MEIF Shipping Limited

Registered No 5480773

Report and Financial Statements

52 week period ended 30 March 2013

DIRECTORS AND ADVISORS

DIRECTORS
G I W Parsons
R Carroll
R Kew
J M Pascoe
R Copper

SECRETARY
T Laverty

INDEPENDENT AUDITORS
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Savannah House
3 Ocean Way
Ocean Village
Southampton
SO14 3TJ

BANKERS
Royal Bank of Scotland plc
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SOLICITORS
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London
EC4Y 1HS

REGISTERED OFFICE
Ropemaker Place
28 Ropemaker Street
London
EC2Y 9HD

DIRECTORS' REPORT

The directors present their annual report and the audited group financial statements for the 52 week period ended 30 March 2013

RESULTS AND DIVIDENDS
The group loss for the period, after taxation, amounted to £63,494,000 (53 weeks ended 31 March 2012 £44,392,000)

The group and company both had net liabilities at the period end due to intercompany loans with the company's parent undertaking The directors have prepared these financial statements on a going concern basis as the intercompany loans, whilst repayable on demand, are subordinated to the company's term loan such that the group is restricted in its ability to repay these amounts unless certain covenants have been met The parent undertaking is also unable to demand repayment of these amounts if such repayment would result in the company becoming insolvent

The directors do not recommend the payment of a dividend (53 weeks ended 31 March 2012 £nil)

PRINCIPAL ACTIVITIES
The company acts as a holding company

The principal activity of the group during the period was the provision of ferry services to the Isle of Wight

REVIEW OF THE BUSINESS
Strategy
The group's overall strategy is to be the preferred choice of operator for cross-Solent travel through its subsidiary undertaking, Wightlink Limited

Wightlink is a strong member of the Isle of Wight community Its predecessor organisations have been operating for over 175 years This long heritage of serving the Isle of Wight and investing in Island life, its communities and business, coupled with the fact that it carries more Islanders than any other operator every day safely to their destinations, links Wightlink intrinsically to being part of the Island

Performance overview
The financial performance of the group for the period was as follows

	52 week period ended 30 March 2013 £000	*53 week period ended 31 March 2012 £000*	*Change %*
Turnover	59,836	59,436	0 7%
Operating profit (before exceptional items)	10,139	7,185	41 1%
Loss before tax	(66,017)	(44,641)	47 9%

The principal activity of the group during the period was the provision of ferry services to the Isle of Wight The majority of the group's profit is generated during the peak summer months Both the level of business during the period and the financial position at the end of the period are considered to be satisfactory given the continuing UK recession, which affected consumer spending during the period and the exceptionally poor weather in the UK during the 2012 summer

During the period, the group carried out a review of its sailing timetable with the intention of removing non-profitable sailings Following this review, the group revised its timetable and removed a number of overnight sailings It then instigated a voluntary redundancy programme as fewer staff were needed to operate the remaining sailings The cost of this is included as an exceptional item (note 4)

During the period, the group made lump sum cash payment totalling £1 0m (2012 £1 0m) to the trustees of the Wightlink pension fund in addition to the regular cash funding of £2 0m (2012 £1 4m)

REVIEW OF THE BUSINESS (continued)

Performance overview (continued)

Goodwill is not amortised as, following a review by the directors, its useful economic life is considered to be indefinite The carrying value of the goodwill is reviewed for impairment by the company's directors The impairment review conducted by the directors in the current period has identified an impairment loss of £16,210,000 (2012 £nil) which has been recorded as a provision against the cost of goodwill The charge to the profit and loss account is recorded as an exceptional item (note 4) In addition, the directors have reviewed the carrying value of the company's investment in its subsidiary undertaking, resulting in and impairment charge of £16,800,000

In February 2009 the company's subsidiary undertaking, Wightlink Limited ("Wightlink"), introduced three new ferries on its Lymington to Yarmouth route Subsequently, the company, along with DEFRA, was the subject of legal action brought by a local interest group concerning the introduction of EU Habitats Directive into UK Law and the impact of the new ferries on the Lymington River, a Site of Special Scientific Interest

A judgement in the High Court in February 2010 confirmed that Wightlink is the competent authority which must decide whether or not the ferries pose a threat to the habitat in the conservation sites The Court ruled that the original assessment made by Wightlink regarding the effects of the new ferries on the conservation sites prior to the ferries' introduction was not sufficient to satisfy the EU Habitats Directive and UK law

To address this ruling, Wightlink, along with other competent authorities and in conjunction with Natural England, then undertook to complete a full environmental impact assessment on the impact of the introduction of the new ferries

This process was completed in November 2011 following the grant of planning permission for various elements of the ferry introduction project The costs of this process were included as an exceptional item in 2012 (note 4)

Wightlink Limited had elected to be taxed under the Tonnage Tax regime with effect from 1 January 2000 In May 2007, HM Revenue & Customs opened an enquiry into Wightlink Limited which argued that the company did not qualify for tonnage tax with effect from 1 July 2005 HMRC's argument centres upon a similar but unrelated case heard in the Courts in 2011 Discussions with HMRC are ongoing and the final position is yet to be determined and agreed

Whilst discussions remain ongoing with HMRC the directors consider it prudent to recognise the current and deferred tax balances on the basis that the company is taxed under the standard corporation tax regime with effect from 2005, although the timing is still the subject to discussion and negotiation with HMRC

Future developments

The directors expect that the present level of activity will be sustained or improved in the foreseeable future

Key performance indicators

	52 week period ended 30 March 2013	*53 week period ended 31 March 2012*	*Change %*
Market share (Car equivalent units)	62 0%	63 6%	-2 5%
Passengers carried	4,799,230	5,042,343	-4 8%
Sailings	53,719	58,021	-7 4%
Sailings departing on time	48,771	52,548	-7 2%
Punctuality *(sailings departing within 5 minutes of scheduled departure time)*	90 8%	90 6%	+0 2%

In addition to the financial key performance indicators, the group also monitors a number of non-financial key performance indicators such as customer satisfaction, compliance with health and safety regulations and fuel consumption

DIRECTORS' REPORT

FINANCIAL RISK MANAGEMENT

The group's operations expose it to a variety of financial risks that include the effects of interest rate risk, liquidity risk, credit risk, price risk and exchange rate risk The group has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the group by monitoring levels of debt finance and the related finance costs

Interest rate risk

The group's external net borrowings are in the form of medium-term variable rate debt, the nature of which is, in the opinion of the directors, appropriate to the group's operations The group utilises interest rate swaps to fix the interest rate on its debt

Liquidity risk

The group's policy on funding capacity is to ensure that it always has sufficient long-term funding and committed bank facilities in place to meet foreseeable peak borrowing requirements

Credit risk

The group has implemented policies that require appropriate credit checks on potential customers before sales are made Where debt finance is utilised, this is subject to pre-approval by the board of directors

Price risk

The group is exposed to fuel price risk as a result of its operations During the period, the group used commodity price swaps to hedge the value of fuel purchases The directors continue to revisit the appropriateness of using commodity price swaps based on the costs and benefits of managing the group's exposure to price risk

Exchange rate risk

The group occasionally uses derivatives to hedge movements in the future price of foreign currencies

