

BEFORE THE PLANNING INSPECTORATE

SECRETARY OF STATE

DEPARTMENT FOR TRANSPORT

VIRTUAL PUBLIC INQUIRY

B E T W E E N :

THE BOURNEMOUTH-SWANAGE MOTOR ROAD & FERRY COMPANY INC.

Applicant

APPLICATION TO INCREASE CERTAIN TOLL CHARGES

FEBRUARY 2020

INDEX FOR VIRTUAL PUBLIC INQUIRY BUNDLE
VOLUME I

Tab	Document	Date	Page No.
1.	INDEX	December 2020	1
2	Application to increase certain toll charges	February 2020	4
3	Appendix 1 – Assumptions within the financial forecasts	February 2020	12
4	Appendix 2 - Forecast Profit & Loss accounts for the 13 years to 31 st March 2032	February 2020	15
5	Appendix 3 – Forecast year end balance sheets for the 13 years to 31 st March 2032	February 2020	17
6	Appendix 4 – Forecast dividends and return on investment	February 2020	19
7	Appendix 5 – Comparisons with industry averages	February 2020	21
8	Appendix 6 – Summary of Costs for the 5 years from 2015 to 2019	February 2020	26
9	Appendix 7 – Monthly traffic volume averages for the 6 years from April 2013 to March 2019	February 2020	27
10	Appendix 8 – Income workings for 13 years to 31 st March 2032	February 2020	28

11	Appendix 9 – Cash flow analysis	February 2020	29
12	Appendix 10 – Annual Report and Financial Statement for year ended 31 st March 2019	31 st March 2019	31
13	Appendix 11 – Burness Corlett Three Quays. (“BCTQ”) Plan Maintenance & Replacement Costing Rev.	28 th March 2019	53
14	Appendix 12 – Correspondence from Handels Banken Plc to the Directors of The Bournemouth-Swanage Motor Road & Ferry Company Inc.	23 rd April 2019	65
15	Appendix 13 – Copy letter from Fairacres Group Limited to The Secretary of State, Department for Transport; containing an undertaking.	24 th February 2020	67
16	Sandbanks Ferry Company Press Release regarding toll increase application	9 th March 2020	69
17	Advertisement notice of the application	Undated	71
18	The Bournemouth-Swanage Motor Road & Ferry Company Inc. – proposed Future Toll Plans	February 2020	72
19	The Bournemouth-Swanage Motor Road & Ferry Company Inc. – Interim Replacement Vehicle Ferry Service briefing note	February 2020	75
20	The Bournemouth-Swanage Motor Road & Ferry Company Inc. – Statement of community involvement 2019/2020	11 th February 2020	78
21	The Bournemouth-Swanage Motor Road & Ferry Company Inc. – Annual Report and Financial Statements for the year ended 31 st March 2020	31 st March 2020	81
22	The Bournemouth-Swanage Motor Road & Ferry Company Inc. – Management Accounts (profit & loss) for half year end 30 th September 2020.	12 th October 2020	100
23	The Bournemouth-Swanage Motor Road & Ferry Company Inc. – Management accounts (balance sheet) for half year end 30 th September 2020.	12 th October 2020	105
24	Gerald Eve LLP Valuation Report of The Bournemouth-Swanage Motor Road & Ferry Company Inc (redacted)	31 st March 2015	106
25	Planning Inspectorate Pre-Inquiry Note (ref: DPI/G1250/20/9)	Undated	139
26	Planning Inspectorate Pre-Inquiry Note - ADDENDUM	Undated	143

27	Sandbanks Ferry Company “Green Commitment” Press Release	Undated	144
28	Public Inquiry Adjournment Note (by email)	18 th November 2020	146
29	Supplementary Statement of Tim Hope – BCTQ	9 th December 2020	148
30	Supporting Statement of Richard Glenwright (Gerald Eve LLP)	9 th November 2020	153
31	Financial Statement of Kevin Thomas (Rickard Luckin)	9 th December 2020	158
32	Appendices 2.1-7 to the Financial Statement of Kevin Thomas – Revised Financial Projections	9 th December 2020	173
33	Appendix 8 – to the Financial Statement of Kevin Thomas	9 th December 2020	186
34	Appendix 9 – to the Financial Statement of Kevin Thomas Cash Flow Analysis	9 th December 2020	188
35	Statement of Michael Kean	9 th December 2020	190

The Bournemouth-Swanage Motor Road and Ferry Company

(Incorporated by Act of Parliament 31 July 1923)

Application to Increase Certain Toll Charges

February 2020

Contents

PAGE No.

1	Background and History of the Company	3 - 4
2	General Notes Regarding This Application	4 - 6
3	Reasons for the Application	6 - 7
4	Conclusion	8

APPENDICES

1	Assumptions Within the Forecasts
2	Forecast Profit and Loss Accounts for the period ending 31 March 2032
2.1	Assuming no proposed increase in toll charges
2.2	Assuming an increase in toll charges
3	Forecast Year End Balance Sheets for the period ending 31 March 2032
3.1	Assuming no proposed increase in toll charges
3.2	Assuming an increase in toll charges
4	Forecast Dividends and Return On Investment
4.1	Assuming no proposed increase in toll charges
4.2	Assuming an increase in toll charges
5	Comparisons With Industry Averages
5.1	Data Table
5.2	Graph of PBT/Shareholders' Funds vs. SIC 6120 Averages
5.3	Graph of PBT/Shareholders' Funds vs. SIC 6110 Averages
5.4	Graph of trends: 2013 to 2019 actuals and 2020 to 2032 forecast assuming no proposed increase in toll charges
5.5	Graph of Trends: 2013 to 2019 actuals and 2020 to 2032 forecast assuming an increase in toll charges
6	Summary of Costs for the 5 Years from April 2014 to March 2019
7	Average Monthly Traffic Volumes for the 6 Years 2013 to 2018
8	Income Workings for the period ending 31 March 2032 assuming toll increases
9	Forecast Cash Flow Analysis for the period ending 31 March 2032
9.1	Assuming no proposed increase in toll charges
9.2	Assuming an increase in toll charges
10	Financial Statements for the year ended 31 March 2019
11	BCTQ Planned Maintenance & Replacement Costings Report 28 March 2019
12	Letter From Company Bankers 23 April 2019
13	Undertaking from Parent Company 24 February 2020

