

Gosport Ferry Limited

**Directors' report and financial
statements**

Registered number - 02254382

31 March 2010



Contents

Company information	1
Directors' report	2
Statement of directors' responsibilities in respect of the directors' report and the financial statements	3
Report of the independent auditors to the members of Gosport Ferry Limited	4
Profit and loss account	5
Balance sheet	6
Notes	7

Company information

Directors

JL Foster
JB Ivins
PJ Fuller
CM Waters

Company Secretary

JL Foster
JB Ivins

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 2010

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 £nil (2009 £650,000) was paid in the year. The directors do not recommend the payment of a final dividend (2009 £nil)

Donations

The company made charitable donations amounting to £nil (2009 £nil)

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 are shown on page 1

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

Auditors

Pursuant to section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG Audit Plc will therefore continue in office

On behalf of the board



JB Ivins
Company Secretary

Dated 4 October 2010

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 auditors to the members of Gosport Ferry Limited

We have audited the financial statements of Gosport Ferry Limited for the year ended 31 March 2010 set out on pages 5 to 15. 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 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

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 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 (APB'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 APB's web-site at www.frc.org.uk/apb/scope/UKNP.

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 2010 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.

TM Widdas (Senior Statutory Auditor)

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

4 October 2010

Profit and loss account
for the year ended 31 March 2010

	<i>Note</i>	2010 £000	2009 £000
Turnover	2	3,670	3 671
Cost of sales		(1,707)	(1 728)
Gross profit		<u>1,963</u>	<u>1,943</u>
Other operating charges	3	(1,400)	(1,398)
Operating profit		<u>563</u>	<u>545</u>
Other interest receivable		4	58
Profit on ordinary activities before taxation	4	<u>567</u>	<u>603</u>
Tax on profit on ordinary activities	7	(166)	(158)
Profit for the financial year	15	<u><u>401</u></u>	<u><u>445</u></u>

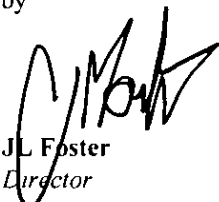
In both the current year and preceding period, the company made no material acquisitions and had no discontinued operations

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 2010

	<i>Note</i>	£000	2010 £000	£000	2009 £000
Fixed assets					
Tangible assets	9		47		59
Current assets					
Stocks	10	36		19	
Debtors	11	3,412		2,404	
Cash at bank and in hand		1,150		1,158	
		<u>4,598</u>		<u>3,581</u>	
Creditors amounts falling due within one year	12	(3,438)		(2,850)	
Net current assets			<u>1,160</u>		<u>731</u>
Net assets			<u><u>1,207</u></u>		<u><u>790</u></u>
Capital and reserves					
Called up share capital	14	60		60	
Profit and loss account	15	1,147		730	
Shareholder's funds	16		<u><u>1,207</u></u>		<u><u>790</u></u>

These financial statements were approved by the board of directors on 4 October 2010 and were signed on its behalf by


J.L. 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 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 22

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 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
Fixtures and fittings	Periods between 3 - 10 years

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 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 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)

Classification of financial instruments issued by the company

Under 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 fair value of options granted after 7 November 2002 is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. 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 share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

2 Segmental information

	2010 £000	2009 £000
<i>Geographical analysis of turnover</i>		
United Kingdom	3,670	3,671

Notes (continued)

3 Other operating charges

	2010 £000	2009 £000
Administrative expenses	1,400	1,398

4 Profit on ordinary activities before taxation

	2010 £000	2009 £000
<i>Profit on ordinary activities before taxation is stated after charging</i>		
Depreciation - owned assets	22	21
Hire of plant and machinery - operating leases	3	4
<i>Auditors' remuneration</i>		
- audit of these financial statements	24	24

5 Employees

	2010 Number	2009 Number
<i>The average number of persons employed by the company during the period analysed by category, was</i>		
Ferry operatives	29	29
Maintenance	6	6
Management and administrative	6	6
	41	41
	£000	£000
<i>The aggregate payroll costs of the above were</i>		
Wages and salaries	1,101	1,172
Social security costs	109	113
Other pension costs	139	128
	1,349	1,413

6 Directors' remuneration

	2010 £000	2009 £000
Emoluments for management services	66	61
Contributions to pension schemes	57	54
	123	115

Notes (continued)

7 Tax on profit on ordinary activities

(a) Analysis of charge in the financial year

	2009 £000	2008 £000
<i>The taxation charge based on the profit for the financial year comprises</i>		
UK corporation tax at 28% (2009 28%)	162	177
Adjustments in respect of prior financial years	(2)	(29)
	<hr/>	<hr/>
Total current tax charges	160	148
Deferred taxation (note 13)	6	11
Changes in recoverable amounts	-	(1)
	<hr/>	<hr/>
Tax on profit on ordinary activities	166	158
	<hr/>	<hr/>

(b) Factors affecting the tax charge for the current financial year

The current tax charge for the financial year is higher (2009 lower) than the standard rate of corporation tax in the UK of 28% (2009 28%). The differences are explained below

	2010 £000	2009 £000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	563	603
	<hr/>	<hr/>
Current tax at 28% (2009 28%)	158	169
<i>Effects of</i>		
Expenses not deductible for tax purposes	13	4
Other short term timing differences	(8)	4
Group relief not paid for	(1)	-
Adjustments in respect of prior financial years	(2)	(29)
	<hr/>	<hr/>
Total current tax charge	160	148
	<hr/>	<hr/>

(c) Factors that may affect future tax charges

The Emergency Budget on 22 June 2010 announced that the UK corporation tax rate will reduce from 28% to 24% over a period of 4 years from 2011. The first reduction in the UK corporation tax rate from 28% to 27% will be effective from 1 April 2011. This will reduce the company's future current tax charge accordingly. If the rate change from 28% to 27% had been substantively enacted on or before the balance sheet date it would have had the effect of reducing the deferred tax asset recognised at that date by £1,000. It has not yet been possible to quantify the full anticipated effect of the announced further 3% rate reduction, although this will further reduce the company's future current tax charge.