DIRECTORS

The directors of the company who were in office during the period and up to the date of signing the financial statements were as follows

G I W Parsons
R Carroll
R Kew
J M Pascoe
R Copper (appointed 25 July 2013)
J Walbridge (resigned 3 July 2013)

DISABLED EMPLOYEES

The group has continued its policy regarding the employment of disabled persons Full and fair consideration is given to applications for employment made by disabled persons having regard to their particular aptitude and abilities

Where existing employees become disabled, it is the group's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate

EMPLOYEE INVOLVEMENT

It is the group's policy to keep employees informed on matters affecting their interests through normal management channels and due consideration is given to their interests when making management decisions

DONATIONS

The group has made no political donations during the period (53 weeks ended 31 March 2012 £nil)

The group made charitable donations totalling £4,000 during the period (53 weeks ended 31 March 2012 £14,000), the majority of which relate to Isle of Wight based organisations

SUPPLIER PAYMENT POLICY

It is the group's policy to settle amounts due to suppliers in accordance with their standard terms and conditions, other than for transactions where specific terms have been agreed Trade creditors at the end of the period represented 47 days purchases (31 March 2012 27 days)

INDEPENDENT AUDITORS

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution to re-appoint PricewaterhouseCoopers LLP as the company's auditors will be put to the forthcoming Annual General Meeting

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 group and parent company financial statements for each financial period Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) 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 group and the company and of the profit or loss of the group for that period In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting 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,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and the group 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 the group and enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

DISCLOSURE OF INFORMATION TO AUDITORS

Each of the persons who is a director at the time when the report is approved confirms that

- So far as the director is aware, there is no relevant audit information (that is, information needed by the company's auditors in connection with preparing their report) of which the company's auditors are unaware, and
- The director has taken all the steps that he/she ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

By order of the Board

G I W Parsons
Director

25 September 2013

INDEPENDENT AUDITORS' REPORT
to the members of MEIF Shipping Limited

We have audited the group and parent company financial statements (the "financial statements") of MEIF Shipping Limited for the 52 week period ended 30 March 2013 which comprise the Group Profit and Loss Account, the Group Statement of Total Recognised Gains and Losses, the Group and Parent Company Balance Sheets, the Group Statement of Cash Flows and the related notes The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

Respective responsibilities of directors and auditors
As explained more fully in the Statement of Directors' Responsibilities set out on page 4, 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

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the group's and parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements
In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 30 March 2013 and of the group's loss and cash flows for the 52 week period then ended,
- have been properly prepared in accordance with United Kingdom 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 period 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company 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

Michael Coffin (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Southampton
25 September 2013

GROUP PROFIT AND LOSS ACCOUNT
for the 52 week period ended 30 March 2013

		52 week period ended 30 March 2013			53 week period ended 31 March 2012		
	Notes	*Before exceptional items £000*	*Exceptional items £000*	*Total £000*	*Before exceptional items £000*	*Exceptional items £000*	*Total £000*
TURNOVER	2	59,836	-	59,836	59,436	-	59,436
Net operating costs	3, 4	(49,697)	(19,667)	(69,364)	(52,251)	(1,525)	(53,776)
OPERATING LOSS / PROFIT	3, 4	10,139	(19,667)	(9,528)	7,185	(1,525)	5,660
Interest receivable and similar income				22			30
Other finance income	25			199			531
Interest payable and similar charges	7			(56,710)			(50,862)
				(56,489)			(50,301)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION				(66,017)			(44,641)
Tax on loss on ordinary activities	8			2,523			249
LOSS FOR THE FINANCIAL PERIOD	19			(63,494)			(44,392)

The results above relate entirely to continuing operations

There is no material difference between the loss on ordinary activities before taxation and the loss for the financial periods stated above and their historical cost equivalents

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the 52 week period ended 30 March 2013

	Notes	52 week period ended 30 March 2013 £000	53 week period ended 31 March 2012 £000
LOSS FOR THE FINANCIAL PERIOD	19	(63,494)	(44,392)
Actuarial loss on pension scheme	25	(8,507)	(3,702)
Movement on deferred tax relating to pension scheme in the period	17	2,042	963
TOTAL RECOGNISED LOSSES RELATING TO THE PERIOD		(69,959)	(47,131)

The company has no recognised gains and losses other than those included in the results above and therefore no separate statement of total recognised gains and losses has been presented

GROUP BALANCE SHEET
as at 30 March 2013

	Notes	30 March 2013 £000	31 March 2012 £000
FIXED ASSETS			
Intangible assets	10	19,730	35,940
Tangible assets	11	225,834	229,117
		245,564	265,057
CURRENT ASSETS			
Stocks	13	1,205	1,142
Debtors	14	3,572	4,742
Debt service reserve account (restricted)	23	3,383	3,373
Maintenance capital expenditure reserve account (restricted)	23	-	450
Escrow account (restricted)	23	660	-
Cash at bank and in hand	23	1,987	1,443
		10,807	11,150
CREDITORS amounts falling due within one year	15	(337,422)	(287,763)
NET CURRENT LIABILITIES		(326,615)	(276,613)
TOTAL ASSETS LESS CURRENT LIABILITIES		(81,051)	(11,556)
CREDITORS amounts falling due after more than one year			
Obligations under finance leases and hire purchase contracts	16	-	(2,793)
Loans	16	(191,977)	(191,977)
		(191,977)	(194,770)
PROVISION FOR LIABILITIES	17	(3,651)	(6,435)
NET LIABILITIES EXCLUDING PENSION DEFICIT		(276,679)	(212,761)
PENSION LIABILITY	25	(7,499)	(1,458)
NET LIABILITIES INCLUDING PENSION DEFICIT		(284,178)	(214,219)
CAPITAL AND RESERVES			
Called up share capital	18	100	100
Profit and loss account	19	(284,278)	(214,319)
TOTAL SHAREHOLDERS' DEFICIT	19	(284,178)	(214,219)

The financial statements on pages 7 to 35 were approved by the Board and signed on its behalf on 25 September 2013

G I W Parsons
Director

25 September 2013

R Copper
Director

25 September 2013

COMPANY BALANCE SHEET
as at 30 March 2013

	Notes	30 March 2013 £000	31 March 2012 £000
FIXED ASSETS			
Investments	12	240,865	257,075
CURRENT ASSETS			
Debt service reserve account (restricted)	23	3,383	3,373
Cash at bank and in hand		320	318
		3,703	3,691
CREDITORS amounts falling due within one year	15	(372,750)	(313,984)
NET CURRENT LIABILITIES		(369,047)	(310,293)
TOTAL ASSETS LESS CURRENT LIABILITIES		(128,182)	(53,218)
CREDITORS amounts falling due after more than one year			
Loans	16	(191,977)	(191,977)
NET LIABILITIES		(320,159)	(245,195)
CAPITAL AND RESERVES			
Called up share capital	18	100	100
Profit and loss account	19	(320,259)	(245,295)
TOTAL SHAREHOLDERS' DEFICIT	19	(320,159)	(245,195)

The financial statements on pages 7 to 35 were approved by the Board and signed on its behalf on 25 September 2013

