MEIF Shipping Limited

Registered No 5480773

Report and Financial Statements

52 week period ended 27 March 2010

DIRECTORS AND ADVISORS

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

SECRETARY
T Laverty

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

BANKERS
Royal Bank of Scotland plc
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SOLICITORS
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REGISTERED OFFICE
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1 Ropemaker Street
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DIRECTORS' REPORT

The directors present their annual report and the group financial statements for the 52 week period ended 27 March 2010

RESULTS AND DIVIDENDS
The group loss for the period, after taxation, amounted to 25,890,000 (52 weeks ended 28 March 2009 £23,035,000)

The directors do not recommend the payment of a dividend (52 weeks ended 28 March 2009 £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
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 were affected by the UK recession, which depressed both traffic volumes and prices throughout 2009

On 31 March 2009, the group sold the three vessels that had previously been used on its Lymington-Yarmouth route These vessels were replaced by three new purpose-built vessels, introduced into service between February and April 2009 The total cost of this investment was £26m

The group also introduced two new vessels on its Portsmouth-Ryde route during 2009, at a cost of £8 5m The two vessels previously used on the route were sold following the introduction of the new vessels

The group also sold one of the vessels previously used on its Portsmouth-Fishbourne route during 2009 as it was surplus to operating requirements

During the period, the group made a lump sum cash payment of £1 25m to the trustees of the Wightlink pension fund in addition to the regular cash funding of £0 9m

In August 2010, the group closed its Victorian Pier at Ryde to vehicles following a routine maintenance inspection which identified that remedial works were required It is estimated that the works will cost approximately £3 5m and will continue for 6 months

For further details on the business review, including future developments, please refer to the Report and Financial Statements of MEIF Shipping (Holdings) Limited

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

As set out in note 30, on 29 November 2010, the company agreed a restructuring of its financing arrangements with its lenders in order to provide long-term secured funding for the group

Interest rate risk
The group's 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

FINANCIAL RISK MANAGEMENT (continued)

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 during the period and up to the date of signing were as follows

M S W Stanley	(resigned 20 April 2009)	
G I W Parsons		
D P K Bogg	(appointed 16 June 2009)	(resigned 3 November 2010)
R Carroll	(appointed 18 October 2010)	
R Kew	(appointed 23 September 2009)	
J M Pascoe	(appointed 16 June 2009)	
J Walbridge	(appointed 30 October 2009)	
A D Willson	(resigned 9 June 2009)	
S J Edsall	(resigned 16 July 2009)	

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 (52 weeks ended 28 March 2009 £nil)

The group made charitable donations totalling £7,000 during the period (52 weeks ended 28 March 2009 £13,000), 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 46 days purchases (28 March 2009 34 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

DIRECTORS' REPORT

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual 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 the directors have elected to prepare the group and parent company 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 company and of the profit and 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, 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 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 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

29 November 2010

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 27 March 2010 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 Flow 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 Directors' Responsibilities Statement 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 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

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 27 March 2010 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

INDEPENDENT AUDITORS' REPORT
to the members of MEIF Shipping Limited

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
29 November 2010

GROUP PROFIT AND LOSS ACCOUNT
for the 52 week period ended 27 March 2010

	Notes	52 week period ended 27 March 2010 Before exceptional items £000	Exceptional Items £000	Total £000	52 week period ended 28 March 2009 Total £000
TURNOVER	2	53,728	-	53,728	55,006
Net operating costs	3, 4	(43,617)	(535)	(44,152)	(43,163)
OPERATING PROFIT	3, 4	10,111	(535)	9,576	11,843
Bank interest receivable				41	328
Net finance (charge) / income on pension scheme	25			(428)	107
Interest payable and similar charges	7			(35,075)	(35,309)
				(35,462)	(34,874)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION				(25,886)	(23,031)
Tax on loss on ordinary activities	8			(4)	(4)
LOSS FOR THE FINANCIAL PERIOD	18			(25,890)	(23,035)

The results above relate entirely to continuing operations

There is no difference between the results presented above and those on an historical cost basis

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the 52 week period ended 27 March 2010

	Notes	52 week period ended 27 March 2010 £000	52 week period ended 28 March 2009 £000
LOSS FOR THE FINANCIAL PERIOD	18	(25,890)	(23,035)
Actuarial loss on pension scheme	25	(7,872)	(7,430)
TOTAL RECOGNISED LOSSES		(33,762)	(30,465)