1 BACKGROUND AND HISTORY OF THE COMPANY

- 1.1 The Company was set up under the provisions of The Bournemouth-Swanage Motor Road And Ferry Act 1923. This Act established a legal obligation to provide and maintain a more direct means of transport between Swanage and Bournemouth than had existed before that time.
- 1.2 Subsequent Acts in 1928, 1956 and 1986 changed and modified provisions governing the Company's powers, its ability to raise finance, regulate its business in general and to collect tolls for the maintenance and improvement of the undertaking.
- 1.3 Toll charges are currently regulated by the Transport Charges & c (Miscellaneous Provisions) Act, 1954, as amended by The Bournemouth-Swanage Motor Road And Ferry Act 1986 to provide for the day-to-day running costs of the company, items of capital replacement, and a reasonable return on the investment.
- 1.4 **History**
 - 1.4.1 The Company, established by The Bournemouth-Swanage Motor Road and Ferry Act 1923, began operating the present service in July 1926. The Toll Schedule and Charges permitted then were as agreed by Parliament and formed part of the 1923 Act.
 - 1.4.2 There was a proposal to replace the ferry, or Floating Bridge, with a fixed bridge of steel girder construction in 1929. However, the Private Bill necessary failed to win the support of Parliament and was consequently not proceeded with either then or since.
 - 1.4.3 A larger, diesel-electric powered vessel replaced the steam-driven ferry in 1958. This vessel was itself replaced by an even larger, diesel-hydraulic powered craft, the "Bramble Bush Bay" (currently in service) in January 1994.
 - 1.4.4 Originally the Company's shares were quoted on the London Stock Exchange; this ceased when a property company acquired a majority shareholding in the early 1960's and the Company became an asset of the parent company. In 1983 the Company was purchased by Silvermist Properties (Residential Developments) Limited (formerly called Silvermist Properties (Chelmsford) Limited), (SMP). In 1995 the Group was re-structured to give a much clearer division of its activities with the Ferry Company and SMP becoming direct subsidiaries of a new holding company, Fairacres Group Limited.
 - 1.4.5 When taken over by SMP the whole of the ferry undertaking was in a badly run down condition, having been grossly neglected for many years by its previous owners.
 - 1.4.6 An indication of the poor condition and inadequate management of the operation may be gauged by the fact that a Closure Notice had been served on the Company by the Health & Safety Executive, the reason for this being the rectification and repair of dangerous and unsafe equipment and the installation of proper fire-fighting and life-saving apparatus. In the view of the Health & Safety Executive, the ferry was unsafe for both the staff and the public and was not permitted to operate until the various matters had been attended to and the dangerous faults corrected.
 - 1.4.7 The foregoing illustrates the very low level of care and maintenance that had been applied to the ferry by its previous owners. The same neglect had also affected all the Company's premises and other facilities.
 - 1.4.8 Since 1983 there has been a huge investment in the undertaking. This has ranged from replacing vermin-infested timber huts, the then offices of the undertaking, with purpose designed conventional brick

buildings, providing a supply of both mains electricity and water, all of which had to be brought to site over a distance of some three miles, and the provision of proper sanitation and heating. Concurrently and subsequently to the above-mentioned works, the slipways at North and South Haven were widened (to accommodate a larger vessel), new tollbooths were constructed, complete with traffic barriers, an automated toll collection system and a roundabout at the ferry end of the road allowing safer turning of vehicles.

1.4.9 The number of crossings within the framework of the various operating hours has increased under the current ownership, as have the number of operating hours, thereby compounding the effect to give a better service. The high point of this almost continuous investment and improvement programme was the placing of the order for the new ferry "Bramble Bush Bay" in 1992 and culminated in a complete rebuild of both slipways in 2008.

1.4.10 Since 1983, and aside from the original purchase price, the present owners have ploughed back over £7.5million into the Company. The main items of investment are as itemised in the previous paragraphs. This investment secured the future of the Company, it has reversed the gross neglect and mismanagement of earlier years, it will ensure a first class service for present and future users and, not least, it has secured the employment locally of 27 permanent staff and an additional 6 seasonal employees.

2 GENERAL NOTES REGARDING THIS APPLICATION

2.1 There are two sets of projections included in the appendices to this application. The first set shows the current and following 12 years on the basis that no increase in tolls is made. The second (for the same time period) assumes that this application is successful and toll charges are increased. The two scenarios have only been included so that the necessity for an increase in tolls can be clearly demonstrated.

2.2 The suggested toll increases are set out fully in Appendix 8 and are summarised below.

CLASS OF TRAFFIC	Current Maximum Toll Chargeable - £	Proposed Maximum Toll Chargeable - £
Pedestrian (Sandbanks to Shell Bay)	1.00	1.50
Pedestrian (Shell Bay to Sandbanks)	Nil	Nil
Pedal or motor cycle	1.00	1.50
Passenger vehicle ≤ 17 persons (cars & light vans)	4.50	6.75
Passenger vehicles > 17 persons (coaches)	9.00	13.50
Goods vehicles > 3,500kg & ≤ 20,000kg (trucks)	9.00	13.50

As set out in Appendix 8, the Directors have increased cash tolls wef 01 April 2020 by only between a 5% & 5.56% increase on the last approved Maximum Tolls Chargeable (MTC) amounts set under the last Toll Revision Order made in February 2015. This represents less than half the rate of inflation since that point in time. Tolls for motorbikes, bicycles & pedestrians have not increased since November 2009.

Thereafter cash tolls are shown to grow at an assumed 3% rate of inflation (Appendix 1, Section 1.21) and the Directors undertake (after the initial rise assuming this application is approved) to limit cash toll increases to inflation. This will be calculated by using the initial uplifted cash toll charges (those shown in

Appendix 8 as wef April 2020) as a starting point. Tolls for any given financial year will then be determined according to the preceding January's RPI figure (using the January 2020 RPI All Items Index 'basket' figure of 290.6 as a base point for all future calculations) and will be rounded down to the nearest 5p. This pricing strategy will eradicate the inconsistent toll increases experienced by passengers in the past.

- 2.3 The cost of Sandbanks Ferry Ticket Card (SFTC) Passes (advance purchases previously known as book tickets) are currently discounted by between 10% and 24% depending on the amount bought and class of traffic compared to cash tolls. Under the these proposals, the Ferry Company will freeze the current charges for all vehicles and apply greater levels of discounts from the MTC for advance purchases until they reach 26% & 30% respectively to the Indexed Cash Toll, which (in Appendix 8) is shown to be from 1st April 2021. Bulk purchase costs for bikes, motorbikes & pedestrians are shown not to rise (in the same way) until at least 2025, in an effort to promote more environmentally friendly transport usage.

The Company is committed to ensuring that SFTC Pass prices remain at those higher levels of discount. These pricing strategies reduce the burden on 'greener' and regular customers, even more so for those unable to purchase larger quantities in advance.

- 2.4 The Directors obtained an independent professional estimate of the replacement cost of the ferry (Appendix 11) in March 2019. Allowing for actual inflationary increases to date and assumed inflation rates for the future (Appendix 1, Section 1.21), the forecast cost (excluding delivery) for a like for like Diesel Hydraulic replacement will be £12.8m in 2032. This is when the Directors are advised it would be prudent to be in a financial position to replace the current ferry.

- 2.5 Section 3.1 of this application shows that, in order to be in a position to replace the ferry in 2032; the Company would have to transfer an average £426k per annum to the ferry replacement reserve in the current and following 12 years. The required value of the ferry replacement reserve at 31 March 2032 should be the projected replacement cost of the ferry of £12.8m, less borrowings that can currently be up to £5m.

