

Gosport Ferry Limited

**Directors' report and financial
statements**

Registered number - 02254382

31 March 2013



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Company information

| | |
|------------------|---|
| Directors | MS Killingley - Chairman (appointed 6 September 2013) |
| | JL Foster - Managing Director |
| | KDW Edwards - General Manager |
| | CM Waters - Finance Director |

| | |
|--------------------------|-----------|
| Company Secretary | CM Waters |
|--------------------------|-----------|

| | |
|----------------|--|
| Bankers | HSBC plc 18 North Street Bishop's Stortford Hertfordshire CM23 2LP |
|----------------|--|

| | |
|----------------|--|
| Auditor | KPMG LLP St Nicholas House Park Row Nottingham NG1 6FQ |
|----------------|--|

| | |
|--------------------------|--|
| Registered office | South Street Gosport Hampshire PO12 1EP |
|--------------------------|--|

| | |
|-------------------|---|
| Solicitors | Blake Lapthorn New Kings Court Tollgate Chandlers Ford Eastleigh Hampshire SO53 3LG |
|-------------------|---|

Directors' report

The directors present their report and financial statements for the year ended 31 March 2013

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 £93,000 (2012 £320,000) was paid in the year. The directors do not recommend the payment of a final dividend (2012 £nil)

Donations

The company made charitable donations amounting to £2,000 (2012 £2,000)

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 year and to the date of this report are as follows

| | |
|--------------|---|
| MS Kilingley | - Chairman (appointed 6 September 2013) |
| JL Foster | - Managing Director |
| KDW Edwards | - General Manager |
| CM Waters | - Finance Director |

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

Auditor

KPMG Audit Plc resigned as auditor on 2 August 2013 pursuant to section 516 of the Companies Act 2006. On 2 August 2013 the Directors appointed KPMG LLP as auditor of the company to fill the casual vacancy as auditor under section 485(3) of the Companies Act 2006. KPMG LLP has indicated its willingness to continue in office and a resolution to reappoint it as auditor will be proposed at the next annual general meeting.

On behalf of the board


JL Foster
Director

Dated 20 September 2013

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)

Under company law the directors must not approve the financial statements unless they are satisfied that they 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.



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

We have audited the financial statements of Gosport Ferry Limited for the year ended 31 March 2013 set out on pages 5 to 16. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2013 and of its profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.

Wayne Cox

Wayne Cox (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
St Nicholas House
Park Row
Nottingham
NG1 6FQ

24 September 2013

Profit and loss account
for the year ended 31 March 2013

| | <i>Note</i> | 2013 £000 | 2012 £000 |
|--|-------------|---------------------|---------------------|
| Turnover | 2 | 4,035 | 4,116 |
| Cost of sales | | (1,782) | (1,773) |
| Gross profit | | 2,253 | 2,343 |
| Other operating charges | 3 | (1,464) | (1,379) |
| Operating profit | | 789 | 964 |
| Other interest receivable | 4 | 3 | 4 |
| Interest payable | 5 | (235) | (180) |
| Profit on ordinary activities before taxation | 6 | 557 | 788 |
| Tax on profit on ordinary activities | 9 | (123) | (213) |
| Profit for the financial year | 19 | 434 | 575 |

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 2013

| | <i>Note</i> | 2013 | 2012 |
|---|-------------|--------------|--------------|
| | | £000 | £000 |
| Fixed assets | | | |
| Tangible assets | <i>11</i> | 4,898 | 5,014 |
| Current assets | | | |
| Stocks | <i>12</i> | 52 | 44 |
| Debtors | <i>13</i> | 3,594 | 3,506 |
| Cash at bank and in hand | | 2,643 | 2,026 |
| | | <u>6,289</u> | <u>5,576</u> |
| Creditors amounts falling due within one year | <i>14</i> | (4,422) | (4,221) |
| Net current assets | | <u>1,867</u> | <u>1,355</u> |
| Total assets less current liabilities | | <u>6,765</u> | <u>6,369</u> |
| Creditors amounts falling due after more than one year | <i>15</i> | (5,018) | (4,988) |
| Net assets | | <u>1,747</u> | <u>1,381</u> |
| Capital and reserves | | | |
| Called up share capital | <i>18</i> | 60 | 60 |
| Profit and loss account | <i>19</i> | 1,687 | 1,321 |
| Shareholder's funds | <i>20</i> | <u>1,747</u> | <u>1,381</u> |

These financial statements were approved by the board of directors on 20 September 2013 and were signed on its behalf by