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 27 March 2010

	Notes	*27 March 2010 £000*	*28 March 2009 £000*
FIXED ASSETS			
Intangible assets - goodwill	10	63,891	63,891
Tangible assets	11	229,497	228,193
		293,388	292,084
CURRENT ASSETS			
Stocks	13	806	746
Debtors	14	5,186	5,776
Debt service reserve account (restricted)	22	3,344	3,330
Cash reserve account (restricted)	22	3,785	5,021
Disposal proceeds account (restricted)	22	1,246	-
Cash at bank and in hand	22	3,933	6,986
		18,300	21,859
CREDITORS amounts falling due within one year	15	(189,736)	(164,679)
NET CURRENT LIABILITIES		(171,436)	(142,820)
TOTAL ASSETS LESS CURRENT LIABILITIES		121,952	149,264
CREDITORS amounts falling due after more than one year			
Obligations under finance leases and hire purchase contracts	16	(2,654)	(3,900)
Loans	16	(205,581)	(204,800)
		(208,235)	(208,700)
NET LIABILITIES EXCLUDING PENSION DEFICIT		(86,283)	(59,436)
PENSION LIABILITY	25	(11,872)	(4,957)
NET LIABILITIES INCLUDING PENSION DEFICIT		(98,155)	(64,393)
CAPITAL AND RESERVES			
Share capital	17	100	100
Profit and loss account	18	(98,255)	(64,493)
TOTAL SHAREHOLDERS' DEFICIT	18	(98,155)	(64,393)

The financial statements on pages 7 to 33 were approved by the Board and signed on its behalf on 29 November 2010

Parsons

G I W Parsons
Director

29 November 2010

R Carroll

R Carroll
Director

29 November 2010

COMPANY BALANCE SHEET
as at 27 March 2010

	Notes	27 March 2010 £000	28 March 2009 £000
FIXED ASSETS			
Investments	12	262,500	262,500
CURRENT ASSETS			
Debtors	14	-	884
Debt service reserve account (restricted)	22	3,344	3,330
Cash reserve account (restricted)	22	3,785	5,021
Cash at bank and in hand		222	222
		7,351	9,457
CREDITORS amounts falling due within one year	15	(190,247)	(157,115)
NET CURRENT LIABILITIES		(182,896)	(147,658)
TOTAL ASSETS LESS CURRENT LIABILITIES		79,604	114,842
CREDITORS amounts falling due after more than one year			
Loans	16	(205,581)	(204,800)
NET LIABILITIES		(125,977)	(89,958)
CAPITAL AND RESERVES			
Share capital	17	100	100
Profit and loss account	18	(126,077)	(90,058)
TOTAL SHAREHOLDERS' DEFICIT	18	(125,977)	(89,958)

The financial statements on pages 7 to 33 were approved by the Board and signed on its behalf on 29 November 2010

G I W Parsons
Director

29 November 2010

R Carroll
Director

29 November 2010

GROUP STATEMENT OF CASH FLOWS
for the 52 week period ended 27 March 2010

	Notes	52 week period ended 27 March 2010 £000	52 week period ended 28 March 2009 £000
NET CASH INFLOW FROM OPERATING ACTIVITIES	3(iv)	15,483	14,863
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	20	(11,421)	(6,468)
TAXATION			
Taxation paid		(6)	(3)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Payments to acquire tangible fixed assets		(10,479)	(21,215)
Receipts from sales of tangible fixed assets		2,603	-
		(7,876)	(21,215)
NET CASH OUTFLOW BEFORE MANAGEMENT OF LIQUID RESOURCES AND FINANCING		(3,820)	(12,823)
MANAGEMENT OF LIQUID RESOURCES			
Debt service reserve account (restricted) – net cash receipts	21	(14)	(365)
Cash reserve account (restricted) – net cash payments/(receipts)	21	1,236	(5,021)
Disposal proceeds account (restricted) – net cash receipts	21	(1,246)	-
FINANCING	20	791	19,472
(DECREASE) / INCREASE IN CASH	21	(3,053)	1,263

1 ACCOUNTING POLICIES

Basis of preparation

The group financial statements have been prepared under the provision of the Large and Medium-sized Companies and Group (Accounts and Reports) Regulations 2008 (SI 2008/410) 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'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 group's principal operations are not subject to corporation tax and that deferred tax does not arise As described in note 8 Wightlink Limited received correspondence during 2007 from HM Revenue and Customs stating that since 1 July 2005 the company has no longer been eligible for the tonnage tax regime Discussions are continuing with HM Revenue and Customs and the financial statements have been prepared on the assumption that Wightlink Limited's eligibility for the tonnage tax regime continues The Directors are of the opinion that should HM Revenue and Customs' position prevail the group would be required to recognise a deferred tax liability of £7 1m at 27 March 2010 (28 March 2009 £3 6m) Other than this, the Directors believe that there would be no material impact on the amounts reported in these 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 27 March 2010 Subsidiary undertakings have been included in the group accounts using the acquisition method of accounting MEIF Shipping Limited and its subsidiary undertakings have coterminous year 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 is capitalised and amortised through the profit and loss account in the period in which the non-monetary assets to which it relates are recovered

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

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 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 or to receive more 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,

- provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends are recognised when a legal entitlement arises,

- 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

1 **ACCOUNTING POLICIES** (continued)

Deferred taxation (continued)
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