In the No Toll Increase scenario transfers are made to & from the replacement reserve after paying out a reasonable level of dividend to the shareholders (see section 3.3) and the 31 March 2032 target is not met.

In the case of this application being approved the projected shortfall will be only £3.81m at 31 March 2032 after transfers are made only to (& not from) the replacement reserve and before paying out less than reasonable levels of dividends. In these circumstances therefore the shortfall would have to be found by seeking additional funding, which as can be seen in the letter from the Company's Bankers (Appendix 12) would have to be by way of a loan from the Parent Company.

The Company has received a written undertaking from its Parent Company (Appendix 13) setting out its commitment to ensure the necessary funding is in place at the requisite time.

- 2.6 The Company has not paid dividends for over 2 years and will not be in a position to do so until 2021. Dividends proposed for the twelve year period thereafter (Appendixes 2 & 4) average a mere 6.1% pa with no increase in tolls and a less than reasonable 4.3% with an increase. As can be seen at Appendix 5 the rates of return developed in this application are less than comparable industry averages.
- 2.7 A factor affecting the operation every other year is the refit work carried out to the ferry in order to achieve the high standards of service expected. As a result, the vessel is out of action for between two and nine weeks and there is a corresponding drop in income in the financial years concerned. A further impact on profits in those years is the cost of this refit itself.

The next refit is in the financial year ended 31 March 2021. Therefore, in the financial years ending 31 March 2021, 2023, 2025, 2027, 2029 and 2031 lower levels of income (and hence profits) are forecast than in the intervening financial years.

Future refits will involve a Major refit every four years in the financial years ending 31 March 2023, 2027 and 2031. A Minor refit is scheduled in the financial years ending 31 March 2021, 2025 and 2029.

The estimated costs of a Major refit as at 31 March 2019 is £946k and a Minor refit £315k. The ferry is expected to be out of service for six to nine weeks during a Major refit and two to three weeks during a Minor refit.

3 REASONS FOR THE APPLICATION

3.1 Replacing the Ferry

- 3.1.1 In order to maintain the high standards of service and reliability expected, the Directors are advised that it will be necessary to be in a position to replace the ferry by 31 March 2032 at which time it is projected that the replacement cost of the ferry will be £12.8m (see section 2.4).
- 3.1.2 The ferry replacement reserve at 31 March 2019 was £2.6m. Therefore, in order to be in a position to bring the ferry replacement reserve to the projected amount of £12.8m to be in a position to replace the ferry in 2032, total transfers per annum will need to average £426k in the current and following 12 years. This is only possible in some of the years if a less than reasonable levels of dividends are paid. The shortfall in the ferry replacement reserve would have to be found by seeking additional funding at the time the ferry is replaced.
- 3.1.3 It is the Directors' responsibility to retain existing & attract future investment in the Company. To do this they must ensure that the owners receive a satisfactory level of return on their investment (see section 3.3). The application of the future dividend policy set out in section 2.6 goes some way toward this; however it does mean that the target replacement reserve for the ferry will not be met (see section 2.5) unless this Application is approved.
- 3.1.4 As can be seen in Appendix 4, the proposed dividends represent an average annual return of just 4.3% of the Company's net asset value over the next twelve years if the application is approved and the average Return on Investment (Profits After Tax as a percentage of Total Net Assets) is a mere 6.2% per annum.

3.2 Shortfall in Cash Vs the Value of the Ferry Replacement Reserve

- 3.2.1 An examination of the projected balance sheets of the company at each financial year end show that appropriate investments (represented by the cash funds on hand) do not match the value of the Ferry Replacement Reserve. As at 31 March 2019, cash on hand in the balance sheet was £2.109m compared to the replacement reserve value of £2.566m. This is a shortfall of £457k.
- 3.2.2 A shortfall will arise as the company's cash on hand will fluctuate dependent upon the daily working capital requirements of the business. In addition, the transfer to the Ferry Replacement Reserve is an appropriation of profit and not a cash transfer (the cash available being the profit for the year adjusted for non revenue amounts such as corporation tax paid; dividends paid; fixed assets bought and sold; and changes to debtors, creditors and stocks).
- 3.2.3 If this application is successful, the forecast cash on hand will rise to £8.894m at 31 March 2032 (see Appendix 9.2). This is a reduced cash deficit of just £91k compared to the projected value of the ferry replacement reserve at that time of £8.985m.

3.3 Ongoing Ability to Provide a Reasonable Return on the Investment

- 3.3.1 The Ferry Company's 1986 Act recognises that the operation of the ferry service should provide "reasonable return" to the Company's owners.
- 3.3.2 As there are no set guidelines, what constitutes "reasonable" will always be subjective. Registered investment advisor Ibbotson and Associates analyse long-term performance of stocks, bonds, treasury bills and inflation. Arithmetic average annual return on 100% bonds investments, which would be deemed low-risk, is calculated at 6.1%. It is the Directors' belief that, bearing in mind the Company's assets are not as readily convertible into cash, along with the business risks attached to running such an operation, a higher return on investment should be expected than that achievable through investing in bonds.
- 3.3.3 The tables at Appendix 4.1 and 4.2 show the forecast returns on investment and dividends for the next twelve years, following a two year period without the Company paying any dividends.
- 3.3.4 Appendix 4.1 shows the situation if no toll increase is granted. The average Return on Investment (Profits After Tax as a percentage of Total Net Assets) for the forecast period covering the twelve financial years ending 31 March 2021 to 2032 would be 3.5%. Conversely, Appendix 4.2, demonstrates that if tolls are increased, the average return on investment rises to 6.2%
- 3.3.5 From the owners' perspective, dividends received represent their true return on investment, and the above rates of return without a toll increase are less than that achievable through investment markets.
- 3.3.6 It is quite clear from these statistics that, in order for the operation to provide a reasonable return to its owners in future, an increase in toll charges is necessary.
- 3.3.7 A further way to assess whether the Company's return on investment is reasonable is by way of comparison with other companies in similar industries.
- 3.3.8 Using data from www.riskdisk.com, Appendix 5.1 compares the Company's actual and forecast returns with other companies in similar industries. While RiskDisk gives different ratios that are relevant to measuring returns, the closest of these to the financially accepted measure of "return on investment" is Profit before Tax as a percentage of Shareholder's Funds.
- 3.3.9 When comparing the Ferry Company's Profit before Tax as a percentage of Shareholder's Funds to those of the companies within SIC code 6120 'Inland Water Transport' (Appendix 5.2) and SIC code 6110 'Passenger Sea and Coastal Water Transport' (Appendix 5.3), the return achieved by the company has not once met the median point in the past and does not ever in the future, even with a toll increase.
- 3.3.10 While other ratio comparisons have not been summarised graphically, the data table at Appendix 5.1 shows that the Company's Profit Before Tax as a percentage of Sales is much more favourable than other companies in similar industries. It also shows that the company's Sales as a percentage of Total Assets is much lower than these companies. This would suggest that the Company is more effective at controlling its costs and generating profits from the resources it purchases. At the same time, it requires a much larger investment to generate revenue than other companies in similar industries.
- 3.3.11 Appendix 5.4 (assuming no toll increase) shows in graphical form four ratios covering actual data from 2013 to 2019, and forecast data from 2020 to 2032, that clearly demonstrates a downward trend. Appendix 5.5 however shows the same ratios but for the forecast data assuming an increase in the toll rates (as applied for) which results in a slowly increasing trend being clearly visible across the time period, for all the ratios.

