The Portsmouth Harbour Ferry Company Limited

Directors' report and financial statements

Registered number - 00018751

31 March 2011

Contents

Company information

Directors	KDW Edwards JL Foster DL Hudd MS Killingley CM Waters
Company Secretary	JL Foster CM Waters
Company registration number	00018751
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 the audited financial statements for the year ended 31 March 2011

Activity

The principal activity of the company during the year was the provision of management services to subsidiary companies

Results

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

The Portsmouth Harbour Ferry Company Limited manages its operations on a divisional basis For this reason, the company's directors believe key performance indicators for the company are not necessary for an understanding of the development, performance or position of the business The performance of the company is discussed in the parent company's directors' report, which does not form part of this report

The company has paid a dividend in respect of the current financial year of £1,150,000 *(2010 £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 year and to the date of this report are as follows

KDW Edwards	(appointed 6 December 2010)
JL Foster	
DL Hudd	
MS Killingley	
JB Ivins	(resigned 28 February 2011)
PJ Fuller	(resigned 31 December 2010)
CM Waters	

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 auditors

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 auditors are unaware, and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditors are 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

JL Foster
Director

Dated 13 December 2011

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

KPMG

Report of the independent auditors to the members of The Portsmouth Harbour Ferry Company Limited

We have audited the financial statements of The Portsmouth Harbour Ferry Company Limited for the year ended 31 March 2011 set out on pages 5 to 17 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, 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 (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/private cfm.

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 2011 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

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

13 December 2011

Profit and loss account
for the year ended 31 March 2011

	Note	2011 £000	2010 £000
Turnover		-	-
Other operating charges	2	(139)	(116)
Other operating income	3	310	300
Operating profit		171	184
Income from shares in group undertakings	4	999	-
Interest payable and similar charges	5	(41)	(57)
Profit on ordinary activities before taxation		1,129	127
Tax on profit on ordinary activities	7	(12)	26
Profit for the financial year	18	1,117	153

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

Statement of total recognised gains and losses
for the year ended 31 March 2011

	Note	2011 £000	2010 £000
Profit for the financial year		1,117	153
Actuarial loss recognised in the pension scheme	22	(10)	(55)
Deferred tax arising on losses in the pension scheme		2	15
Total recognised gains and losses relating to the period		1,109	113

Balance sheet
as at 31 March 2011

	Note	£000	2011 £000	£000	2010 £000
Fixed assets					
Tangible assets	10		2,513		2 636
Investments	11		63		63
			2,576		2 699
Current assets					
Debtors	12	1,292		1 367	
Cash at bank and in hand		955		1,137	
		2,247		2,504	
Creditors amounts falling due within one year	13	(2,650)		(2 599)	
Net current liabilities			(403)		(95)
Total assets less current liabilities			2,173		2 604
Creditors amounts falling due after more than one year	14		(634)		(833)
Provisions for liabilities and charges	16		(558)		(749)
Net assets			981		1 022
Capital and reserves					
Called up share capital	17		230		230
Share premium account	18		4		4
Revaluation reserve	18		20		20
Profit and loss account	18		727		768
Shareholders' funds	19		981		1 022

These financial statements were approved by the board of directors on 13 December 2011 and were signed on its behalf by

J L Foster
Director

Company registered number 00018751

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 accounting

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

The company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements These financial statements present information about the company as an individual undertaking and not about its group

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 tangible fixed assets by equal instalments over their estimated useful economic lives as follows

Freehold buildings	Periods between 25 and 50 years
Launches, plant and equipment	Periods between 5 and 10 years

No depreciation is provided on freehold land

Investments

Investments are stated at cost less provisions made for impairment in the carrying value

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

Turnover

Turnover represents the amounts invoiced to customers in the ordinary course of business for goods and services provided including fellow subsidiaries of Falkland Islands Holdings plc exclusive of value added tax

Post-retirement benefits

The company operates a pension scheme providing benefits based on final pensionable pay The assets of the scheme are held separately from those of the Company

Pension scheme assets are measured using market values For quoted securities the current bid price is taken as market value Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability

The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full The movement in the scheme surplus/deficit is split between operating charges finance items and, in the statement of total recognised gains and losses, actuarial gains and losses