The company's subsidiary undertaking Wightlink Limited is taxed under the Tonnage Tax regime and as a result the provisions relating to deferred taxation under FRS19 – "Deferred Tax" are not applicable to that company Consequently no deferred tax has been provided in relation to that company's financial statements

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 income 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 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

1 **ACCOUNTING POLICIES** (continued)

Pensions (continued)

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

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 recognised in the profit and loss account in respect of capital instruments designated as liabilities is allocated to periods over the term of the instrument at a constant rate on the carrying amount

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 PROFIT**

i) *This is stated after charging*

	52 week period ended 27 March 2010 £000	*52 week period ended 28 March 2009 £000*
Fees payable to the company's auditor and its associates		
- for the audit of the company's annual accounts	-	-
- for the audit of the company's subsidiaries, pursuant to legislation	-	-
- for other services relating to taxation	-	-
- for other services	53	10
Depreciation of owned fixed assets	5,297	3,576
Depreciation of assets held under finance leases	473	589
Loss on disposal of tangible fixed assets	802	-
Operating lease rental - plant and machinery	292	272
- other	1,842	1,773

Fees payable to the company's auditor and its associates for both the audit of the company's annual accounts and other services totalling £86,000 for the period ended 27 March 2010 (2009 £99,000) were paid by the company's parent undertaking, MEIF Shipping (Holdings) Limited These fees are analysed further in note 3 ii) below

The company's parent undertaking also paid insurance costs and other professional services costs of £854,000 for the period ended 27 March 2010 (2009 £200,000) on behalf of the group

NOTES TO THE FINANCIAL STATEMENTS
for the 52 week period ended 27 March 2010

3 OPERATING PROFIT (continued)

ii) *Auditors remuneration*

	52 week period ended 27 March 2010 £000	*52 week period ended 28 March 2009 £000*
Fees payable to the company's auditor and its associates		
- for the audit of the company's annual accounts	14	15
- for the audit of the company's subsidiaries, pursuant to legislation	47	55
- for other services relating to taxation	25	29
- for corporate pensions advisory services	53	-
- for IT related services	-	10
	139	109

iii) *Net operating costs comprise*

	52 week period ended 27 March 2010 £000	*52 week period ended 28 March 2009 £000*
Cost of sales	39,213	39,287
Administrative expenses	4,939	3,876
	44,152	43,163

iv) *Reconciliation of operating profit to net cash inflow from operating activities*

	52 week period ended 27 March 2010 £000	*52 week period ended 28 March 2009 £000*
Operating profit	9,576	11,843
Exceptional items (note 4)	535	-
	10,111	11,843
Depreciation charges	5,770	4,165
Loss on disposal of tangible fixed assets	802	-
Difference between pension charge and cash contributions	(1,385)	(1,189)
(Increase) / decrease in debtors	(294)	413
(Increase) / decrease in stocks	(60)	87
Increase / (decrease) in creditors	539	(456)
Net cash inflow from operating activities	15,483	14,863

NOTES TO THE FINANCIAL STATEMENTS
for the 52 week period ended 27 March 2010

4 EXCEPTIONAL ITEMS

	52 week period ended 27 March 2010 £000	52 week period ended 28 March 2009 £000
Operating costs		
Legal fees	535	-

Legal fees represent costs associated with the introduction of new vessels on the group's Lymington-Yarmouth route and also costs incurred in relation to an investigation into the cross-Solent market undertaken by the Office of Fair Trading during the period These costs primarily relate to amounts paid to advisors

5 DIRECTORS' REMUNERATION

Mr G I W Parsons, Mr M S W Stanley, Mr D Bogg and Mr J Walbridge are subject to service agreements with and are remunerated by Macquarie Bank 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 27 March 2010 £000	52 week period ended 28 March 2009 £000
Directors		
Aggregate emoluments	234	151
Company contributions to money purchase pension schemes	81	69
Compensation for loss of office	105	-
	420	220

No directors are accruing benefits under the group's defined benefit pension scheme (2009 nil)

Highest paid director		
Aggregate emoluments	38	151
Company contributions to money purchase pension schemes	59	69
Compensation for loss of office	105	-
	202	220

6 STAFF COSTS

	52 week period ended 27 March 2010 £000	52 week period ended 28 March 2009 £000
Wages and salaries	18,494	18,504
Social security costs	1,602	1,600
Other pension costs	1,012	924
	21,108	21,028

6 **STAFF COSTS** (continued)

The company had no employees during the current period (52 week period ended 28 March 2009 nil) The average monthly number of employees for the group during the period, excluding directors, was as follows

	52 week period ended 27 March 2010 No	*52 week period ended 28 March 2009 No*
Selling and administrative	115	108
Operating	526	536
	641	644

7 **INTEREST PAYABLE AND SIMILAR CHARGES**

	52 week period ended 27 March 2010 £000	*52 week period ended 28 March 2009 £000*
Bank loans and overdrafts	9,105	12,672
Interest payable to group undertakings	24,947	21,532
Finance lease interest	242	344
Loan cost amortisation charge	781	761
	35,075	35,309