4 CONCLUSION

- 4.1 The Directors cannot predict future traffic volumes but have assumed them to remain static in the forecasts based on average historical traffic volume data (see Appendix 7.3 that shows the trend to be fairly constant) which has proven to be very accurate in preparing previous forecasts.
- 4.2 The Company has two main objectives:
- From a public service point of view, to be able to provide and maintain a safe, reliable and cost effective ferry service.
 - To provide a reasonable return on the investment to its owner.
- 4.3 To realise the first objective, it is necessary to replace the ferry when needed and for the new ferry to be of a more modern and efficient design than the present with an even lower environmental impact. This is achieved through the owner's on-going reinvestment in the ferry company and the value of the ferry service itself.
- 4.4 Using the ferry has a positive environmental impact and saves money for motorists. On the assumption that the average motor vehicle journey is from Bournemouth to Swanage, a saving of at least 12 miles is achieved by using the ferry. Based on HMRC approved mileage rates of 45p per mile the average cost saved using the ferry is £5.40. In an average non refit year, there are 788,000 motor vehicle crossings saving over 9m road miles pa which is equivalent to a saving in excess of £4m pa in motoring costs. The corresponding CO2 impact on the environment has not been calculated, neither have the savings to the Local Highway Authorities.
- 4.5 This application clearly demonstrates that the Company cannot provide for the future replacement of the ferry and generate a reasonable return if tolls are not increased.
- 4.6 A common perception may be that this operation is a low risk business. From an investor's perspective, this may well be the case when it is compared to certain other businesses and industries. But this does not mean it is risk-free. Moreover the current owners manage the risk through responsible ownership and on-going re-investment.
- 4.7 In view of the foregoing, the Directors feel that this application for an increase in toll charges is therefore fair and reasonable.

APPENDIX 1: ASSUMPTIONS WITHIN THE FORECASTS

1 PROFIT AND LOSS ACCOUNT FORECASTS

1.1 Income

- 1.1.1 The income projections have been based on actual income for the period to 31 March 2018 ("the base year") as due to ferry refit issues, 31 March 2019 figures are not considered to be reflective on a normal year of operations being a major refit year.
- 1.1.2 The maximum chargeable cash tolls for passenger vehicles, goods vehicles and cycles have been phased in across thirteen years at an average increase of 3% per annum. The single ticket tolls are rounded down to the nearest 5p.
- 1.1.3 Appendix 8 provides details of the phased toll increase, as well as the rate of discounts applicable to books of tickets. The forecast income for each passenger category has been arrived at by dividing the total income for that category by the present toll and multiplying it by the new toll. For refit years, income has also been decreased as noted in point 1.1.4 below.
- 1.1.4 Appendix 8 also gives detailed workings regarding current and proposed tolls by class, as well as forecast income by class and also by category of passenger, before taking account of fluctuations arising in non-refit years.
- 1.1.5 Income has been adjusted for refit years to reflect decrease in revenue from ferry closure. Monthly average traffic volumes have been compared for both refit and non refit years to calculate the average reduction in income for each traffic class. It was used to arrive at the annual income figures, whereby forecast monthly income in a non-refit year was increased by the average percentages calculated. For a mini refit year it is assumed the reduction in traffic volumes during the refit period will be one third that in a major refit year.
- 1.1.6 A reduction to toll income of £100,000 is included for the year ending 31 March 2020. This reflects the expected net effect of enhanced discounts given to customers purchasing books of tickets following the major ferry breakdown in Summer 2019 and the extra income that promotion generated as well as the business interruption insurance excess on the breakdown itself.

1.2 Expenditure

- 1.2.1 In general, expenditure has been forecast using the base year figures, and increased by 3.0% per annum. The Summary Profit and Loss accounts (Appendices 2.1 and 2.2) show the rate of increase for each expense in the column "Annual Increase".
- 1.2.2 The base cost for ferry repairs and maintenance (excluding the cost of refits) has been arrived at by taking an average of the annual costs incurred in each of the last five financial years and increasing this figure by 3.0% per annum compounded to arrive at future projected costs.

- 1.2.3 The cost of a refit includes the costs of removing the ferry from the chains, towage to and from the ship repair yard, classification survey fees, docking and mooring charges and professional fees. It is assumed that the base cost of a major refit is £945k (being the cost of the 2019 major refit) and a mini refit being one-third the cost of a major refit i.e. £315k. These amounts have been increased by 3.0% per annum compounded to arrive at future refit costs for the financial year ending 31 March 2021 and biennially thereafter. A supplementary charge of £150,000 is included for the year ending 31 March 2020 reflecting the additional costs incurred following the major ferry breakdown in the year.
- 1.2.4 Major repairs to the slipways were carried out in the financial year ended 31 March 2015. Due to the major repairs, it has been assumed that only future annual slipways repairs and maintenance will arise, with no exceptional costs. The base cost for slipway annual repairs has been arrived at by taking an average of the annual costs incurred in each of the last five financial years (excluding the exceptional costs for the year ended 31 March 2015) and increasing this figure by 3.0% per annum compounded to arrive at future projected costs.
- 1.2.5 Depreciation has been calculated in accordance with the Company's accounting policy for depreciation, as recorded in its audited financial statements. No additions have been included and hence only the buildings and their revaluations will be subject to depreciation after financial year ending 31 March 2019.
- 1.3 Other Income
- 1.3.1 Other Income has been calculated using a base figure of £60,872, from financial year ended 31 March 2019, increased by 3.0% per annum.
- 1.4 Dividends
- 1.4.1 £3,675 of the dividend declared relates to non-equity preference shares. These have not been separately identified in the forecasts as being immaterial.
- 1.4.2 No dividend will be declared for the year ending 31 March 2020.
- 1.4.3 In the no toll increase scenario, dividends on equity shares have been calculated using a base figure of 46.90p per share for the financial year ending 31 March 2021. Dividends have been increased at a maximum rate of 2.99% which is below the RPI rate in 1.2.1. No annual increase in dividends is forecast after 2025.
- 1.4.4 In a toll increase scenario, no dividend is payable until such time as the balance on the ferry replacement reserve plus £5m (being the maximum amount the company can raise in third party finance) exceeds the forecast cost of a new ferry. In addition, no dividend ever exceeds the profit after tax earned in the year.