JL Foster
Director

Company registered number 02254382

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

Basis of preparation

These financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules

Under FRS 1 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 and has therefore not disclosed transactions or balances with wholly owned subsidiaries 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 25

Going Concern

The directors believe that the company will be able to maintain current trading volume without significant increase in the cost of so doing in the coming year. As a consequence and in conjunction with the company's existing financial resources the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future and therefore continue to prepare annual financial statements on the going concern basis of accounts preparation

Depreciation

Depreciation is provided to write off the cost or valuation less the estimated residual value of fixed assets, by equal instalments over their estimated useful economic lives as follows

| | |
|-------------------------|---|
| Plant and machinery | Periods between 5 - 10 years |
| Office equipment | Periods between 3 - 10 years |
| Long leasehold property | Over the shorter of its useful economic life or period of lease |

No depreciation is provided on freehold land

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 stated 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 to fellow subsidiaries of Falkland Islands Holdings plc, exclusive of value added tax

Leases

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

Notes (continued)

1 Accounting policies (continued)

Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

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.

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 grant date fair value of share-based payment awards granted after 7 November 2002 is recognised as an employee expense with a corresponding increase in equity over the period that the employees become unconditionally entitled to the award. 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 awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and no-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual incomes.

2 Analysis of turnover

| | 2013 £000 | 2012 £000 |
|-------------------------------|--------------|--------------|
| <i>By geographical market</i> | | |
| United Kingdom | 4,035 | 4,116 |

Notes (continued)

3 Other operating charges

| | 2013 £000 | 2012 £000 |
|-------------------------|--------------|--------------|
| Administrative expenses | 1,464 | 1,379 |

4 Other interest receivable

| | 2013 £000 | 2012 £000 |
|---------------------------|--------------|--------------|
| Other interest receivable | 3 | 4 |

5 Interest payable

| | 2013 £000 | 2012 £000 |
|--|--------------|--------------|
| Finance charges payable in respect of finance leases | 235 | 180 |

6 Profit on ordinary activities before taxation

| | 2013 £000 | 2012 £000 |
|---|--------------|--------------|
| <i>Profit on ordinary activities before taxation is stated after charging</i> | | |
| Depreciation | | |
| - owned assets | 14 | 14 |
| - leased assets | 124 | 94 |
| Hire of plant and machinery | 3 | 3 |
| <i>Auditor remuneration</i> | | |
| - audit of these financial statements | 24 | 24 |
| - other services relating to taxation | - | 21 |

The 2012 auditors' remuneration for statutory audit services relate solely to amounts paid to KPMG Audit Plc The 2013 amounts relate solely to amounts paid to KPMG LLP

7 Staff numbers and costs

| | Number of employees 2013 | 2012 |
|---|-----------------------------|-------|
| The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows | | |
| Ferry operatives | 26 | 26 |
| Maintenance | 6 | 6 |
| Management and administrative | 6 | 6 |
| | 38 | 38 |
| | £000 | £000 |
| The aggregate payroll costs of these persons were as follows | | |
| Wages and salaries | 1,138 | 1,138 |
| Social security costs | 113 | 116 |
| Other pension costs | 82 | 82 |
| | 1,333 | 1,336 |

Notes (continued)

8 Directors' remuneration

| | 2013 £000 | 2012 £000 |
|------------------------------------|--------------|--------------|
| Emoluments for management services | 151 | 127 |
| Contributions to pension schemes | 17 | 15 |
| | <u>168</u> | <u>142</u> |

9 Taxation

Analysis of charge in the financial year

| | 2013 £000 | 2012 £000 |
|---|--------------|--------------|
| UK corporation tax at 24% (2012 26%) | 86 | 105 |
| Adjustments in respect of prior financial years | (20) | - |
| | <u>66</u> | <u>105</u> |
| Total current tax | 66 | 105 |
| Deferred taxation (note 17) | 57 | 108 |
| | <u>123</u> | <u>213</u> |

Factors affecting the tax charge for the current financial year

The current tax charge for the financial year is lower (2012 lower) than the standard rate of corporation tax in the UK of 24% (2012 26%). The differences are explained below

| | 2013 £000 | 2012 £000 |
|---|--------------|--------------|
| <i>Current tax reconciliation</i> | | |
| Profit on ordinary activities before tax | 557 | 788 |
| | <u>557</u> | <u>788</u> |
| Current tax at 24% (2012 26%) | 134 | 205 |
| <i>Effects of</i> | | |
| Expenses not deductible for tax purposes | - | 6 |
| Capital allowances in excess of depreciation | (52) | (106) |
| Other short term timing differences | 4 | - |
| Adjustments to tax charge in respect of prior financial years | (20) | - |
| | <u>66</u> | <u>105</u> |

Factors that may affect future tax charges

Reductions in the UK corporation tax rate from 26% to 24% (effective from 1 April 2012) and to 23% (effective 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013.