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 27 March 2010 £000	*52 week period ended 28 March 2009 £000*
Current tax		
UK Corporation tax	4	4
Total current tax (note 8(b))	4	4
Deferred tax		
Group deferred tax (note 8(c))	-	-
Tax on loss on ordinary activities during the period	4	4

Wightlink Limited, the group's principal subsidiary undertaking, has elected to be taxed under the Tonnage Tax regime with effect from 1 January 2000 The tax charge has therefore been calculated on the tonnage of the company's fleet and, as a result, the charge in respect of its trading activities for 2010 is £4,000 (52 week period ended 28 March 2009 £4,000) Substantially all of the group's revenues and expenses are therefore regarded as permanent differences

NOTES TO THE FINANCIAL STATEMENTS
for the 52 week period ended 27 March 2010

8 TAX ON LOSS ON ORDINARY ACTIVITIES (continued)

(a) Tax on loss on ordinary activities (continued)
In May 2007 Wightlink Limited received correspondence from HM Revenue and Customs stating that since 1 July 2005 the company has no longer been eligible for the tonnage tax regime Discussions are continuing with HM Revenue and Customs and the financial statements have been prepared on the assumption that Wightlink Limited's eligibility for the tonnage tax regime continues The Directors are of the opinion that should HM Revenue and Customs' position prevail the group would be required to recognise a deferred tax liability of £7 1m at 27 March 2010 (28 March 2009 £3 6m) Other than this, the Directors believe that there would be no material impact on the amounts reported in these financial statements

(b) Factors affecting tax charge for period
The tax assessed on the loss on ordinary activities for the period is higher than the standard rate of corporation tax in the UK of 28% (52 week period ended 28 March 2009 28%) The differences are reconciled below

	52 week period ended 27 March 2010 £000	*52 week period ended 28 March 2009 £000*
Loss on ordinary activities before tax	(25,886)	(23,031)
Loss on ordinary activities multiplied by the standard rate of Corporation tax in the UK of 28% (2009 28%)	(7,248)	(6,449)
Income not subject to Corporation tax (under Tonnage Tax regime)	(2,833)	(3,137)
Excess finance costs subject to corporation tax	2,543	3,458
(Tax losses utilised) / unrelieved tax losses	592	256
Group relief surrendered for nil payment	6,950	5,876
Total current tax (note 8(a))	4	4

(c) Deferred tax
The group has an unrecognised deferred tax asset of £2,900,000 (52 week period ended 28 March 2009 restated £2,315,000) in respect of accumulated non-trading losses and short term timing differences 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 assets or liabilities

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 £36,019,000 (52 week period to 28 March 2009 £34,760,000)

NOTES TO THE FINANCIAL STATEMENTS
for the 52 week period ended 27 March 2010

10 INTANGIBLE FIXED ASSETS

Group	*Goodwill* £000
Cost and Net book value	
At 28 March 2009 and at 27 March 2010	63,891

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 Therefore there is no amortisation charge in the profit and loss account

The company has no intangible fixed assets (28 March 2009 £nil)

11 TANGIBLE FIXED ASSETS

Group	*Land and buildings*					
	Long leasehold £000	*Freehold* £000	*Plant and machinery* £000	*Computer software* £000	*Ships* £000	*Total* £000
Cost						
At 28 March 2009	83,224	98,429	2,820	1,422	57,460	243,355
Additions	121	3,009	337	972	6,040	10,479
Disposals	-	-	-	-	(8,061)	(8,061)
At 27 March 2010	83,345	101,438	3,157	2,394	55,439	245,773
Accumulated depreciation						
At 28 March 2009	5,288	979	1,091	-	7,804	15,162
Provided during the period	1,399	334	286	156	3,595	5,770
On disposals	-	-	-	-	(4,656)	(4,656)
At 27 March 2010	6,687	1,313	1,377	156	6,743	16,276
Net book value						
At 27 March 2010	76,658	100,125	1,780	2,238	48,696	229,497
At 28 March 2009	77,936	97,450	1,729	1,422	49,656	228,193

Included in freehold land and buildings is land valued at cost of £93,882,000 (28 March 2009 £93,882,000) which is not depreciated Included within this freehold land is land held through a licence in perpetuity at £17,212,000 (28 March 2009 £17,212,000)

Freehold land and buildings includes an amount of £4,075,000 (28 March 2009 £624,000) 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 £66,000 (28 March 2009 £96,000) 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 £448,000 (28 March 2009 £228,000) which was not depreciated during the period as the assets were not in commercial use at the period end Ships includes an amount of £914,000 (28 March 2009 £7,652,000) which was not depreciated during the period as the assets were not in commercial use at the period end

NOTES TO THE FINANCIAL STATEMENTS
for the 52 week period ended 27 March 2010

11 **TANGIBLE FIXED ASSETS** (continued)