Calculation of Transfers to the Ferry Replacement Reserve

- 1.4.5 Allowing for cost rises over the next 13 years, it is projected that the replacement cost of the ferry in 2032 will be £12.795m.
- 1.4.6 Therefore, with the value of the Ferry Replacement Reserve at 31 March 2019 standing at £2.545m, the Company would have to transfer at least £6.450m (assuming £5m will be raised externally). This equates to an average of £0.496m per annum over the next 13 years to be on target to replace the ferry.
- 1.4.7 The calculations at the foot of Appendices 2.1 and 2.2 show the transfers made to this Reserve and the resulting cumulative shortfall or surplus.

CASH FLOW

- 1.5 Corporation tax is paid quarterly. The payments are based on the estimated profits for the financial year. The first payment in respect of a given financial year is seven months after the start of that year.

2 BALANCE SHEET FORECASTS

2.1 Fixed Assets

- 2.1.1 It is the Company's policy to revalue its fixed assets periodically. The last revaluation was on 31 March 2015. The forecasts are based on that last revaluation, as the directors are of the opinion that the current valuation is not dissimilar to the last valuation.

2.2 Deferred Tax

- 2.2.1 Deferred tax has not been calculated for future years as any change does not affect cash and is assumed to be immaterial in the context of total net assets.

2.3 Reserves

- 2.3.1 A proportion of the depreciation charge for the ferry relates to the revaluation noted above. In order that distributable reserves are not affected by this revaluation, this proportion of the depreciation charge is written back from the Revaluation Reserve (thereby reducing its value) to the Profit and Loss Reserve. For the thirteen years shown in these forecasts, this amount is approximately £67.8k per annum until the ferry is fully depreciated.

		Inflation rate				3.00%
--	--	----------------	--	--	--	-------

	31 March 2020	31 March 2021	31 March 2022	31 March 2023	31 March 2024	31 March 2025	31 March 2026	31 March 2027	31 March 2028	31 March 2029	31 March 2030	31 March 2031	31 March 2032
Annual Increase (%)	£	£	£	£	£	£	£	£	£	£	£	£	£
SALES													
Class A (Foot passenger)	98,261	96,967	98,261	98,261	98,261	96,967	98,261	94,378	98,261	96,967	98,261	94,378	98,261
Class B/C (Bikes & motorcycles)	130,656	127,983	130,656	121,436	130,656	127,983	130,656	121,436	130,656	127,983	130,656	121,436	130,656
Class F (Car)	2,812,999	2,751,310	2,812,999	2,627,931	2,812,999	2,627,931	2,812,999	2,751,310	2,812,999	2,751,310	2,812,999	2,627,931	2,812,999
Class G (Truck ex. VAT)	82,271	78,892	82,271	72,134	82,271	78,892	82,271	72,134	82,271	78,892	82,271	72,134	82,271
Coach & Bus	6,675	6,577	6,675	6,381	6,675	6,577	6,675	6,381	6,675	6,577	6,675	6,381	6,675
Effect of double discount following ferry outage (100,000)													

Total Sales	3,030,862	3,061,328	3,130,862	2,922,260	3,130,862	2,922,260	3,130,862	2,922,260	3,130,862	3,061,328	3,130,862	2,922,260	3,130,862
-------------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------

DIRECT COSTS													
Ferry Harbour Dues	1,310	1,349	1,390	1,432	1,475	1,519	1,564	1,611	1,660	1,709	1,761	1,814	1,868
Ferry Wages (incl. EP's NIC)	731,320	753,259	775,857	799,133	823,107	847,800	873,234	899,431	925,414	954,206	982,833	1,012,318	1,042,687
Ferry repairs & maintenance - regular	159,650	164,440	169,373	174,454	179,687	185,078	190,630	196,449	202,240	208,307	214,556	220,993	227,623
Ferry repairs & maintenance - reft costs	150,000	344,515		1,064,659		376,499		1,198,283		423,753		1,348,679	
Ferry consumable stores	80,219	82,626	85,105	87,658	90,268	92,996	95,786	98,660	101,620	104,668	107,808	111,043	114,374
Ferry insurance	28,603	29,461	30,345	31,255	32,193	33,159	34,154	35,178	36,234	37,321	38,440	39,593	40,781
Slipways repairs & maintenance - regular	8,168	8,413	8,665	8,925	9,193	9,469	9,753	10,045	10,347	10,657	10,977	11,306	11,645
Road repairs & maintenance - regular	7,305	7,524	7,750	7,982	8,222	8,468	8,722	8,984	9,253	9,531	9,817	10,111	10,415
Buildings repairs & maintenance	7,770	8,003	8,244	8,491	8,746	9,008	9,278	9,557	9,843	10,139	10,443	10,756	11,079
Depreciation	103,763	103,763	103,763	103,763	103,763	103,763	103,763	103,763	103,763	103,763	103,763	103,763	103,763
Total Direct Costs	1,278,109	1,493,353	1,190,491	2,287,752	1,256,673	1,667,759	1,326,885	2,561,862	1,401,373	1,864,055	1,480,398	2,870,375	1,564,235

OVERHEADS													
Wages & salaries	125,096	128,648	132,714	136,695	140,796	145,020	149,371	153,852	158,467	163,221	168,118	173,162	178,356
Staff pension costs	31,025	31,955	32,914	33,901	34,918	35,966	37,045	38,156	39,301	40,480	41,695	42,945	44,234
Rates	67,911	69,948	72,047	74,208	76,434	78,727	81,089	83,522	86,028	88,608	91,267	94,005	96,825
Management charges	176,957	182,666	187,734	193,366	199,167	205,142	211,296	217,635	224,164	230,889	237,816	244,950	252,298
Insurance	21,431	22,074	22,736	23,418	24,121	24,845	25,590	26,358	27,148	27,963	28,802	29,666	30,556
Light & heat	5,287	5,462	5,609	5,777	5,951	6,129	6,313	6,502	6,697	6,898	7,105	7,318	7,538
Telephone	2,391	2,462	2,536	2,612	2,691	2,771	2,855	2,940	3,028	3,119	3,213	3,309	3,408
Postage and stationery	4,321	4,450	4,584	4,722	4,863	5,009	5,159	5,314	5,474	5,638	5,807	5,981	6,160
Repairs and Public Relations	24,046	36,048	37,129	38,243	39,391	40,572	41,790	43,043	44,334	45,665	47,034	48,445	49,899
Advertising	3,396	3,498	3,603	3,711	3,822	3,937	4,055	4,177	4,302	4,431	4,564	4,701	4,842
Printing expenses	16,905	17,413	17,935	18,473	19,027	19,598	20,186	20,791	21,415	22,058	22,719	23,401	24,103
Professional fees	50,954	52,483	54,057	55,679	57,349	59,070	60,842	62,667	64,547	66,484	68,478	70,532	72,648
Legal	11,665	12,015	12,375	12,746	13,129	13,523	13,928	14,346	14,777	15,220	15,676	16,147	16,631
Audit	16,170	16,555	17,155	17,669	18,199	18,745	19,308	19,887	20,484	21,098	21,731	22,383	23,055
Bank charges	33,059	34,651	36,124	37,587	39,042	40,568	42,128	43,724	45,349	46,998	48,673	50,376	52,109
Sundry expenses	500,613	619,612	638,200	657,346	677,667	697,379	718,300	739,849	762,045	784,906	808,453	832,707	857,688
Total Overheads	69,908	72,005	74,166	76,391	78,682	81,043	83,474	85,978	88,558	91,214	93,951	96,769	99,672