Notes *(continued)*

1 Accounting policies *(continued)*

***Post-retirement benefits** (continued)*

In addition, the Company operates a defined contribution pension scheme The assets of the scheme are held separately from those of the Company in an independently administered fund The amount charged to the profit and loss account represent the contributions payable to the scheme in respect of the accounting period

Cash flow statement

Under FRS 1, the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent company undertaking includes the Company in its own published consolidated financial statements

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 shareholders' 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 shareholders' funds (see dividends policy), are dealt with as appropriations in the reconciliation of movements in shareholders' funds

Dividends on shares presented within shareholders' funds

Dividends are only recognised as a liability at that date to the extent that they are declared prior to the year end Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements

Leases

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

Related party transactions

As the Company is a wholly owned subsidiary of Falkland Islands Holdings plc the Company has taken advantage of the exemption in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group The consolidated financial statements of Falkland Islands Holdings plc, within which this company is included can be obtained from the address given in note 23

2 Other operating charges

	2011	2010
	£000	£000
Administrative expenses	**139**	116

Notes *(continued)*

3 Other operating income

	2011 £000	2010 £000
Rent receivable	300	300
Net settlement gain on transfer of pension liability	10	-
	310	300

4 Income from shares in group undertakings

	2011 £000	2010 £000
Income from group undertakings	999	-

5 Interest payable and similar charges

	2011 £000	2010 £000
Interest payable on bank borrowings	36	44
Net interest on pension scheme liabilities	5	13
	41	57

6 Notes to the profit and loss account

	2011 £000	2010 £000
Profit on ordinary activities before taxation is stated after charging		
Depreciation on owned fixed assets	133	143
Loss on disposal of fixed assets	-	31
Auditors' remuneration		
- audit of these financial statements	-	-
- other services relating to taxation	-	-

Auditors' remuneration relating to this company has been charged to Gosport Ferry Limited

Notes *(continued)*

7 Taxation

Analysis of charge in the financial year

	2011 £000	2010 £000
UK corporation tax at 28% (2010 28%)	-	7
Adjustments in respect of prior years	-	(38)
Total current tax charges	-	(31)
Deferred taxation (note 16)		
Current year	(47)	(2)
Adjustments in respect of prior years	-	(12)
Relating to pension scheme (note 22)	59	19
Total deferred tax	12	5
Tax on profit on ordinary activities	12	(26)

Factors affecting the tax charge for the current financial year

The current tax charge for the year is lower *(2010 lower)* the standard rate of corporation tax in the UK of 28% *(2010 28%)* The differences are explained below

	2011 £000	2010 £000
Current tax reconciliation		
Profit on ordinary activities before tax	1,129	127
Current tax at 28% *(2010 28%)*	316	36
Effects of		
Capital allowances in the year in excess of depreciation	14	4
Non taxable income	(280)	-
Group relief not paid for	8	(11)
Other short term timing differences	(58)	(20)
Tax at marginal rate	-	(2)
Adjustments in respect of prior years	-	(38)
Total current tax charge	-	(31)

Factors that may affect future tax charges

The 2011 Budget on 23 March 2011 announced that the UK corporation tax rate will reduce to 23% over a period of 4 years from 2011 The first reduction in the UK corporation tax rate from 28% to 27% (effective from 1 April 2011) was substantively enacted on 20 July 2010, and further reductions to 26% (effective from 1 April 2011) and 25% (effective from 1 April 2012) were substantively enacted on 29 March 2011 and 5 July 2011 respectively

This will reduce the company's future current tax charge accordingly and further reduce the deferred tax liability at 31 March 2011 (which has been calculated based on the rate of 26% substantively enacted at the balance sheet date)

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 liability accordingly

Notes *(continued)*

8 Staff numbers and costs

The company has no paid employees *(2010 nil)* The directors received £nil remuneration in the form of emoluments and fees during the year *(2010 £38,000)* In both the current and prior year the remuneration and fees of directors have been paid by Gosport Ferry Limited

9 Dividends

	2011	2010
	£000	£000
Equity dividends		
Dividend paid in the financial year	**1,150**	-