It has not yet been possible to quantify the full anticipated effect of the announced further 2% rate reduction, although this will further reduce the company's future current tax charge and reduce the company's deferred tax assets and liabilities accordingly.

Notes (continued)

10 Dividends

| | 2013 | 2012 |
|--------------------------------------|-------------|------|
| | £000 | £000 |
| <i>Equity dividends</i> | | |
| Dividends paid in the financial year | 93 | 320 |

11 Tangible assets

| | Long lease- hold property £000 | Plant and machinery £000 | Office equipment £000 | Total £000 |
|--------------------------|--------------------------------------|--------------------------------|-----------------------------|---------------|
| <i>Cost or valuation</i> | | | | |
| At beginning of year | 5,066 | 225 | 99 | 5,390 |
| Additions | 17 | 3 | 2 | 22 |
| At end of year | 5,083 | 228 | 101 | 5,412 |
| <i>Depreciation</i> | | | | |
| At beginning of year | 95 | 199 | 82 | 376 |
| Charge for the year | 125 | 10 | 3 | 138 |
| At end of year | 220 | 209 | 85 | 514 |
| <i>Net book value</i> | | | | |
| At 31 March 2013 | 4,863 | 19 | 16 | 4,898 |
| At 31 March 2012 | 4,971 | 26 | 17 | 5,014 |

Assets held under finance leases were originally acquired at a cost of £4,957,000 (2012 £4,957,000) and have a net book value of £4,783,000 (2012 £4,881,000)

12 Stocks

| | 2013 | 2012 |
|-------------------------------|-------------|------|
| | £000 | £000 |
| Raw materials and consumables | 52 | 44 |

Notes (continued)

13 Debtors

| | 2013 | 2012 |
|------------------------------------|--------------------------|--------------------------|
| | £000 | £000 |
| Trade debtors | 23 | 21 |
| Amounts owed by group undertakings | 3,434 | 3,279 |
| Other debtors | 28 | 29 |
| Prepayments and accrued income | 109 | 177 |
| | <hr/> 3,594 <hr/> | <hr/> 3,506 <hr/> |

14 Creditors amounts falling due within one year

| | 2013 | 2012 |
|---|--------------------------|--------------------------|
| | £000 | £000 |
| Trade creditors | 221 | 231 |
| Amounts owed to group undertakings | 3,854 | 3,548 |
| Corporation tax | 12 | 105 |
| Finance lease creditor owed within one year | 27 | 25 |
| Other creditors | 50 | 40 |
| Accruals and deferred income | 258 | 272 |
| | <hr/> 4,422 <hr/> | <hr/> 4,221 <hr/> |

15 Creditors amounts falling due after more than one year

| | 2013 | 2012 |
|---|--------------------------|--------------------------|
| | £000 | £000 |
| Finance lease creditor owed within more than one year | 4,886 | 4,913 |
| Deferred tax (note 17) | 132 | 75 |
| | <hr/> 5,018 <hr/> | <hr/> 4,988 <hr/> |

Notes (continued)

16 Obligations under hire purchase contracts and leases

1) Maturity of hire purchase contracts

| | 2013 | 2012 |
|---|--------------|--------------|
| | £000 | £000 |
| <i>The maturity of obligations under finance leases and hire purchase contracts is as follows</i> | | |
| Within one year | 27 | 25 |
| In the second to fifth years | 122 | 116 |
| Over five years | 4,764 | 4,797 |
| | <u>4,913</u> | <u>4,938</u> |

2) Operating lease commitments

| | 2013 | 2012 |
|--|-------------|-----------|
| | £000 | £000 |
| <i>Operating leases which expire</i> | | |
| Within one year | | |
| In the second to fifth years inclusive | 9 | 12 |
| | <u>14</u> | <u>23</u> |

17 Deferred taxation

Deferred taxation

The movement in the deferred taxation liability during the year was

| | 2013 | 2012 |
|---|-------------|-----------|
| | £000 | £000 |
| Balance brought forward | 75 | (33) |
| Profit and loss account movement arising during the year (note 9) | 57 | 108 |
| | <u>132</u> | <u>75</u> |

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

| | 2013 | 2012 |
|--|-------------|------|
| | £000 | £000 |
| Excess of depreciation over capital allowances on fixed assets | 132 | 75 |