Other income	1,232,049	1,020,368	1,376,336	53,551	1,275,605	777,233	1,169,151	(293,474)	1,056,062	503,582	935,962	(654,053)	808,612
--------------	-----------	-----------	-----------	--------	-----------	---------	-----------	-----------	-----------	---------	---------	-----------	---------

Operating profit	21,091	31,839	34,097	38,063	30,047	32,418	31,457	32,879	21,532	21,957	18,758	18,170	3,445
------------------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	-------

Interest received	1,253,140	1,052,206	1,410,433	91,614	1,305,851	809,651	1,200,608	(260,595)	1,077,554	525,538	954,720	(665,883)	812,057
-------------------	-----------	-----------	-----------	--------	-----------	---------	-----------	-----------	-----------	---------	---------	-----------	---------

Profit Before Tax (PBT)	1,995,328	832,872	1,122,736	54,492	1,038,024	636,102	952,777	(230,797)	853,104	405,971	753,608	(559,080)	638,051
-------------------------	-----------	---------	-----------	--------	-----------	---------	---------	-----------	---------	---------	---------	-----------	---------

Corporation Tax	(257,812)	(219,634)	(287,697)	(37,122)	(267,827)	(173,549)	(247,831)	29,798	(224,450)	(119,567)	(201,112)	106,803	(174,006)
-----------------	-----------	-----------	-----------	----------	-----------	-----------	-----------	--------	-----------	-----------	-----------	---------	-----------

Profit After Tax (PAT)	995,328	832,872	1,122,736	54,492	1,038,024	636,102	952,777	(230,797)	853,104	405,971	753,608	(559,080)	638,051
------------------------	---------	---------	-----------	--------	-----------	---------	---------	-----------	---------	---------	---------	-----------	---------

Transfer write-back from Replacement Reserve for buildings revaluation	(1,012,588)												
--	-------------	--	--	--	--	--	--	--	--	--	--	--	--

Transfer (to)/from Replacement Reserve													
--	--	--	--	--	--	--	--	--	--	--	--	--	--

Dividends													
-----------	--	--	--	--	--	--	--	--	--	--	--	--	--

Net profit retained													
---------------------	--	--	--	--	--	--	--	--	--	--	--	--	--

Replacement Reserve:													
----------------------	--	--	--	--	--	--	--	--	--	--	--	--	--

Balance c/f	2,565,735	3,046,180	3,744,134	4,107,892	3,379,046	3,608,503	3,426,060	3,560,293	2,510,952	2,545,512	2,132,939	2,088,003	690,379
-------------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	---------

(A) Transfer as above	1,012,588	30,097	295,901	(796,703)	161,599	(250,300)	66,376	(1,117,198)	(33,297)	(480,430)	(132,793)	(1,445,481)	(248,350)
-----------------------	-----------	--------	---------	-----------	---------	-----------	--------	-------------	----------	-----------	-----------	-------------	-----------

(B) Transfer write-back from Revaluation Reserve for ferry revaluation	67,857	67,857	67,857	67,857	67,857	67,857	67,857	67,857	67,857	67,857	67,857	67,857	67,857
--	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------

Balance c/f	3,646,180	3,744,134	4,107,892	3,379,046	3,608,503	3,426,060	3,560,293	2,510,952	2,545,512	2,132,939	2,088,003	690,379	509,885
-------------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	---------	---------

Calculation of transfers to Replacement Reserve													
---	--	--	--	--	--	--	--	--	--	--	--	--	--

Shortfall/(surplus)	6,408,655	5,597,442	5,776,796	5,698,666	6,721,709	6,795,275	7,289,831	7,477,074	8,857,537	9,164,032	9,927,891	10,354,652	12,104,556
---------------------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	------------	------------

Required transfer	(1,080,445)	(97,954)	(363,750)	(229,456)	182,443	(134,233)	1,049,341	(34,560)	412,573	64,936	1,377,624	180,493	-
-------------------	-------------	----------	-----------	-----------	---------	-----------	-----------	----------	---------	--------	-----------	---------	---

Actual transfer (= A + B above)	5,328,210	5,499,487	5,413,038	6,427,512	6,492,252	6,977,117	7,155,598	8,526,416	8,822,977	9,576,605	9,992,827	11,732,276	12,285,449
---------------------------------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	------------	------------

Shortfall/(surplus)													
---------------------	--	--	--	--	--	--	--	--	--	--	--	--	--