G I W Parsons
Director

25 September 2013

R Copper
Director

25 September 2013

GROUP STATEMENT OF CASH FLOWS
for the 52 week period ended 30 March 2013

	Notes	52 week period ended 30 March 2013 £000	53 week period ended 31 March 2012 £000
NET CASH INFLOW FROM OPERATING ACTIVITIES	3(iii)	13,138	13,611
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	21	(10,390)	(15,201)
TAXATION			
Taxation paid		-	-
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Payments to acquire tangible fixed assets		(4226)	(6,349)
Receipts from sales of tangible fixed assets		-	11
		(4,226)	(6,338)
NET CASH OUTFLOW BEFORE MANAGEMENT OF LIQUID RESOURCES AND FINANCING		(1,478)	(7,928)
MANAGEMENT OF LIQUID RESOURCES			
Debt service reserve account (restricted) – net cash payments	22	(10)	(16)
Maintenance capital expenditure reserve account (restricted) – net cash receipts	22	450	2,794
Escrow account (restricted) – net cash payments	22	(660)	-
FINANCING	21	2,242	3,227
INCREASE / (DECREASE) IN CASH	22	544	(1,923)

NOTES TO THE FINANCIAL STATEMENTS
for the 52 week period ended 30 March 2013

1 ACCOUNTING POLICIES

Basis of preparation

The group financial statements have been prepared on the going concern basis, under the historical cost convention and in accordance with the applicable accounting standards in the United Kingdom and Companies Act 2006 except for a specific departure in respect of goodwill explained further below and applicable accounting standards A summary of the more important group accounting policies is set out below which have been applied consistently throughout the period

The group and company both had net liabilities at the period end due to intercompany loans with the company's parent undertaking The directors have prepared these financial statements on a going concern basis as the intercompany loans, whilst repayable on demand, are subordinated to the company's term loan such that the group is restricted in its ability to repay these amounts unless certain covenants have been met The parent undertaking is also unable to demand repayment of these amounts if such repayment would result in the company becoming insolvent

The group's principal trading subsidiary undertaking Wightlink Limited has, for several years, been eligible for the tonnage tax regime within the UK with the effect that the company's operations are not subject to corporation tax and that deferred tax does not arise As described in note 8, during 2007 the company received correspondence from HM Revenue and Customs (HMRC) stating that since 1 July 2005 it has no longer been eligible for the tonnage tax regime HMRC's argument centres upon a similar but unrelated case which was heard in the Courts in 2011 Whilst discussions remain ongoing with HMRC, the directors consider it prudent to recognise the current and deferred tax balances on the basis that the company is taxed under the standard corporation tax regime with effect from 2005, although the timing is still the subject to discussion and negotiation with HMRC This change was first recognised in the 2011 financial statements

Basis of consolidation

The group financial statements consolidate the financial statements of MEIF Shipping Limited and all its subsidiary undertakings drawn up to 30 March 2013 Subsidiary undertakings have been included in the group financial statements using the acquisition method of accounting MEIF Shipping Limited and its subsidiary undertakings have coterminous period ends and employ uniform accounting policies across the group Any profit or loss on intra group transactions is eliminated on consolidation

No profit and loss account is presented for MEIF Shipping Limited as permitted by section 408 of the Companies Act 2006

Turnover

Turnover, which is stated net of value added tax and trade discounts, comprises income from the carrying of passengers, accompanied vehicles and freight, on board sales and other operational income Turnover in respect of the carrying of passengers is recognised at the point of departure, with the exception of season tickets which are recognised on a straight-line basis across the period to which the season ticket relates Turnover in respect of other items is recognised at point of delivery of goods or on provision of service

Goodwill

Where the fair value of the consideration exceeds the fair value of the separable net assets for an acquired undertaking, the difference is treated as goodwill and capitalised

Goodwill is not amortised as, following a review by the directors, its useful economic life is considered to be indefinite Specific factors contributing to this conclusion are the rights and access the company enjoys to its ports and routes and the nature and stability of cross Solent ferry services to the Isle of Wight The financial statements depart from the specific requirements of companies legislation to amortise goodwill over a finite period for the overriding purpose of giving a true and fair view As the useful economic life of goodwill is considered to be indefinite, it is not possible to quantify the effect of this departure

Where the useful economic life of goodwill is deemed to be indefinite, the carrying value of the goodwill is reviewed for impairment by the company's directors

NOTES TO THE FINANCIAL STATEMENTS
for the 52 week period ended 30 March 2013

1 **ACCOUNTING POLICIES** (continued)

Carrying values of fixed assets and investments

Tangible fixed assets are recorded at historic purchase cost less accumulated depreciation The carrying value is reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable

Investments are stated at cost less any provision for impairment The carrying value is reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable

Depreciation

Depreciation is provided on all tangible fixed assets, other than land, at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition, of each asset evenly over its expected useful economic life, as follows

Freehold buildings	-	over 10 to 33 years
Long leasehold properties	-	over the lease term
Plant and machinery	-	over 4 to 20 years
Computer software	-	over 3 to 5 years
Motor vehicles	-	over 3 years
Ships, comprising		
Ships (excluding catamarans)	-	over 35 years
Catamarans	-	over 25 years
Major overhaul expenditure	-	over 12 months
Ships fittings	-	over 5 to 15 years

Stocks

Stocks of raw materials, consumables and goods for resale are stated at the lower of cost incurred in bringing each product to its present location and condition and net realisable value on a first-in, first-out basis Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal Provision is made for obsolete, slow moving or defective stock where necessary

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less tax, with the following exceptions

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold,

- net deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured on an undiscounted basis at the average tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

NOTES TO THE FINANCIAL STATEMENTS
for the 52 week period ended 30 March 2013

1 **ACCOUNTING POLICIES** (continued)

Leasing and hire purchase commitments
Assets held under finance leases and hire purchase contracts, which are those where substantially all the risks and rewards of ownership of the assets have passed to the group, are capitalised in the balance sheet and are depreciated over their useful economic lives

The interest element of the rental obligations is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the lease term

Foreign currencies
Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date All differences are taken to the profit and loss account

Derivative financial instruments
The group uses financial instrument derivatives from time to time to manage the interest risk of long term liabilities Amounts payable or receivable in respect of interest rate derivatives are recognised on an accruals basis over the life of the instrument

The group also occasionally uses financial instrument derivatives to manage its exposure to movements in the future price of oil and movements in the future price of foreign currencies Gains or losses from these derivatives are recognised in the profit and loss account when the transaction occurs

Pensions
The group operates a contributory defined benefit pension scheme On 10 May 2013, the scheme was closed to new entrants The scheme assets are held separately from those of the group in an independently administered fund The fund is valued every three years by a professionally qualified independent actuary The rates of contribution payable are determined by the actuary In the intervening years the actuary reviews the continuing appropriateness of the rates

Pensions and other post retirement benefits are accounted for in accordance with FRS 17, 'Retirement Benefits' The amounts charged to operating profit are the current costs, gains and losses on settlements and curtailments and any increase in the present value of liabilities They are included as part of staff costs Past service costs are recognised immediately in the profit and loss account if the benefits have vested If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs The interest cost and the expected return on assets are shown as a net amount within net interest payable Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses

The scheme is funded, with assets held separately from those of the Group, in separate trustee administered funds Pension scheme assets are measured at market value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities The actuarial valuations are obtained at least triennially and are updated at each balance sheet date The resulting defined benefit asset or liability, net of related deferred tax, is presented separately after other net assets on the face of the balance sheet