Plant and machinery above includes assets held under finance leases and hire purchase contracts with a cost of £556,000 (28 March 2009 £556,000) and a net book value of £4,000 (28 March 2009 £26,000) Ships above include assets held under finance leases and hire purchase contracts with a cost of £11,095,000 (28 March 2009 £16,921,000) and a net book value of £8,680,000 (28 March 2009 £11,085,000)

The company has no tangible fixed assets (28 March 2009 £nil)

12 **INVESTMENTS**

Company

	Subsidiary undertakings £000
Cost and net book value	
At 28 March 2009 and 27 March 2010	262,500

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

	27 March 2010 £000	*28 March 2009 £000*
Raw materials and consumables	685	651
Goods for resale	121	95
	806	746

The company has no stock (28 March 2009 £nil)

NOTES TO THE FINANCIAL STATEMENTS
for the 52 week period ended 27 March 2010

14 DEBTORS

	Group		Company	
	27 March 2010 £000	28 March 2009 £000	27 March 2010 £000	28 March 2009 £000
Trade debtors	3,475	2,223	-	-
Other debtors	1,523	1,876	-	884
Prepayments and accrued income	188	1,677	-	-
	5,186	5,776	-	884

15 CREDITORS: amounts falling due within one year

	Group		Company	
	27 March 2010 £000	28 March 2009 £000	27 March 2010 £000	28 March 2009 £000
Obligations under finance leases (note 16)	11	474	-	-
Loans amounts repayable within one year (note 16)	2,500	-	2,500	-
Corporation tax	13	22	-	-
Trade creditors	1,807	1,394	-	-
Amounts owed to parent undertaking	174,076	148,513	173,526	148,578
Amounts owed to fellow subsidiary undertakings	-	-	9,885	1,180
Other taxes and social security costs	452	1,559	-	-
Accruals and deferred income	10,877	12,717	4,336	7,357
	189,736	164,679	190,247	157,115

Amounts owed to parent undertaking incur interest at a rate of 17% per annum (52 week period ended 28 March 2009 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 fellow subsidiary undertakings are repayable on demand and are interest-free (52 week period ended 28 March 2009 interest-free)

NOTES TO THE FINANCIAL STATEMENTS
for the 52 week period ended 27 March 2010

16 CREDITORS amounts falling due after more than one year

i) Obligations under finance leases and hire purchase contracts

		Group
	27 March 2010 £000	*28 March 2009 £000*
Amounts payable		
within one year	189	747
within two to five years	3,168	4,751
Total gross payments	3,357	5,498
Less finance charges allocated to future periods	(692)	(1,124)
	2,665	4,374

Finance leases and hire purchase contracts are classified in the balance sheet as

Current obligations (note 15)	11	474
Non current obligations	2,654	3,900
	2,665	4,374

ii) Loans

		Group		Company
	27 March 2010 £000	*28 March 2009 £000*	*27 March 2010 £000*	*28 March 2009 £000*
Loans are repayable				
Within one year	2,500	-	2,500	-
Between two and five years	206,397	206,397	206,397	206,397
	208,897	206,397	208,897	206,397
Debt issue costs	(816)	(1,597)	(816)	(1,597)
	208,081	204,800	208,081	204,800
Loans are classified in the balance sheet as				
Amounts falling due within one year (note 15)	2,500	-	2,500	-
Amounts falling due after one year	205,581	204,800	205,581	204,800
	208,081	204,800	208,081	204,800

Loans repayable between two and five years comprise amounts advanced under the group's term loan facility, repayable on 22 May 2011 The loan bears interest at floating rates based on LIBOR In order to fix the interest rate payable on this debt, the group has entered into a number of interest rate swaps for a notional principal amount of approximately £143m 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 loan is secured by fixed and floating charges over the assets of the group, including mortgages on the ships

These loans have been restructured since the period end as detailed in note 30 (Post Balance Sheet Events)

Debt issue expenses and other bank charges are recognised in the profit and loss account over the term of the loan at a constant rate to outstanding principal in accordance with FRS 4

17 SHARE CAPITAL

Company

				Authorised
	27 March 2010 No	*28 March 2009 No*	*27 March 2010 £000*	*28 March 2009 £000*
Ordinary shares of £1 each	150,000,000	150,000,000	150,000	150,000

				Allotted, called up and fully paid
	27 March 2010 No	*28 March 2009 No*	*27 March 2010 £000*	*28 March 2009 £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

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

Group

	Share capital £000	*Profit and loss account £000*	*Total share-holders' funds £000*
At 29 March 2008	100	(34,028)	(33,928)
Loss for the financial period	-	(23,035)	(23,035)
Actuarial loss on pension scheme	-	(7,430)	(7,430)
At 28 March 2009	100	(64,493)	(64,393)
Loss for the financial period	-	(25,890)	(25,890)
Actuarial loss on pension scheme	-	(7,872)	(7,872)
At 27 March 2010	100	(98,255)	(98,155)