Annual increase (%)	Inflation rate													3.00%	
	31 March 2020	31 March 2021	31 March 2022	31 March 2023	31 March 2024	31 March 2025	31 March 2026	31 March 2027	31 March 2028	31 March 2029	31 March 2030	31 March 2031	31 March 2032		
	£	£	£	£	£	£	£	£	£	£	£	£	£	£	
none	minor	none	major	none	minor	none	major	none	minor	none	major	none	none		
SALES															
Class A (Foot passenger)	98,261	101,726	103,084	103,643	112,730	111,245	117,561	117,604	127,325	125,706	132,266	131,728	142,030		
Class B/C (Bikes & motorcycles)	130,656	133,388	136,601	132,487	148,491	144,998	154,484	149,468	167,148	176,220	173,867	167,483	186,531		
Class F (car)	2,817,999	2,871,175	2,984,277	2,877,872	3,172,807	3,218,634	3,384,285	3,250,174	3,598,353	3,791,884	3,814,857	3,677,666	4,033,951		
Class G (Truck) ex. VAT	82,271	83,128	88,477	79,971	93,944	93,613	100,307	90,354	106,682	111,210	113,067	102,326	119,464		
Coast & Bus	6,675	6,915	7,159	7,055	7,601	7,786	8,114	7,970	8,629	9,002	9,146	9,024	9,665		
Effect of double discount following ferry outa (100,000)															
Total Sales															
	3,030,862	3,196,332	3,323,598	3,201,028	3,535,573	3,576,276	3,764,251	3,615,570	4,008,137	4,214,022	4,243,203	4,088,227	4,491,641		
DIRECT COSTS															
Ferry Harbour Dues (Appendix 1)	1,310	1,349	1,390	1,432	1,475	1,519	1,564	1,611	1,660	1,709	1,761	1,814	1,868		
Ferry Wages (incl F's, NIC)	731,320	753,259	775,857	799,133	823,107	847,800	873,234	899,431	926,414	954,206	982,833	1,012,318	1,042,687		
Ferry repairs & maintenance - regular (Appendix 1)	195,850	184,440	180,573	174,544	179,687	180,630	196,349	202,240	208,307	214,556	220,993	227,623			
Ferry repairs & maintenance - regular (Appendix 1)	190,000	334,515	85,105	87,658	90,288	92,996	95,786	98,660	101,620	104,668	107,808	111,043	114,374		
Ferry consumable stores	80,219	82,626	85,105	87,658	90,288	92,996	95,786	98,660	101,620	104,668	107,808	111,043	114,374		
Ferry insurance	28,603	29,461	30,345	31,255	32,193	33,159	34,154	35,178	36,234	37,321	38,440	39,593	40,781		
Slipways repairs & maintenance - regular (Appendix 1)	6,168	8,413	8,665	8,925	9,193	9,469	9,753	10,045	10,347	10,657	10,977	11,306	11,645		
Road repairs & maintenance - regular (Appendix 1)	7,305	7,524	7,750	7,982	8,222	8,468	8,722	8,984	9,253	9,531	9,817	10,111	10,415		
Buildings repairs & maintenance (Appendix 1)	7,770	8,003	8,244	8,491	8,746	9,008	9,278	9,557	9,843	10,139	10,443	10,756	11,079		
Depreciation	103,763	103,763	103,763	103,763	103,763	103,763	103,763	103,763	103,763	103,763	103,763	103,763	103,763		
Total Direct Costs															
	1,278,109	1,493,353	1,190,491	2,287,752	1,256,673	1,667,759	1,326,885	2,561,862	1,401,373	1,864,055	1,480,398	2,870,375	1,564,235		
OVERHEADS															
Wages & salaries	125,096	128,848	132,714	136,695	140,796	145,020	149,371	153,852	158,467	163,221	168,118	173,162	178,356		
Staff pension costs	31,025	31,955	32,914	33,901	34,918	35,966	37,045	38,156	39,301	40,480	41,695	42,945	44,234		
Rates	67,911	69,948	72,047	74,208	76,434	78,727	81,089	83,522	86,028	88,608	91,267	94,005	96,825		
Management charges	176,957	182,266	187,734	193,366	199,167	205,142	211,296	217,635	224,164	230,889	237,816	244,950	252,298		
Insurance	21,431	22,074	22,736	23,418	24,121	24,845	25,590	26,358	27,148	27,963	28,802	29,666	30,556		
Light & heat	5,287	5,446	5,609	5,777	5,951	6,129	6,313	6,502	6,697	6,898	7,105	7,318	7,538		
Travel	2,391	2,462	2,536	2,612	2,691	2,771	2,855	2,940	3,028	3,119	3,213	3,309	3,408		
Postage and stationery	4,321	4,450	4,584	4,722	4,863	5,009	5,159	5,314	5,474	5,638	5,807	5,981	6,160		
Ferry & Public Relations	20,046	36,048	37,129	38,243	39,391	40,572	41,790	43,043	44,334	45,665	47,034	48,445	49,899		
Printing	3,396	3,498	3,603	3,711	3,822	3,937	4,055	4,177	4,302	4,431	4,564	4,701	4,842		
Traveling expenses	16,905	17,413	17,935	18,473	19,027	19,598	20,186	20,791	21,415	22,058	22,719	23,401	24,103		
Professional fees	50,954	52,483	54,057	55,679	57,349	59,070	60,842	62,667	64,547	66,484	68,478	70,532	72,648		
Audit	11,665	12,015	12,375	12,746	13,129	13,523	13,928	14,346	14,777	15,220	15,676	16,147	16,631		
Bank charges	16,170	16,655	17,155	17,669	18,199	18,745	19,308	19,887	20,484	21,098	21,731	22,383	23,055		
Sundry expenses	33,059	34,051	35,072	36,124	37,208	38,324	39,474	40,658	41,878	43,134	44,428	45,761	47,134		
Total Overheads															
	590,613	619,612	638,200	657,346	677,067	697,379	718,300	739,849	762,045	784,906	808,453	832,707	857,688		
Other income	69,908	72,005	74,166	76,391	78,682	81,043	83,474	85,978	88,558	91,214	93,951	96,769	99,672		
Operating profit															
	1,222,049	1,155,372	1,569,072	332,320	1,880,516	1,292,181	1,803,040	399,837	1,933,277	1,656,276	2,048,303	481,914	2,169,391		
Interest received	21,091	31,839	39,217	43,506	44,774	49,701	52,328	58,349	58,558	65,670	71,657	79,820	79,768		
Profit Before Tax															
	1,253,140	1,187,211	1,608,289	375,826	1,725,290	1,341,882	1,855,368	458,186	1,991,834	1,721,946	2,119,960	561,734	2,249,159		
Corporation Tax	19%	19%	19%	19%	19%	19%	19%	19%	19%	19%	19%	19%	19%		
	(257,812)	(245,285)	(325,290)	(91,123)	(347,520)	(274,673)	(372,235)	(106,770)	(398,163)	(346,895)	(422,507)	(126,444)	(447,055)		
Profit After Tax (PAT)															
	995,328	941,926	1,282,999	284,704	1,377,770	1,067,209	1,483,133	351,416	1,593,671	1,375,051	1,697,453	435,290	1,802,104		
Transfer write-back from Replacement Reserve for buildings revaluation															
	(1,012,588)	(529,585)	(309,452)	(309,452)	(396,340)	(85,166)	(17,260)	(17,260)	(17,260)	(17,260)	(17,260)	(17,260)	(17,260)		
Transfer to Replacement Reserve															
	67,857	67,857	67,857	67,857	67,857	67,857	67,857	67,857	67,857	67,857	67,857	67,857	67,857		
Dividends															
	-	(429,601)	(990,807)	(184,193)	(998,690)	(999,303)	(996,137)	(950,057)	(997,667)	(999,123)	(996,283)	(433,562)	(999,541)		
Net profit retained															
	-	-	-	-	-	-	-	-	-	-	-	-	-		
Replacement Reserve:															
Balance b/f	2,565,735	3,046,180	4,243,022	4,620,930	4,806,558	5,270,755	5,423,778	5,995,891	6,082,368	6,763,489	7,224,543	8,010,830	8,097,655		
(A) Transfer as above	1,012,588	529,585	309,452	309,452	396,340	85,166	504,256	504,256	613,264	393,198	718,429	18,968	819,823		
(B) Transfer write-back from Revaluation Reserve	67,857	67,857	67,857	67,857	67,857	67,857	67,857	67,857	67,857	67,857	67,857	67,857	67,857		
Balance c/f															
	3,646,180	4,243,622	4,620,930	4,806,558	5,270,755	5,423,778	5,995,891	6,082,368	6,763,489	7,224,543	8,010,830	8,097,655	8,985,334		
Calculation of transfer to Replacement Reserve															
Shortfall/(surplus)	6,408,655	5,597,442	5,277,309	5,185,628	5,294,197	5,133,023	5,292,113	5,041,477	5,286,121	4,946,055	4,836,286	4,411,825	4,697,680		
Required transfer	(1,080,445)	(597,442)	(377,309)	(185,628)	(464,197)	(153,023)	(572,113)	(86,477)	(681,121)	(461,055)	(786,286)	(86,825)	(887,680)		
Actual transfer (= A + B above)															
	5,328,210	5,000,000	4,900,000	4,990,000	4,830,000	4,980,000	4,720,000	4,955,000	4,605,000	4,485,000	4,050,000	4,325,000	3,810,000		
Shortfall/(surplus)															
	-	-	-	-	-	-	-	-	-	-	-	-	-		

The Bournemouth-Swanage Motor Road & Ferry Co. Inc.