The group also participates in a group defined contribution pension scheme The scheme assets are held separately from those of the group in an independently administered fund Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme

NOTES TO THE FINANCIAL STATEMENTS
for the 52 week period ended 30 March 2013

1 **ACCOUNTING POLICIES** (continued)

Capital instruments
Instruments are included in shareholders' funds where in substance they offer a residual interest in the assets of the group after deducting all of its liabilities Other instruments are classified as liabilities if, in substance, they contain an obligation to transfer economic benefits The finance cost, including debt issue costs, recognised in the profit and loss account in respect of new capital instruments designated as liabilities is allocated to periods over the term of the instrument at a constant rate on the carrying amount Debt issue costs associated with a restructuring of existing debt are recognised in the profit and loss account in the period incurred

Liquid resources
Liquid resources comprise surplus cash placed in short-term high interest deposit accounts

2 **TURNOVER**
Turnover is derived entirely within the United Kingdom and is from the same class of business

3 **OPERATING (LOSS) / PROFIT**

i) *This is stated after charging*

	52 week period ended 30 March 2013 £000	53 week period ended 31 March 2012 £000
Fees payable to the company's auditor and its associates		
- for audit of the company's financial statements	18	17
- for audit of the company's subsidiaries	61	60
- for other services relating to taxation	93	60
- for other services	76	-
Amortisation of goodwill	16,210	-
Depreciation of owned fixed assets	7,070	9,449
Depreciation of assets held under finance leases	384	335
Loss on disposal of tangible fixed assets	55	9
Operating lease rental - plant and machinery	262	210
- other	2,104	1,986

ii) *Net operating costs comprise*

	52 week period ended 30 March 2013 £000	53 week period ended 31 March 2012 £000
Cost of sales	47,800	46,260
Administrative expenses	21,564	7,516
	69,364	53,776

3 **OPERATING (LOSS) / PROFIT** (continued)

iii) *Reconciliation of operating (loss) / profit to net cash inflow from operating activities*

	52 week period ended 30 March 2013 £000	*53 week period ended 31 March 2012 £000*
Operating (loss) / profit	(9,528)	5,660
Exceptional items (note 4)	19,667	1,525
	10,139	7,185
Depreciation charges	7,454	9,784
Loss on disposal of tangible fixed assets	55	9
Difference between pension charge and cash contributions	(486)	(191)
Decrease in debtors	1,170	507
(Increase) / decrease in stocks	(63)	12
Decrease in creditors	(1,674)	(2,170)
Exceptional items paid	(3,457)	(1,525)
Net cash inflow from operating activities	13,138	13,611

4 **EXCEPTIONAL ITEMS**

	52 week period ended 30 March 2013 £000	*53 week period ended 31 March 2012 £000*
Operating costs		
Legal fees	236	1,296
Restructuring costs	3,221	229
Impairment loss on goodwill	16,210	-
	19,667	1,525

Restructuring costs represent costs incurred as a result of a specific exercise to reduce headcount throughout the group during the period

Legal fees represent costs associated with the introduction of new vessels on the group's Lymington-Yarmouth route during the period These costs primarily relate to amounts paid to advisors

Impairment loss on goodwill represents the reduction in the carrying value of goodwill following the annual review for impairment carried out by the company's directors (note 10)
The review adopted value in use methodology and included the following assumptions

- for the first five years, the internal business plan is used to forecast cash flows,
- after this initial period, a long term growth rate of 2 2% is applied to drive a terminal value, and
- the discount rate applied is a pre-tax weighted average cost of capital of 10 7%

As a result of the review, using the assumptions stated above, a goodwill impairment of £16,210,000 was recognised in the period (2012 £nil) No additional impairment was identified in the prior period review

NOTES TO THE FINANCIAL STATEMENTS
for the 52 week period ended 30 March 2013

5 DIRECTORS' REMUNERATION

Mr G I W Parsons, Mr R Carroll and Mr J Walbridge are subject to service agreements with and are remunerated by Macquarie Infrastructure and Real Assets (Europe) Limited

Mr R Kew and Mr J M Pascoe are subject to service agreements with and are remunerated by the company's subsidiary undertaking, Wightlink Limited

	52 week period ended 30 March 2013 £000	*53 week period ended 31 March 2012 £000*
Directors		
Aggregate emoluments	482	436
Company contributions to money purchase pension schemes	112	74
	594	510

No directors are accruing benefits under the group's defined benefit pension scheme (2012 nil)

	52 week period ended 30 March 2013 £000	*53 week period ended 31 March 2012 £000*
Highest paid director		
Aggregate emoluments	330	298
Company contributions to money purchase pension schemes	100	62
	430	360

6 STAFF COSTS

	52 week period ended 30 March 2013 £000	*53 week period ended 31 March 2012 £000*
Wages and salaries	20,006	20,248
Social security costs	1,756	1,703
Other pension costs	2,653	2,267
	24,415	24,218

The company had no employees during the current period (53 week period ended 31 March 2012 nil) The average monthly number of employees for the group during the period, excluding directors, was as follows

NOTES TO THE FINANCIAL STATEMENTS
for the 52 week period ended 30 March 2013

6 STAFF COSTS (continued)

	52 week period ended 30 March 2013 No	53 week period ended 31 March 2012 No
Selling and administrative	101	106
Operating	485	520
	586	626

7 INTEREST PAYABLE AND SIMILAR CHARGES

	52 week period ended 30 March 2013 £000	53 week period ended 31 March 2012 £000
Bank loans and overdrafts	10,377	10,508
Interest payable to group undertakings	46,268	40,237
Finance lease interest	65	117
	56,710	50,862

8 TAX ON LOSS ON ORDINARY ACTIVITIES

(a) Tax on loss on ordinary activities

The tax charge is made up as follows

	52 week period ended 30 March 2013 £000	53 week period ended 31 March 2012 £000
Current tax		
UK Corporation tax	-	-
Total current tax *(note 8(b))*		-
Deferred tax		
Adjustment in respect of prior years	(969)	636
Impact of change in tax rate	(627)	(793)
Origination and reversal of timing differences	(927)	(92)
Tax on profit on ordinary activities during the period	(2,523)	(249)

8 **TAX ON LOSS ON ORDINARY ACTIVITIES** (continued)

(b) Factors affecting tax charge for period

The tax assessed on the loss on ordinary activities for the period is higher (53 week period ended 31 March 2012 higher) than the standard rate of corporation tax in the UK of 24% (53 week period ended 31 March 2012 26%) The differences are reconciled below

	52 week period ended 30 March 2013 £000	*53 week period ended 31 March 2012 £000*
Loss on ordinary activities before tax	(66,017)	(44,641)
Loss on ordinary activities multiplied by the standard rate of Corporation tax in the UK of 24% (2012 26%)	(15,844)	(11,607)
Effects of		
Timing differences	927	92
Disallowed expenditure	554	975
Impairment of goodwill	3,890	-
Unrelieved tax losses	415	2,211
Group relief surrendered for nil payment	10,058	8,329
Total current tax (note 8(a))	-	-