18 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' DEFICIT AND MOVEMENTS ON RESERVES (continued)

Company

	Share capital £000	*Profit and loss account £000*	*Total share-holders' funds £000*
At 29 March 2008	100	(55,298)	(55,198)
Loss for the financial period	-	(34,760)	(34,760)
At 28 March 2009	100	(90,058)	(89,958)
Loss for the financial period	-	(36,019)	(36,019)
At 27 March 2010	100	(126,077)	(125,977)

19 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

On 23 May 2006, the company negotiated a 5 year floating rate term loan secured upon the assets of the group In order to fix the interest rate payable on this debt, the company entered into a number of interest rate swaps for a notional principal amount of approximately £143m 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%

i) Financial assets

	At floating interest rates £000	*Interest free £000*	*Group Total £000*
27 March 2010			
Sterling cash and deposits	12,216	-	12,216
Euro cash and deposits	92	-	92
Cash and deposits	12,308	-	12,308
28 March 2009			
Sterling cash and deposits	15,148	-	15,148
Euro cash and deposits	189	-	189
Cash and deposits	15,337	-	15,337

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 and euros

19 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*
27 March 2010					
Finance leases	11	2,654	2,665	4 17%	0 38
Loans	143,006	65,075	208,081	4 04%	1 15
Amounts owed to parent undertaking	174,076	-	174,076	17 00%	1 00
	317,093	67,729	384,822	9 92%	1 08
28 March 2009					
Finance leases	30	4,344	4,374	4 84%	1 58
Loans	135,841	68,959	204,800	5 80%	2 17
Amounts owed to parent undertaking	148,513	-	148,513	17 00%	1 00
	284,384	73,303	357,687	10 53%	1 45

The financial liabilities of the group are all denominated in sterling

iii) Maturity of financial liabilities

	27 March 2010 £000	*Group 28 March 2009 £000*
In one year or less, or on demand	176,587	148,987
In more than one year, but not more than two years	208,235	788
In more than two years, but not more than five years	-	207,912
	384,822	357,687

iv) Undrawn committed borrowing facilities

	27 March 2010 £000	*Group 28 March 2009 £000*
In more than two years, but not more than five years	8,100	10,600

At the period end the group had £217 0m of committed facilities from an international bank with maturities up to 22 May 2011 (28 March 2009 £217 0m), £208 9m of which was drawn down (28 March 2009 £206 4m)

These committed facilities have been restructured since the period end as detailed in note 30 (Post Balance Sheet Events)

NOTES TO THE FINANCIAL STATEMENTS
for the 52 week period ended 27 March 2010

20 ANALYSIS OF CASH FLOWS

	52 week period ended 27 March 2010 £000	Group 52 week period ended 28 March 2009 £000
a) Returns on investments and servicing of finance		
Interest received	42	367
Interest paid	(11,221)	(6,491)
Interest element of finance lease repayments	(242)	(344)
Net cash outflow from returns on investments and servicing of finance	(11,421)	(6,468)

	52 week period ended 27 March 2010 £000	Group 52 week period ended 28 March 2009 £000
b) Financing		
New long term loans	-	19,900
New short term loans	2,500	-
Capital element of finance lease rental payments	(1,709)	(428)
Net cash inflow from financing	791	19,472

21 RECONCILIATION OF CASH INFLOW TO MOVEMENT IN NET DEBT

	52 week period ended 27 March 2010 £000	Group 52 week period ended 28 March 2009 £000
(Decrease) / increase in cash	(3,053)	1,263
Cash inflow from increase in loans	(2,500)	(19,900)
Repayment of loans and finance lease obligations	1,709	428
Cash flow from increase in debt service reserve account (restricted)	14	365
Cash flow from (decrease)/increase in cash reserve account (restricted)	(1,236)	5,021
Cash flow from increase in disposal proceeds account (restricted)	1,246	-
Change in net debt resulting from cash flows	(3,820)	(12,823)
Amortisation of debt issue costs	(781)	(761)
Interest rolled up into loan principal	(25,563)	(21,556)
Movement in net debt	(30,164)	(35,140)
Net debt brought forward (note 22)	(342,350)	(307,210)
Net debt carried forward (note 22)	(372,514)	(342,350)

22 ANALYSIS OF NET DEBT

	At 28 March 2009 £000	*Cash flows £000*	*Other changes £000*	*At 27 March 2010 £000*
Cash in hand and available on demand	6,986	(3,053)	-	3,933
Debt due within one year (note 15)	(148,513)	(2,500)	(25,563)	(176,576)
Debt due after one year (note 16)	(204,800)	-	(781)	(205,581)
Finance leases (note 16)	(4,374)	1,709	-	(2,665)
	(357,687)	(791)	(26,344)	(384,822)
Debt service reserve account (restricted)	3,330	14	-	3,344
Cash reserve account (restricted)	5,021	(1,236)	-	3,785
Disposal proceeds account (restricted)	-	1,246	-	1,246
Total net debt	(342,350)	(3,820)	(26,344)	(372,514)