A deferred tax asset of £4,300 (2012 £5,500) relating to share based payments has not been recognised on the basis that the timing and amount of the future deduction cannot be assessed with reasonable certainty

18 Called up share capital

| | 2013 | 2012 |
|---|-------------|------|
| | £000 | £000 |
| <i>Allotted, called up and fully paid</i> | | |
| 60,000 ordinary shares of £1 each | 60 | 60 |

Notes (continued)

19 Reserves

| | Profit and loss account £000 |
|---|------------------------------------|
| At beginning of year | 1,321 |
| Profit for the financial year | 434 |
| Dividends on shares classified in shareholder's funds | (93) |
| Share based payments | 25 |
| | <hr/> |
| At end of year | 1,687 |
| | <hr/> |

20 Reconciliation of movements in shareholder's funds

| | 2013 £000 | 2012 £000 |
|---|--------------|--------------|
| Profit for the financial year | 434 | 575 |
| Dividends on shares classified in shareholder's funds | (93) | (320) |
| Share based payments | 25 | 22 |
| | <hr/> | <hr/> |
| Net movement in shareholder's funds | 366 | 277 |
| Opening shareholder's funds | 1,381 | 1,104 |
| | <hr/> | <hr/> |
| Closing shareholder's funds | 1,747 | 1,381 |
| | <hr/> | <hr/> |

21 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 within the group at the year end was £nil (2012 £25,000) which included cash and cash equivalents of £2,643,000 at 31 March 2013 (2012 £2,026,000) in relation to the company.

22 Commitments

As at 31 March 2013 the company had no capital commitments authorised but not contracted for (2012 £nil)

23 Pension scheme

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 £82,000 (2012 £82,000). There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

Notes (continued)

24 Employee share schemes

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 |
|---|-----------------------|---------------------------------------|-----------------------------|
| 8 April 2009 Management incentive scheme 1 participant | 7,500 | Subject to earnings growth conditions | 10 years |
| 9 December 2009 Management incentive scheme 6 participants | 6,000 | Subject to earnings growth conditions | 10 years |
| 21 December 2010 Management incentive scheme 8 participants | 26,500 | Subject to earnings growth conditions | 10 years |
| 27 June 2011 Management incentive scheme 1 participant | 10,017 | Subject to earnings growth conditions | 10 years |
| 16 December 2011 Management incentive scheme 9 participants | 26,827 | Subject to remaining in employment | 10 years |

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

| | 2013 Weighted average exercise price | 2013 Number of options | 2012 Weighted average exercise price | 2012 Number of options |
|--|---|------------------------------|---|------------------------------|
| Outstanding at the beginning of the year | £3 016 | 76,844 | £3 43 | 65,072 |
| Granted during the year | - | - | £2 77 | 36,844 |
| Forfeited during the year | - | - | £3 53 | (425) |
| Exercised during the year | - | - | £3 53 | (5,530) |
| Lapsed during the year | - | - | £3 35 | (19,117) |
| Outstanding at the end of the year | £3 016 | 76,844 | £3 016 | 76,844 |
| Exercisable at the end of the year | £2 886 | 13,500 | - | - |

The options outstanding at the year end have an exercise price in the range of £2 075 to £3 90 and a weighted average contractual life of eight years (2012 nine years)

Notes (continued)

24 Employee share schemes (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.

| | 16 Dec 2011 Management incentive scheme | 27 Jun 2011 Management incentive scheme | 21 Dec 2010 Management incentive scheme | 9 Dec 2009 Management incentive scheme |
|---|--|--|--|---|
| Fair value at measurement date | £0.68 | £0.94 | £1.24 | £1.45 |
| Weighted average share price | £2.675 | £3.035 | £3.425 | £3.90 |
| Exercise price | £2.615 | £3.025 | £3.425 | £3.90 |
| Expected volatility (expressed as % used in the modelling under Black-Scholes model) | 39% | 40% | 44% | 40% |
| Option life (expressed as weighted average life used in the modelling under binomial lattice model) | 6.5 years | 6.5 years | 6.5 years | 6.5 years |
| Expected dividends | 3.6% | 3.1% | 2.4% | 2.0% |
| Risk free interest rate (based on national government bonds) | 1.42% | 2.53% | 2.90% | 3.14% |

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 year arising from share based payments are as follows:

| | 2013 £000 | 2012 £000 |
|-------------------------------------|--------------|--------------|
| Equity settled share based payments | 25 | 22 |

25 Related party disclosures

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.