One of the company's subsidiaries, Wightlink Limited, elected to be taxed under the Tonnage Tax regime with effect from 1 January 2000 As a result, the tax charge has historically been calculated on the basis of the tonnage of the company's fleet and not on the basis of taxable profits

In May 2007, HM Revenue & Customs opened an enquiry into Wightlink Limited which argued that the company did not qualify for tonnage tax with effect from 1 July 2005 Subsequent to this, additional enquiries have been opened for later years and HMRC's current position is that they do not consider the company qualifies for tonnage tax from 1 July 2005 to the present date

HMRC's argument centres upon a similar but unrelated case which was heard in the Courts in 2011 Discussions with HMRC are ongoing and the final position is yet to be determined and agreed

Whilst discussions remain ongoing with HMRC, the directors consider it prudent to recognise the current and deferred tax balances on the basis that the company is taxed under the standard corporation tax regime with effect from 2005, although the timing is still the subject to discussion and negotiation with HMRC This change was recognised in the prior period financial statements

A Parliamentary Resolution was passed on 26 March 2012 to reduce the main rate of corporation tax from 26% to 24% with effect from 1 April 2012 Finance Act 2012 was substantively enacted on 3 July 2012 and included legislation to further to reduce the main rate of corporation tax to 23% with effect from 1 April 2013

(c) Deferred tax

The group has an unrecognised deferred tax asset of £13 2m (53 week period ended 31 March 2012 £9 5m) in respect of accumulated non-trading losses This amount has not been recognised within the financial statements due to uncertainty over whether there will be future taxable profits against which to offset them The company does not have any deferred tax liabilities

8 **TAX ON LOSS ON ORDINARY ACTIVITIES** (continued)

(c) Deferred tax (continued)
In addition to the changes in rates of corporation tax disclosed above, further changes to the UK Corporation tax rates were substantively enacted as part of the Finance Bill 2013 on 2 July 2013 These include reductions to the main rate to 21% from 1 April 2014 and to 20% from 1 April 2015 As these changes had not been substantively enacted at the balance sheet date their effects are not included in these financial statements

9 **LOSS ATTRIBUTABLE TO MEMBERS OF THE PARENT UNDERTAKING**

The loss dealt with in the financial statements of the parent undertaking for the period was £74,964,000 (53 week period to 31 March 2012 £52,299,000)

10 **INTANGIBLE ASSETS**

Group	*Goodwill* *£000*
Cost	
At 31 March 2012 and at 30 March 2013	63,891
Provision against cost	
At 31 March 2012	27,951
Provided during the period	16,210
At 30 March 2013	44,161
Net book value	
At 30 March 2013	19,730
At 31 March 2012	35,940

The goodwill arose on the acquisition of Wightlink Shipping Limited and its subsidiary undertakings on 15 July 2005 Goodwill is not amortised as, following a review by the directors, its useful economic life is considered to be indefinite Specific factors contributing to this conclusion are the rights and access the company enjoys to its ports and routes and the nature and stability of cross Solent ferry services to the Isle of Wight

The carrying value of the goodwill is reviewed annually for impairment by the company's directors The impairment review conducted by the directors in the current period has identified an impairment loss which has been recorded as a provision against the cost of goodwill (note 4)

The company has no intangible fixed assets (31 March 2012 £nil)

11 TANGIBLE ASSETS

Group

	Land and buildings					
	Long leasehold £000	*Freehold £000*	*Plant and machinery £000*	*Computer software £000*	*Ships £000*	*Total £000*
Cost						
At 31 March 2012	83,790	108,635	6,373	3,342	55,183	257,323
Reallocations	-	2,973	(2,973)	-	-	-
Additions	342	630	8	344	2,902	4,226
Disposals	(28)	(618)	(725)	-	(4,730)	(6,101)
At 30 March 2013	84,104	111,620	2,683	3,686	53,355	255,448
Accumulated depreciation						
At 31 March 2012	9,724	2,069	2,747	2,628	11,038	28,206
Reallocations	-	-	(595)	595	-	-
Provided during the period	1,530	310	417	11	5,186	7,454
On disposals	(28)	(567)	(721)	-	(4,730)	(6,046)
At 30 March 2013	11,226	1,812	1,848	3,234	11,494	29,614
Net book value						
At 30 March 2013	72,878	109,808	835	452	41,861	225,834
At 31 March 2012	74,066	106,566	3,626	714	44,145	229,117

Included in freehold land and buildings is land valued at cost of £93,882,000 (31 March 2012 £93,882,000) which is not depreciated Included within this freehold land is land held through a licence in perpetuity at £17,212,000 (31 March 2012 £17,212,000)

Freehold land and buildings includes an amount of £257,000 (31 March 2012 £339,000) which has not been depreciated during the period as the assets were not in commercial use at the period end Leasehold land and buildings includes an amount of £97,000 (31 March 2012 £202,000) which has not been depreciated during the period as the assets were not in commercial use at the period end Plant and machinery includes an amount of £38,000 (31 March 2012 £722,000) which was not depreciated during the period as the assets were not in commercial use at the period end Computer software includes an amount of £344,000 (31 March 2012 £73,000) which was not depreciated during the period as the assets were not in commercial use at the period end Ships includes an amount of £436,000 (31 March 2012 £202,000) which was not depreciated during the period as the assets were not in commercial use at the period end

Ships above include assets held under finance leases and hire purchase contracts with a cost of £11,095,000 (31 March 2012 £11,095,000) and a net book value of £7,631,000 (31 March 2012 £8,015,000)

The company has no tangible fixed assets (31 March 2012 £nil)

12 INVESTMENTS

Company

	Subsidiary undertakings £000
Cost	
At 31 March 2012 and at 30 March 2013	269,995
Impairment provision	
At 31 March 2012	12,920
Provided during the period	16,210
At 30 March 2013	29,130
Net book value	
At 31 March 2012 and at 30 March 2013	240,865
At 31 March 2012 and at 30 March 2013	257,075

The company holds either directly or indirectly the entire issued share capital of the following subsidiary undertakings, all of which are registered in England and Wales unless indicated below The directors believe that the carrying value of the investments is supported by their underlying net assets

Name of company	*Nature of business*
Wightlink Limited *	Operation of ferry services to the Isle of Wight
Wightlink (Guernsey) Limited** *	Provision of seafarers to crew Wightlink vessels
Wightlink Shipping Limited *	Dormant company
Wightlink (Holdings) Limited	Dormant company
Wightlink Group Limited	Dormant company
Norlantic Limited	Dormant company
Wightlink Ferries & Ports Limited	Dormant company
Wightlink Holidays Limited	Dormant company
Wightlink Nominees Limited	Dormant company
Wightlink Finance Limited***	Dormant company
Channel Crewing Services Limited	Dormant company

*The investments in Wightlink Limited, Wightlink (Guernsey) Limited and Wightlink Shipping Limited are held directly by the company

**Registered in Guernsey

***Registered in the Cayman Islands

13 STOCKS

Group

	30 March 2013 £000	31 March 2012 £000
Raw materials and consumables	1,085	1,037
Goods for resale	120	105
	1,205	1,142

The company has no stock (31 March 2012 £nil)

14 DEBTORS

Group

	30 March 2013 £000	31 March 2012 £000
Trade debtors	1,538	1,539
Other debtors	1,918	3,039
Prepayments and accrued income	116	164
	3,572	4,742