Other changes comprise movements in unamortised issue expenses and loan interest rolled-up into loan principal

The debt service reserve account of £3,344,000 (2009 £3,330,000) 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 cash reserve account of £3,785,000 (2009 £5,021,000) 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 Withdrawals can only be made from this account to fund the Wightlink pension scheme and provided that the group and the company is not in default under the terms of issue of its term loan During the year, a payment of £1,250,000 was made directly from the cash reserve account to the pension scheme This has been included in the net cash flows disclosed above

The disposal proceeds account of £1,246,000 (2009 £nil) in the group is subject to restrictions on its use by the group in accordance with the terms of issue of the group's term loan Withdrawals can be made from this account to fund capital expenditure within twelve months of such funds being received on disposal of a fixed asset, provided that the group is not in default under the terms of issue of its term loan

The group's term loan under which these restrictions are in place have been restructured since the period end as detailed in note 30 (Post Balance Sheet Events) As part of this restructuring, the funds within the disposal proceeds account were utilised to repay outstanding debt

23 MAJOR NON CASH TRANSACTIONS

During the period amortisation of deferred debt issue expenses of £781,000 (52 week period ended 28 March 2009 £761,000) was recognised in the profit and loss account in accordance with the requirements of FRS 4

24 CAPITAL COMMITMENTS

Group

	27 March 2010 £000	28 March 2009 £000
Contracted	-	7,406

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 remains open to new joiners, whereas the scheme section is closed to new entrants

In the latest valuation of the Scheme carried out at 31 December 2008, the assumptions set out below were used to assess the value of the Scheme's assets and liabilities

Investment return	-	5 7% per annum compound
Future rates of growth in pensionable salary	-	3 6% per annum compound
Pension increase rate	-	2 5% per annum compound on the excess over GMP and statutory increase on GMP
Price inflation	-	2 6% per annum compound
Level of funding	-	75%

Pension costs were assessed in accordance with the advice of Heath Lambert Consulting 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 2008 The net assets of the scheme at this date were £39,612,000

Following completion of the 2008 valuation, the actuary, the company and scheme members have agreed a company contribution rate of 14 5% of pensionable salaries for the scheme section and 12 0% for the plan section with effect from 1 July 2010 Likewise, a member contribution rate of 12 0% of pensionable salaries for the scheme section and 5 8% for the plan section has been agreed with effect from 1 July 2010 In addition, the group has committed to contribute additional payments during the 8 years from 2010 The total of these contributions expected to be made to the Scheme by the group in the period to March 2011 is £3,800,000 Deficit funding payments of £1,250,000 were made during the period to 27 March 2010

NOTES TO THE FINANCIAL STATEMENTS
for the 52 week period ended 27 March 2010

25 PENSION COMMITMENTS (continued)

Heath Lambert Consulting Limited has updated the results of the full 31 December 2008 valuation based on the projected unit basis to 27 March 2010 The major assumptions used were

	At 27 March 2010	*At 28 March 2009*	*At 29 March 2008*
Inflation assumption	3 70%	2 70%	3 50%
Rate of increases in salaries	4 20%	3 20%	4 00%
Rate of increases in payment of pension	3 70%	2 70%	3 50%
Rate of increase for deferred pensioners	3 70%	2 70%	3 50%
Discount rate	5 50%	6 70%	6 90%

The mortality assumptions in the group's actuarial valuations use the standard tables PCA00 projected using the medium cohort method in line with members' year of birth

The long-term expected rates of return on assets were

	27 March 2010 %	*28 March 2009 %*	*29 March 2008 %*	*31 March 2007 %*	*31 December 2005 %*
Equities	7 20%	6 60%	7 25%	7 50%	7 50%
Bonds (gilt)	4 40%	3 80%	4 50%	4 75%	4 25%
Bonds (non-gilt)	5 50%	6 70%	6 80%	5 40%	5 00%
Property	5 70%	5 10%	5 75%	6 00%	6 50%
Other	4 40%	0 50%	5 25%	5 00%	3 00%

The market value of the assets in the scheme were

	Fair value at 27 March 2010 £000	*Fair value at 28 March 2009 £000*	*Fair value at 28 March 2008 £000*	*Fair value at 31 March 2007 £000*	*Fair value at 31 December 2005 £000*
Equities	41,670	30,197	33,745	34,028	24,421
Bonds (gilt)	4,567	1,744	5,118	4,691	2,824
Bonds (non-gilt)	2,705	2,207	2,404	2,051	2,024
Property	3,215	394	782	1,034	658
Other	1,775	1,660	612	31	168
Total market value of Scheme assets	53,932	36,202	42,661	41,835	30,095
Actuarial value of Scheme liabilities	(65,804)	(41,159)	(42,734)	(50,047)	(45,696)
Pension liability	(11,872)	(4,957)	(73)	(8,212)	(15,601)

