 £	1995 £
Wages and salaries	520,721	504,304
Social security costs	40,801	40,233
Other pension costs	45,676	43,681
	607,198	588,218

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

	1996 Number	1995 Number
Ferry operatives	32	33
Management	2	2
	34	35

The directors did not receive any remuneration.

3 TAX ON PROFIT ON ORDINARY ACTIVITIES

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

	1996 £	1995 £
UK Corporation tax at 24% (1995: 25%)	7,500	6,262
Deferred taxation	701	-
Adjustments in respect of prior periods:		
UK Corporation tax	8,738	-
	16,939	6,262

GOSPORT FERRY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 1996

4 DIVIDENDS

	1996 £	1995 £
Ordinary shares	<u>2,500</u>	<u>65,000</u>

5 TANGIBLE FIXED ASSETS

	Plant and machinery £	Vessels £	Total £
Cost			
At 1 January 1996	102,437	90,630	193,067
Additions	18,532	-	18,532
At 31 December 1996	<u>120,969</u>	<u>90,630</u>	<u>211,599</u>
Depreciation			
At 1 January 1996	34,549	59,992	94,541
Provided in the year	12,505	5,197	17,702
At 31 December 1996	<u>47,054</u>	<u>65,189</u>	<u>112,243</u>
Net book amount at 31 December 1996	<u>73,915</u>	<u>25,441</u>	<u>99,356</u>
Net book amount at 31 December 1995	<u>67,888</u>	<u>30,638</u>	<u>98,526</u>

6 DEBTORS

	1996 £	1995 £
Trade debtors	7,065	11,712
Amounts owed by parent undertaking	200,458	78,453
Amounts owed by undertakings in which the company has a participating interest	59	-
Other debtors	23,190	19,136
Prepayments and accrued income	2,938	1,774
	<u>233,710</u>	<u>111,075</u>

GOSPORT FERRY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 1996

7 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1996 £	1995 £
Bank loans and overdraft	4,932	1,760
Trade creditors	17,882	20,715
Amounts owed to group undertakings	203,052	95,893
Corporation tax	22,500	6,262
Proposed dividends	2,500	-
Other creditors	1,786	-
Accruals and deferred income	8,350	12,044
	<u>261,002</u>	<u>136,674</u>

8 PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred taxation £
At 1 January 1996	8,677
Provided during the year	701
At 31 December 1996	<u>9,378</u>

9 DEFERRED TAXATION

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

	Amount provided	
	1996 £	1995 £
Accelerated capital allowances	<u>9,378</u>	<u>8,677</u>

GOSPORT FERRY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 1996

10 SHARE CAPITAL

	1996 £	1995 £
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>

11 RESERVES

	Profit and loss account £
At 1 January 1996	7,676
Retained profit for the year	501
At 31 December 1996	<u>8,177</u>

12 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1996 £	1995 £
Profit for the financial year	3,001	70,129
Dividends	(2,500)	(65,000)
Net increase in shareholders' funds	<u>501</u>	<u>5,129</u>
Shareholders' funds at 1 January 1996	67,676	62,547
Shareholders' funds at 31 December 1996	<u>68,177</u>	<u>67,676</u>

GOSPORT FERRY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 1996

13 LEASING COMMITMENTS

Operating lease payments amounting to £3,120 (1995: £3,120) are due within one year. The leases to which these amounts relate expire as follows:

	1996	1995
	Other £	Other £
Between two and five years	3,120	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 £45,676 (1995: £43,681) 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 1996 or 31 December 1995.

16 CONTINGENT LIABILITIES

The company had a contingent liability, together with other group companies, in respect of a balance of account guarantee given to Barclays Bank plc in respect of the overdraft on the ultimate parent undertaking. At 31 December 1996 overdrafts of the ultimate parent undertaking totalled £43,853 (1995 : £75,355). The company is also party to a cross-guarantee and debenture given to Barclays Bank plc in respect of all bank liabilities of the group, together with other group companies.

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.