15 CREDITORS amounts falling due within one year

		Group		Company
	30 March 2013 £000	31 March 2012 £000	30 March 2013 £000	31 March 2012 £000
Bank loans and overdrafts (note 16)	5,500	3,250	5,500	3,250
Trade creditors	2,343	1,348	-	-
Amounts owed to parent undertaking	319,768	273,500	319,068	272,799
Amounts owed to group undertakings	-	-	48,168	37,925
Other taxation and social security costs	586	727	-	-
Accruals and deferred income	6,433	8,930	14	10
Corporation tax	7	8	-	-
Obligations under finance leases (note 16)	2,785	-	-	-
	337,422	287,763	372,750	313,984

Amounts owed to parent undertakings incur interest at a rate of 17% per annum (53 week period ended 31 March 2012 17%) These amounts are repayable on demand but are subordinated to the company's term loan such that the group is restricted in its ability to repay these amounts unless certain covenants have been met The parent undertaking is also unable to demand repayment of these amounts if such repayment would result in the company becoming insolvent

Amounts owed to group undertakings are repayable on demand and carry an interest rate of 5 0% (53 week period ended 31 March 2012 5 0%)

16 CREDITORS amounts falling due after more than one year

i) *Obligations under finance leases and hire purchase contracts*

		Group
	30 March 2013 £000	*31 March 2012 £000*
Amounts payable		
Within one year	2,785	167
One to five years	-	2,786
Total gross payments	2,785	2,953
Less finance charges allocated to future periods	-	(160)
	2,785	2,793
Finance leases and hire purchase contracts are classified in the balance sheet as		
Current obligations (note 15)	2,785	-
Non-current obligations	-	2,793
	2,785	2,793

ii) *Loans*

		Group		*Company*
	30 March 2013 £000	*31 March 2012 £000*	*30 March 2013 £000*	*31 March 2012 £000*
Loans are repayable				
Within one year	5,500	3,250	5,500	3,250
Between two and five years	-	-	-	-
Thereafter	191,977	191,977	191,977	191,977
	197,477	195,227	197,477	195,227
Loans are classified in the balance sheet as				
Amounts falling due within one year (note 15)	5,500	3,250	5,500	3,250
Amounts falling due after one year	191,977	191,977	191,977	191,977
	197,477	195,227	197,477	195,227

The loans repayable after more than five years comprise amounts advanced under the restructured company's term loan facility, repayable by 31 May 2018 The loan bears interest at floating rates based on LIBOR

The loan is secured by fixed and floating charges over the assets of the group, including mortgages on the ships

In order to fix the interest rate payable on this debt, the company has entered into a number of interest rate swaps for a notional principal amount of approximately £103m maturing in six month tranches until 2016 Under these swaps, the company receives interest on a variable basis and pays interest fixed at 5 096%

The fair value of the interest rate swaps at the period end was a liability of £15,785,000 (31 March 2012 £16,020,000)

16 **CREDITORS amounts falling due after more than one year** (continued)

ii) *Loans* (continued)

The company has also entered into a number of interest rate cap agreements maturing in six month tranches until 2018 The notional principal amount is currently approximately £75m, increasing to £117m by 2018 The interest rate payable on the principle balance covered by the caps is currently 3 5%, increasing to 4 5% by 2018

17 **PROVISIONS FOR LIABILITIES**

	Deferred taxation £000
At 31 March 2012	6,435
Credited to the profit and loss account	(2,784)
At 30 March 2013	3,651

Provision for deferred tax	*30 March 2013 £000*	*31 March 2012 £000*
Accelerated capital allowances	3,651	6,435
	3,651	6,435

Analysis of all deferred tax balances	*Deferred tax On pension Scheme (Note 26) £000*	*Accelerated capital allowances £000*	*Total deferred tax £000*
At 31 March 2012	(460)	6,435	5,975
Debited / (credited) to profit and loss account (note 8)	261	(2,784)	(2,523)
Recognised in statement of total recognised gains and losses	(2,042)	-	(2,042)
At 30 March 2013	(2,241)	3,651	1,410

18 **CALLED UP SHARE CAPITAL**

Company

	30 March 2013 No	*31 March 2012 No*	*30 March 2013 £000*	*Authorised 31 March 2012 £000*
Ordinary shares of £1 each	150,000,000	150,000,000	150,000	150,000

NOTES TO THE FINANCIAL STATEMENTS
for the 52 week period ended 30 March 2013

18 CALLED UP SHARE CAPITAL (continued)

Company (continued)

			Allotted, called up and fully paid	
	30 March 2013 No	*31 March 2012 No*	*30 March 2013 £000*	*31 March 2012 £000*
Ordinary shares of £1 each	100,001	100,001	100	100

Covenants

The financing arrangements to which the company and its subsidiary undertakings are a party contain various provisions intended to ensure that the lenders' right to receive interest and repayments of principal rank in priority to shareholders' rights to receive dividends on their shares

19 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' DEFICIT AND MOVEMENTS ON RESERVES

Group

	Called up share capital £000	*Profit and loss account £000*	*Total share-holders' deficit £000*
At 26 March 2011	100	(167,188)	(167,088)
Loss for the financial period	-	(44,392)	(44,392)
Actuarial loss on pension scheme	-	(3,702)	(3,702)
Movement on deferred tax on pension scheme	-	963	963
At 31 March 2012	100	(214,319)	(214,219)
Loss for the financial period	-	(63,494)	(63,494)
Actuarial loss on pension scheme	-	(8,507)	(8,507)
Movement on deferred tax on pension scheme	-	2,042	2,042
At 30 March 2013	100	(284,278)	(248,178)

Company

	Called up share capital £000	*Profit and loss account £000*	*Total share-holders' deficit £000*
At 26 March 2011	100	(192,996)	(192,896)
Loss for the financial period	-	(52,299)	(52,299)
At 31 March 2012	100	(245,295)	(245,195)
Loss for the financial period	-	(74,964)	(74,964)
At 30 March 2013	100	(320,259)	(320,159)

NOTES TO THE FINANCIAL STATEMENTS
for the 52 week period ended 30 March 2013

20 FINANCIAL INSTRUMENTS AND DERIVATIVES

To fund the purchase of the Wightlink Shipping group, MEIF Shipping Limited negotiated a fixed rate intercompany loan at an interest rate of 17%, repayable on demand The company has in place a £192m floating rate term loan, repayable by 31 May 2018 and a £6m revolving credit facility Both facilities are secured upon the assets of the group Details of the facilities are set out in note 16

The loans bear interest at floating rates based on LIBOR In order to fix the interest rate payable on this debt, the company has entered into a number of interest rate swaps for a notional principal amount of approximately £103m maturing in six month tranches until 2016 Under these swaps, the company receives interest on a variable basis and pays interest fixed at 5 096%

The company has also entered into a number of interest rate cap agreements maturing in six month tranches until 2018 The notional principal amount is currently approximately £75m, increasing to £117m by 2018 The interest rate payable on the principle balance covered by the caps is currently 3 5%, increasing to 4 5% by 2018