8 Dividends

	2010 £000	2009 £000
<i>Equity dividends</i>		
Dividends paid in the financial year	-	650
	<hr/>	<hr/>

Notes (continued)

9 Tangible assets

	Plant and machinery £000	Fixtures and fittings £000	Total £000
<i>Cost or valuation</i>			
At 1 April 2009	270	12	282
Additions	10	-	10
	<hr/>	<hr/>	<hr/>
At 31 March 2010	280	12	292
	<hr/>	<hr/>	<hr/>
<i>Accumulated depreciation</i>			
At 1 April 2009	214	9	223
Charge for the year	19	3	22
	<hr/>	<hr/>	<hr/>
At 31 March 2010	233	12	245
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 March 2010	47	-	47
	<hr/>	<hr/>	<hr/>
At 31 March 2009	56	3	59
	<hr/>	<hr/>	<hr/>

10 Stocks

	2010 £000	2009 £000
Consumable stores	36	19
	<hr/>	<hr/>

11 Debtors

	2010 £000	2009 £000
Trade debtors	9	20
Amounts owed by group undertakings	3,281	2 268
Other debtors	10	6
Prepayments and accrued income	70	62
Deferred tax (note 13)	42	48
	<hr/>	<hr/>
	3,412	2 404
	<hr/>	<hr/>

Notes (continued)

12 Creditors, amounts falling due within one year

	2010 £000	2009 £000
Trade creditors	50	35
Amounts owed to group undertakings	2,876	2,378
Corporation tax	165	166
Other creditors	32	33
Accruals and deferred income	315	238
	<u>3,438</u>	<u>2,850</u>

13 Provisions for liabilities

Deferred taxation

The movement in the deferred taxation (asset)/liability during the year was

	2010 £000	2009 £000
Balance brought forward	(48)	(58)
Profit and loss account movement arising during the year (note 7)	6	10
	<u>(42)</u>	<u>(48)</u>

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

	2010 £000	2009 £000
Excess of depreciation over capital allowances on fixed assets	(42)	(48)

A deferred tax asset of £4,480 (2009 £2,800) 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

14 Called up share capital

	2010 £000	2009 £000
<i>Allotted called up and fully paid</i> 60 000 ordinary shares of £1 each	60	60

Notes (continued)

15 Profit and loss account

	2010 £000	2009 £000
Balance brought forward	730	926
Profit for the financial year	401	445
Dividends on shares classified in shareholder s funds	-	(650)
Share based payments	16	9
	<hr/>	<hr/>
Balance carried forward	1,147	730
	<hr/>	<hr/>

16 Reconciliation of movements in shareholder's funds

	2010 £000	2009 £000
Profit for the financial year	401	445
Dividends on shares classified in shareholder's funds	-	(650)
Share based payments	16	9
	<hr/>	<hr/>
Net addition to/(reduction in) shareholder's funds	417	(196)
Opening shareholder s funds	790	986
	<hr/>	<hr/>
Closing shareholder s funds	1,207	790
	<hr/>	<hr/>

17 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 at the year end was £1,292,000 (2009 £4,057,000) of which £nil (2009 £nil) is included within the financial statements of the company.

18 Capital commitments

As at 31 March 2010 the company had no capital commitments authorised but not contracted for (2009 £nil)

19 Commitments under operating leases

Annual commitments under non-cancellable operating leases are as follows

	2010 £000	2009 £000
<i>Operating leases which expire</i>		
In less than one year	4	4
In two to five years	8	9
	<hr/>	<hr/>

20 Pensions

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 £139,000 (2009 £128,000). There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

Notes (continued)

21 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
18 June 2007 Management incentive scheme 2 participants	7 500	Subject to earnings growth conditions	10 years
5 July 2007 SAYE scheme 2 participants	5 670		10 years
4 December 2007 Management incentive scheme 8 participants	17 500	Subject to earnings growth conditions	10 years
30 July 2008 SAYE Scheme 18 participants	15 072		10 years
9 December 2009 Management incentive scheme 6 participants	6 000	Subject to earnings growth conditions	10 years

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

	2010 Weighted average exercise price	2010 Number of options	2009 Weighted average exercise price	2009 Number of options
Outstanding at the beginning of the period	£3 1034	45,742	£3 0400	30 670
Granted during the period	£3 9000	6,000	£3 2325	15,072
Forfeited during the period	-	-	-	-
Exercised during the period	-	-	-	-
Lapsed during the period	-	-	-	-
Outstanding at the end of the period	£3 1957	51,742	£3 1034	45 742
Exercisable at the end of the period	-	-	-	-

The options outstanding at the year end have an exercise price in the range of £2 50 to £3 90 and a weighted average contractual life of ten years

Notes (continued)

21 Share based payments (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

	9 December 2009 Management incentive scheme	30 July 2008 SAYE
Fair value at measurement date	£1 45	£1 35
Weighted average share price	£3 90	£4 00
Exercise price	£3 90	£3 2325
Expected volatility (expressed as % used in the modelling under Black-Scholes model)	40%	35%
Option life (expressed as weighted average life used in the modelling under binomial lattice model)	6 5 years	3 years
Expected dividends	2 0%	2 0%
Risk free interest rate (based on national government bonds)	3 14%	4 80%

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 period arising from share based payments are as follows

	2010 £000	2009 £000
Equity settled share based payments	16	9

22 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, Kenburgh Court, 133-137 South Street, Bishop's Stortford, Hertfordshire, CM23 3HX