10 Tangible assets

	Freehold land and buildings £000	**Launches, plant and equipment £000**	**Total £000**
Cost or valuation			
At beginning of year	21	3,047	3,068
Additions	-	10	10
At end of year	21	3,057	3,078
Accumulated depreciation			
At beginning of year	1	431	432
Charge for the year	-	133	133
At end of year	1	564	565
Net book value			
At 31 March 2011	**20**	**2,493**	**2,513**
At 31 March 2010	20	2,616	2,636

The ticket office at Gosport was valued during 1985 at £20,000, the valuation being based upon its continuing existing use This valuation is included in the fixed assets of the company at the balance sheet date The cost and net book value of this asset prior to revaluation was £nil The transitional arrangements under FRS 15 have been followed and this valuation has not been updated No provision has been made in the deferred tax account for the estimated corporation tax that would be payable on disposal of this asset because, in the opinion of the directors, this asset is unlikely to be disposed of in the foreseeable future

Included within freehold land and buildings is £20,000 *(2010 £20,000)* of non-depreciable land

Notes *(continued)*

11 Investments

	Shares in subsidiary undertakings £000
Cost	
As at 1 April 2010 and 31 March 2011	**63**

The company owns all the ordinary share capital and voting rights of the following subsidiaries which comprise £1 ordinary shares

Name of subsidiary	Principal activity
Portsea Harbour Company Limited	Statutory harbour authority
Clarence Marine Engineering Limited	Marine and engineering maintenance
Gosport Ferry Limited	Passenger vessel operators
Portsmouth Harbour Waterbus Company Limited	Dormant

12 Debtors

	2011 £000	2010 £000
Amounts owed by group undertakings	**1,292**	1 292
Corporation tax	**-**	75
	1,292	1 367

13 Creditors amounts falling due within one year

	2011 £000	2010 £000
Bank loans	**200**	200
Amounts owed to group undertakings	**2,437**	2 399
Accruals and deferred income	**13**	-
	2,650	2 599

14 Creditors: amounts falling due after more than one year

	2011 £000	2010 £000
Bank loans	**634**	833

Notes *(continued)*

15 Borrowings and other financial instruments

Creditors include finance capital which is due for repayment as follows

	2011 £000	2010 £000
Amounts repayable		
In one year or less or on demand	**200**	200
In more than one year but not more than two years	**200**	200
In more than two years but not more than five years	**434**	599
In more than five years	**-**	34
	834	1 033

16 Provisions for liabilities and charges

	2011 £000	2010 £000
Deferred taxation	**541**	588
Pension liabilities (note 22)	**17**	161
	558	749

Deferred taxation

The movement in the deferred taxation account during the year was

	2011 £000	2010 £000
Balance brought forward	**588**	602
Profit and loss account movement arising during the year (note 7)	**(47)**	(14)
Balance carried forward	**541**	588

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

	2011 £000	2010 £000
Excess of depreciation over taxation allowances on fixed assets	**541**	588

Pensions

	2011 £000	2010 £000
Pension liabilities (see note 22)	**17**	161

Notes *(continued)*

17 Called up share capital

	2011 £000	2010 £000
Allotted called up and fully paid		
230 000 ordinary shares of £1 each	**230**	230

18 Reserves

	Share premium account £000	Revaluation reserve £000	Profit and loss account £000	Total £000
At beginning of year	4	20	768	792
Profit for the year	-	-	1 117	1 117
Dividend paid	-	-	(1 150)	(1 150)
Actuarial loss recognised in the pension scheme	-	-	(10)	(10)
Deferred tax arising on losses in the pension scheme	-	-	2	2
At end of year	**4**	**20**	**727**	**751**

19 Reconciliation of movements in shareholders' funds

	2011 £000	2010 £000
Profit for the year	**1,117**	153
Dividends on shares classified in shareholders' funds	**(1,150)**	-
Actuarial loss recognised in statement of total recognised gains and losses	**(10)**	(55)
Deferred tax relating to pension scheme deficit	**2**	15
Net (reduction in)/addition to shareholders' funds	**(41)**	113
Opening shareholders funds	**1,022**	909
Closing shareholders' funds	**981**	1 022

20 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 £2 011,000 *(2010 £1,292,000)* of which £nil *(2010 £nil)* is included within the financial statements of the company