NOTES TO THE FINANCIAL STATEMENTS
for the 52 week period ended 27 March 2010

25 **PENSION COMMITMENTS** (continued)

No deferred tax asset has been recognised in respect of the pension liability due to the group being part of the Tonnage Tax regime (see note 8a)

Analysis of amounts charged to operating profit in respect of defined benefit schemes	*At 27 March 2010 £000*	*At 28 March 2009 £000*
Current service cost	926	935
Total charged to operating profit	926	935

Analysis of amount credited to other finance income in respect of defined benefit schemes	*At 27 March 2010 £000*	*At 28 March 2009 £000*
Interest on pension scheme liabilities	2,711	2,906
Expected return on assets in the pension scheme	(2,283)	(3,013)
Net charge / (credit) to other finance income	428	(107)
Total profit and loss charge	1,354	828

Analysis of the movement in deficit in the plan during the period	*At 27 March 2010 £000*	*At 28 March 2009 £000*
Deficit in the plan at start of period	(4,957)	(73)
Contributions paid	2,311	3,537
Current service cost	(926)	(935)
Expenses paid	-	(163)
Other finance income	(428)	107
Actuarial (loss) / gain	(7,872)	(7,430)
Deficit in the plan at end of period	(11,872)	(4,957)

Analysis of amounts recognised in statement of total recognised gains and losses during the period	*At 27 March 2010 £000*	*At 28 March 2009 £000*
Gain / (loss) on assets	13,849	(12,286)
Experience (loss) / gain on liabilities	(86)	1,590
Change in assumptions underlying present value of liabilities	(21,635)	3,266
Total loss recognised in statement of total recognised gains and losses	(7,872)	(7,430)

NOTES TO THE FINANCIAL STATEMENTS
for the 52 week period ended 27 March 2010

25 PENSION COMMITMENTS (continued)

History of experience gains and losses

	27 March 2010 £000	*28 March 2009 £000*	*29 March 2008 £000*	*31 March 2007 £000*	*31 December 2005 £000*
Difference between expected return and actual return on pension scheme assets					
Amount	13,849	(12,286)	(5,394)	3,167	1,733
% of plan assets at year end	25 7%	(34 0%)	(13 0%)	8 0%	6 0%
Experience (loss) / gain on plan liabilities					
Amount	(86)	1,590	(2,602)	(675)	(1,121)
% of plan liabilities at year end	(0 1%)	4 0%	(6 0%)	(1 0%)	(2 0%)
Total actuarial loss recognised in statement of total recognised gains and losses					
Amount	(7,872)	(7,430)	5,708	2,875	612
% of plan liabilities at year end	(12 0%)	(18 0%)	13 0%	6 0%	1 0%

The group also operates a defined contribution pension scheme The group contributions to the scheme for the period ended 28 March 2009 were £86,000 (52 week period ended 28 March 2009 £96,000) Company contributions to the scheme for the period ended 28 March 2009 were £nil (52 week period ended 28 March 2009 £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 29 March 2010 £000	*28 March 2009 £000*	*Other 29 March 2010 £000*	*28 March 2009 £000*
Operating leases which expire				
within one year	95	89	102	91
within two to five years	73	70	140	164
in over five years	1,674	1,614	-	-
	1,842	1,773	242	255

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 27 March 2010 amounted to £208,897,000 (28 March 2009 £206,397,000) The financing arrangement to which these contingent liabilities relate have been restructured since the period end as set out in note 30 (Post Balance Sheet Events)

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 MEIF Luxembourg Holdings SA, whose accounts are publicly available

NOTES TO THE FINANCIAL STATEMENTS
for the 52 week period ended 27 March 2010

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 The consolidated financial statements of MEIF Shipping (Holdings) Limited are those of the smallest group of which the company is a member and for which group financial statements have been prepared

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 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

30 POST BALANCE SHEET EVENTS

In August 2010, the group closed its Victorian Pier at Ryde to vehicles following a routine maintenance inspection which identified that remedial works were required It is estimated that the works will cost approximately £3 5m and will continue for 6 months

On 29 November 2010, the company agreed a restructuring of its financing arrangements with its lenders in order to provide long-term secured funding for the group with effect from 30 November 2010

The revised facilities comprise a term loan of £192m repayable by 31 May 2018 The loan bears interest at floating rates based on LIBOR In order to fix the interest rate payable on this debt, the group has entered into a number of interest rate swaps for a notional principal amount of approximately £143m 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 remainder of the debt is subject to an interest rate cap of 4 5% The loan is secured by fixed and floating charges over the assets of the group, including mortgages on the ships

As part of the refinancing process, the company's shareholder, MEIF Shipping Holdings Limited, provides additional shareholder funding of £28 5m which will be utilised to repay a portion of the group's previous term loan, settle fees incurred in relation to the refinancing and provide sufficient funding to carry out repairs to the group's Victorian Pier at Ryde