In order to fix its future fuel cost, the group has also entered into a number of oil price swap agreements for a notional principal amount of £3 5m maturing in monthly tranches until September 2013 The fair value of oil price swaps at period end was a liability of £122,000

i) Financial assets

	At floating interest rates £000	Interest free £000	Group Total £000
30 March 2013			
Sterling cash and deposits	6,030	-	6,030
31 March 2012			
Sterling cash and deposits	5,266	-	5,266

Floating rate financial assets comprise bank deposits bearing interest based on the Bank of England base rate and repayable on demand The financial assets of the group are all denominated in sterling

20 FINANCIAL INSTRUMENTS AND DERIVATIVES (continued)

ii) *Financial liabilities*

	At fixed interest rates £000	At floating interest rates £000	Total £000	Weighted average interest rates %	Group Weighted average period of fixed interest Years
30 March 2013					
Finance leases	-	2,785	2,785	6 34%	0 27
Loans	103,067	94,410	197,477	3 90%	5 16
Amounts owed to parent undertaking	319,768	-	319,768	17 00%	1 00
	422,835	97,195	520,030	11 97%	1 44
31 March 2012					
Finance leases	-	2,793	2,793	6 34%	1 27
Loans	101,143	94,084	195,227	4 17%	6 16
Amounts owed to parent undertaking	273,500	-	273,500	17 00%	1 00
	374,643	96,877	471,520	11 62%	1 54

The financial liabilities of the group are all denominated in sterling

iii) *Maturity of financial liabilities*

	30 March 2013 £000	Group 31 March 2012 £000
In one year or less, or on demand	328,053	276,750
In more than one year, but not more than two years	-	-
In more than two years, but not more than five years	-	2,793
In more than five years	191,977	191,977
	520,030	471,520

iv) *Undrawn committed borrowing facilities*

	30 March 2013 £000	Group 31 March 2012 £000
In more than two years, but not more than five years	-	-
In more than five years	500	2,750
	500	2,750

At the period end the group had £200 0m of committed facilities from an international bank with maturities up to 22 May 2018 (31 March 2012 £200 0m), £197 5m of which was drawn down (31 March 2012 £195 2m)

NOTES TO THE FINANCIAL STATEMENTS
for the 52 week period ended 30 March 2013

21 ANALYSIS OF CASH FLOWS

	52 week period ended 30 March 2013 £000	Group 53 week period ended 31 March 2012 £000
a) Returns on investments and servicing of finance		
Interest received	22	30
Interest paid	(10,347)	(15,161)
Interest element of finance lease repayments	(65)	(70)
Net cash outflow from returns on investments and servicing of finance	(10,390)	(15,201)

	52 week period ended 30 March 2013 £000	Group 53 week period ended 31 March 2012 £000
b) Financing		
New short term loans	2,250	3,250
Repayment of long-term loans	(8)	(23)
Net cash inflow from financing	2,242	3,227

22 RECONCILIATION OF CASH INFLOW TO MOVEMENT IN NET DEBT

	52 week period ended 30 March 2013 £000	Group 53 week period ended 31 March 2012 £000
Increase / (decrease) in cash	544	(1,923)
Cash inflow from increase in loans	(2,250)	(3,250)
Repayment of loans and finance lease obligations	8	93
Cash flow from increase in debt service reserve account (restricted)	10	16
Cash flow from decrease in maintenance capital expenditure reserve account (restricted)	(450)	(2,794)
Cash flow from increase in escrow account (restricted)	660	-
Change in net debt resulting from cash flows	(1,478)	(7,858)
Finance lease adjustment	-	(118)
Interest rolled up into loan principal	(46,268)	(40,236)
Movement in net debt	(47,746)	(48,212)
Net debt brought forward (note 23)	(466,254)	(418,042)
Net debt carried forward (note 23)	(514,000)	(466,254)

23 ANALYSIS OF NET DEBT

	At 31 March 2012 £000	Cash flows £000	Other changes £000	At 30 March 2013 £000
Cash in hand and available on demand	1,443	544	-	1,987
Debt due within one year (note 15)	(276,750)	(2,250)	(46,268)	(325,268)
Debt due after one year (note 16)	(191,977)	-	-	(191,977)
Finance leases (note 16)	(2,793)	8	-	(2,785)
	(471,520)	(2,242)	(46,268)	(520,030)
Debt service reserve account (restricted)	3,373	10	-	3,383
Maintenance capital expenditure reserve account (restricted)	450	(450)	-	-
Escrow account (restricted)	-	660	-	660
Total net debt	(466,254)	(1,478)	(46,268)	(514,000)

Other changes comprise movements in loan interest rolled-up into loan principal

The debt service reserve account of £3,383,000 (31 March 2012 £3,373,000) in the group and the company is subject to restrictions on its use by the group in accordance with the terms of issue of the group's term loan The company is able to make withdrawals from the debt service reserve account to meet its payment obligations under the terms of issue of its term loan if it does not have sufficient funds to do so from other sources

The maintenance capital expenditure reserve account of £nil (31 March 2012 £450,000) is subject to restrictions on its use by the company's subsidiary undertaking, Wightlink Limited, in accordance with the terms of issue of the group's term loan Withdrawals can be made from this account to fund capital expenditure for the maintenance of the group's Victorian Pier at Ryde, provided that the group is not in default under the terms of issue of its term loan Any funds remaining in the account at 31 December 2012 must be used to repay the group's term loan The account was fully drawn by 31 December 2012

The escrow account of £660,000 (31 March 2012 £nil) is subject to restrictions on its use by the company's subsidiary undertaking, Wightlink Limited It is used to provide security to third parties providing fuel hedging facilities to Wightlink Limited

24 CAPITAL COMMITMENTS

Group

	30 March 2013 £000	31 March 2012 £000
Contracted	1,706	547

25 PENSION COMMITMENTS

On 1 December 1996 the Wightlink group established a defined benefit scheme, the Wightlink Pension Scheme ("the Scheme") This Scheme is funded by the payment of contributions to a separately administered trust fund

Group employees who were members of the Sea Containers 1990 and 1983 Pension schemes, both defined benefit schemes operated by the former parent company of Wightlink Limited, were given the option to join the Scheme Those employees who chose not to join were required to establish private personal pension arrangements or enter the State Second Pension Scheme (S2P) In these cases no further obligation falls on the group The Wightlink pension scheme comprises two sections, the "scheme" section and the "plan" section The plan section was closed to new joiners from 1 April 2013 The scheme section was already closed to new entrants

In the latest valuation of the Scheme carried out at 31 December 2011, the assumptions set out below were used to assess the value of the Scheme's assets and liabilities

Investment return	-	4 8% per annum compound
Future rates of growth in pensionable salary	-	2 7% per annum compound
Pension increase rate	-	2 6% per annum compound on the excess over GMP and statutory increase on GMP
Price inflation	-	2 7% per annum compound
Level of funding	-	87%

Pension costs were assessed in accordance with the advice of Cartwright Benefit Consultants Limited, consulting actuaries Triennial valuations of the Scheme are carried out using the projected unit method The most recent valuation was carried out as at 31 December 2011 The net assets of the scheme at this date were £64,325,000