21 Capital commitments

As at 31 March 2011 the company had no capital commitments authorised but not contracted for *(2010 £nil)*

Notes *(continued)*

22 Pension scheme

The company operates a defined benefit pension scheme for certain employees which is unfunded and was closed to new members in 1988 Benefits are only payable on leaving service of the company at normal retirement age The latest valuation was carried out on 31 March 2007 using the attained age method, which estimates the average annual cost of all future years service

The valuation was updated by the actuary on an FRS 17 basis as at 31 March 2011, 31 March 2010 and 31 March 2009 The major assumptions in this valuation were

	2011	2010	2009
	%	%	%
Rate of increase in pensions payments	**3 5**	3 7	2 7
Discount rate applied to scheme liabilities	**5 5**	5 6	6 4
Inflation rate	**3 5**	3 7	2 7

The assumptions used by the actuary are those indicated by management from a range of possible actuarial assumptions which due to the timescales covered may not necessarily be borne out in practice

Pension scheme *(continued)*

Scheme assets

The fair value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, were

	Value at 31 Mar 11	Value at 31 Mar 10	Value at 31 Mar 09
	£000	£000	£000
Equities	**301**	328	185
Fixed interest	**101**	64	50
Other	**30**	18	18
Total market value of assets	**432**	410	253
Present value of scheme liabilities	**(455)**	(634)	(492)
Deficit in the scheme – pension liability	**(23)**	(224)	(239)
Related deferred tax asset	**6**	63	67
Net pension liability	**(17)**	(161)	(172)

The expected rates of return on the assets in the scheme were

	Long term rate of return 31 Mar 11	Long term rate of return 31 Mar 10	Long term rate of return 31 Mar 09
Equities	**7 20%**	7 40%	6 75%
Fixed interest	**5 50%**	5 60%	6 35%
Other – cash	**4 00%**	4 20%	0 50%

Notes *(continued)*

22 Pension scheme *(continued)*

Movement in deficit during the year

	2011 £000	2010 £000
Deficit in scheme at beginning of year	**(224)**	(239)
Settlement gain	**150**	-
Contributions paid	**66**	83
Other finance cost	**(5)**	(13)
Actuarial loss	**(10)**	(55)
Deficit in the scheme at the end of the year	**(23)**	(224)

Analysis of amounts included in interest payable and similar charges (note 5)

	2011 £000	2010 £000
Expected return on pension scheme assets	**29**	17
Interest on pension scheme liabilities	**(34)**	(30)
	(5)	(13)

Analysis of amount recognised in statement of total recognised gains and losses

	2011 £000	2010 £000
Actual return less expected return on scheme assets	**(8)**	86
Experience gains and losses arising on scheme liabilities	**(2)**	(141)
Actuarial loss recognised in statement of total recognised gains and losses	**(10)**	(55)

History of experience gains and losses

	2011	2010	2009	2008	2007
Difference between the expected and actual return on scheme assets					
Amount (£000)	**(8)**	86	(99)	3	(4)
Percentage of year end scheme assets	**(1 9%)**	21 0%	(39 1%)	0 6%	(1 9%)
Experience gains and losses on scheme liabilities					
Amount (£000)	**-**	-	(1)	-	-
Percentage of year end present value of scheme liabilities	**-**	-	(0 2%)	-	-
Changes in assumptions underlying the present value of scheme liabilities					
Amount (£000)	**(2)**	(141)	14	144	65
Percentage of year end present value of scheme liabilities	**(0 4%)**	(22 2%)	(2 8%)	30 1%	11 0%
Total amount recognised in statement of total recognised gains and losses					
Amount (£000)	**(10)**	(55)	(86)	147	61
Percentage of year end present value of scheme liabilities	**(2 2%)**	(8 7%)	(17 5%)	30 8%	10 3%

Notes *(continued)*

23 Related party disclosures

The immediate and ultimate parent company is Falkland Islands Holdings plc, a company incorporated in Great Britain

A copy of the financial statements of Falkland Islands Holdings plc, in which the results of The Portsmouth Harbour Ferry Company Limited are consolidated, can be obtained from Falkland Islands Holdings plc, Kenburgh Court, 133-137 South Street Bishop's Stortford, Hertfordshire, CM23 3HX