Following completion of the 2011 valuation, the actuary, the company and scheme members have agreed a company contribution rate of 19 1% of pensionable salaries for the scheme section and 14 0% for the plan section with effect from 1 April 2014 Likewise, a member contribution rate of 9 5% of pensionable salaries for the scheme section and 5 8% for the plan section has been agreed with effect from 1 April 2014 In addition, the group has committed to contribute additional payments during the 10 years from 2013 The total of these contributions expected to be made to the Scheme by the group in the period to March 2014 is £804,000 Deficit funding payments of £1,000,000 were made during the period to 30 March 2013 On 10 May 2013, the scheme was closed to new entrants

Punter Southall Consulting Actuaries has updated the results of the full 31 December 2011 valuation based on the projected unit basis to 30 March 2013 The major assumptions used were

	30 March 2013	*31 March 2012*	*26 March 2011*	*27 March 2010*
Inflation assumption	3 5%	2 8%	3 5%	3 7%
Rate of increases in salaries	3 8%	3 3%	4 0%	4 2%
Rate of increases in payment of pension	3 4%	2 2%	3 1%	3 7%
Rate of increase for deferred pensioners	3 4%	2 2%	3 1%	3 7%
Discount rate	4 4%	4 6%	5 5%	5 5%

NOTES TO THE FINANCIAL STATEMENTS
for the 52 week period ended 30 March 2013

25 **PENSION COMMITMENTS** (continued)

The mortality assumptions in the group's actuarial valuations use the standard tables S1NA projected using the medium cohort method in line with members' year of birth

The long-term expected rates of return on assets were

	30 March 2013 %	*31 March 2012* %	*26 March 2011* %	*27 March 2010* %	*28 March 2009* %
Equities	5 3%	5 6%	6 6%	7 2%	6 6%
Bonds (gilt)	2 3%	2 3%	4 2%	4 4%	3 8%
Bonds (non-gilt)	2 3%	3 8%	5 5%	5 5%	6 7%
Property	3 3%	3 6%	5 1%	5 7%	5 1%
Other	2 0%	2 3%	3 9%	4 4%	0 5%

The market value of the assets in the scheme were

	Fair value at 30 March 2013 £000	*Fair value at 31 March 2012* £000	*Fair value at 26 March 2011* £000	*Fair value at 27 March 2010* £000	*Fair value at 28 March 2009* £000
Equities	62,090	52,754	48,514	41,670	30,197
Bonds	11,249	9,047	8,826	7,272	3,951
Property	4,519	4,491	4,327	3,215	394
Other	573	1,241	1,777	1,775	1,660
Total market value of Scheme assets	78,431	67,533	63,444	53,932	36,202
Actuarial value of Scheme liabilities	(88,171)	(69,451)	(62,382)	(65,804)	(41,159)
Pension (liability) / asset	(9,740)	(1,918)	1,062	(11,872)	(4,957)
Related deferred tax asset/(liability)	2,241	460	(287)	-	-
Net pension (liability) / asset	(7,499)	(1,458)	775	(11,872)	(4,957)

Further details on the group's corporation tax position are set out in note 8

25 PENSION COMMITMENTS (continued)

Analysis of amounts charged to operating profit in respect of defined benefit schemes

	At 30 March 2013 £000	*At 31 March 2012 £000*
Current service cost	2,506	2,162
Total charged to operating profit	2,506	2,162

Analysis of amount credited to other finance income in respect of defined benefit schemes

	At 30 March 2013 £000	*At 31 March 2012 £000*
Interest on pension scheme liabilities	3,198	3,387
Expected return on assets in the pension scheme	(3,397)	(3,918)
Net credit to other finance income	(199)	(531)
Total profit and loss charge	2,307	1,631

Analysis of the movement in surplus / (deficit) in the plan during the period

	At 30 March 2013 £000	*At 31 March 2012 £000*
(Deficit) / surplus in the plan at start of period	(1,918)	1,062
Contributions paid	2,992	2,353
Current service cost	(2,506)	(2,162)
Other finance income	199	531
Actuarial loss	(8,507)	(3,702)
Deficit in the plan at end of period	(9,740)	(1,918)

Analysis of amounts recognised in statement of total recognised gains and losses during the period

	At 30 March 2013 £000	*At 31 March 2012 £000*
Gain / (loss) on assets	6,800	(640)
Experience loss on liabilities	(3,141)	(8)
Change in assumptions underlying present value of liabilities	(12,166)	(3,054)
Total loss recognised in statement of total recognised gains and losses	(8,507)	(3,702)

25 PENSION COMMITMENTS (continued)

History of experience gains and losses

	30 March 2013 £000	*31 March 2012 £000*	*26 March 2011 £000*	*27 March 2010 £000*	*28 March 2009 £000*
Difference between expected return and actual return on pension scheme assets					
Amount	6,800	(640)	1,486	13,849	(12,286)
% of plan assets at period end	8 7%	(0 9%)	2 3%	25 7%	(34 0%)
Experience (loss) / gain on plan liabilities					
Amount	(3,141)	(8)	(197)	(86)	1,590
% of plan liabilities at period end	(3 6%)	(0 01%)	(0 3%)	(0 1%)	4 0%
Total actuarial (loss)/gain recognised in statement of total recognised gains and losses					
Amount	(8,507)	(3,702)	9,589	(7,872)	(7,430)
% of plan liabilities at period end	(9 6%)	(5 3%)	15 4%	(12 0%)	(18 0%)

The group also operates a defined contribution pension scheme The group contributions to the scheme for the period ended 30 March 2013 were £147,000 (53 week period ended 31 March 2012 £105,000) Company contributions to the scheme for the period ended 30 March 2013 were £nil (53 week period ended 31 March 2012 £nil) There were no outstanding contributions as at the period end

26 OTHER FINANCIAL COMMITMENTS

At the end of the period the group had annual commitments under non-cancellable operating leases as set out below

	Land and buildings			*Other*
	30 March 2013 £000	*31 March 2012 £000*	*30 March 2013 £000*	*31 March 2012 £000*
Operating leases which expire				
within one year	105	98	71	71
within two to five years	79	66	191	139
in over five years	1,920	1,822	-	-
	2,104	1,986	262	210

27 CONTINGENT LIABILITIES

There are fixed and floating charges over the assets of the group and company in favour of the trustee for the parties providing debt finance to the company The company is a party to a group guarantee in favour of those parties The total amount outstanding under such guarantees at 30 March 2013 amounted to £197,477,000 (31 March 2012 £195,227,000)

28 RELATED PARTIES

The company has taken advantage of the exemption under paragraph 3(c) from the provisions of FRS 8, 'Related Party Disclosures', on the grounds that it is a wholly owned subsidiary of a group headed by Macquarie European Infrastructure Fund LP, whose financial statements are publicly available

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for the 52 week period ended 30 March 2013

29 ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The share capital of the company is owned by MEIF Shipping (Holdings) Limited, a company registered in England and Wales

In the directors' opinion, the company's ultimate parent undertaking and ultimate controlling party is Macquarie European Infrastructure Fund LP, an English limited partnership with its registered office in Guernsey The consolidated financial statements of Macquarie European Infrastructure Fund LP are those of the largest and smallest group of which the company is a member and for which group financial statements have been prepared Copies of these group financial statements, which include the company, are available from PO Box 60, Carinthia House, 9-12 The Grange, St Peter Port, Guernsey