Appendix 3.1

Forecast Year End Balance Sheets for the 13 Years to 31 March 2032 (Assuming No proposed increase in Toll Charges)

	31 March 2020 £	31 March 2021 £	31 March 2022 £	31 March 2023 £	31 March 2024 £	31 March 2025 £	31 March 2026 £	31 March 2027 £	31 March 2028 £	31 March 2029 £	31 March 2030 £	31 March 2031 £	31 March 2032 £
Fixed Assets	13,316,063	13,212,300	13,108,537	13,004,774	12,901,011	12,797,248	12,693,485	12,589,722	12,485,959	12,382,196	12,278,433	12,174,670	12,070,907
Current Assets													
Other debtors	52,388	53,959	55,578	57,246	58,963	60,732	62,554	64,430	66,363	68,354	70,405	72,517	74,693
Stocks	236,073	236,073	236,073	236,073	236,073	236,073	236,073	236,073	236,073	236,073	236,073	236,073	236,073
Trade debtors	6,062	6,123	6,262	5,845	6,262	6,123	6,262	5,845	6,262	6,123	6,262	5,845	6,262
Stocks & Debtors	294,523	296,155	297,913	299,163	301,298	302,928	304,889	306,348	308,698	310,550	312,740	314,435	317,027
Cash at Bank	3,183,857	3,409,660	3,806,297	3,004,671	3,241,817	3,145,750	3,287,850	2,155,238	2,195,655	1,875,849	1,817,029	344,539	167,956
	3,478,379	3,705,815	4,104,210	3,303,834	3,543,114	3,448,677	3,592,739	2,461,586	2,504,353	2,186,399	2,129,768	658,974	484,983
Creditors: Amounts Falling Due Within One Year													
Trade Creditors and Accruals	61,214	62,232	63,281	64,361	65,474	66,620	67,800	69,016	70,269	71,558	72,887	74,255	75,665
Corporation Tax	128,906	238,723	253,666	162,410	152,475	220,688	210,690	109,017	97,326	172,009	160,340	47,155	33,602
	190,120	300,955	316,947	226,771	217,949	287,308	278,490	178,033	167,595	243,567	233,226	121,410	109,266
Net Current Assets	3,288,259	3,404,859	3,787,263	3,077,063	3,325,166	3,161,369	3,314,248	2,283,553	2,336,759	1,942,832	1,896,542	537,564	375,716
Total Assets Less Current Liabilities	16,604,322	16,617,159	16,895,800	16,081,837	16,226,177	15,958,617	16,007,733	14,873,275	14,822,718	14,325,028	14,174,975	12,712,234	12,446,623
Provisions For Liabilities & Charges													
Deferred Tax	(447,068)	(447,068)	(447,068)	(447,068)	(447,068)	(447,068)	(447,068)	(447,068)	(447,068)	(447,068)	(447,068)	(447,068)	(447,068)
	16,157,254	16,170,091	16,448,732	15,634,769	15,779,109	15,511,549	15,560,665	14,426,207	14,375,650	13,877,960	13,727,907	12,265,166	11,999,555
Capital & Reserves													
Called Up Share Capital	61,000	61,000	61,000	61,000	61,000	61,000	61,000	61,000	61,000	61,000	61,000	61,000	61,000
Revaluation Reserve	12,450,074	12,364,957	12,279,840	12,194,723	12,109,606	12,024,489	11,939,372	11,854,255	11,769,138	11,684,021	11,598,904	11,513,787	11,428,670
Ferry Replacement Reserve	3,646,180	3,744,134	4,107,892	3,379,046	3,608,503	3,426,060	3,560,293	2,510,952	2,545,512	2,132,939	2,068,003	690,379	509,885
Profit & Loss Account	-	-	-	-	-	-	-	-	-	-	-	-	-
Shareholders' Funds	16,157,254	16,170,091	16,448,732	15,634,769	15,779,109	15,511,549	15,560,665	14,426,207	14,375,650	13,877,960	13,727,907	12,265,166	11,999,555

The Bournemouth-Swanage Motor Road & Ferry Co. Inc.
Appendix 3.2
Forecast Year End Balance Sheets for the 13 Years to 31 March 2032 (Assuming an Increase in Toll Charges)

	31 March 2018 £	31 March 2019 £	31 March 2020 £	31 March 2021 £	31 March 2022 £	31 March 2023 £	31 March 2024 £	31 March 2025 £	31 March 2026 £	31 March 2027 £	31 March 2028 £	31 March 2029 £	31 March 2030 £	31 March 2031 £	31 March 2032 £
Fixed Assets	13,507,741	13,419,826	13,316,063	13,212,300	13,108,537	13,004,774	12,901,011	12,797,248	12,693,485	12,589,722	12,485,959	12,382,196	12,278,433	12,174,670	12,070,907
Current Assets															
Other debtors	35,556	50,862	52,388	53,959	55,578	57,246	58,963	60,732	62,554	64,430	66,363	68,354	70,405	72,517	74,693
Stocks	220,129	236,073	236,073	236,073	236,073	236,073	236,073	236,073	236,073	236,073	236,073	236,073	236,073	236,073	236,073
Trade debtors	109,025	5,918	6,062	6,393	6,647	6,402	7,071	7,153	7,530	7,231	8,016	8,428	8,486	8,176	8,983
Stocks & Debtors	364,710	292,853	294,523	296,425	298,298	299,721	302,107	303,957	306,156	307,735	310,453	312,855	314,964	316,767	319,749
Cash at Bank	2,018,471	2,109,128	3,183,857	3,921,702	4,350,572	4,477,422	4,970,106	5,232,846	5,834,944	5,855,753	6,567,018	7,165,664	7,981,987	7,976,804	8,893,831
	2,383,181	2,401,981	3,478,379	4,218,128	4,648,870	4,777,143	5,272,213	5,536,803	6,141,100	6,163,488	6,877,471	7,478,519	8,296,952	8,293,571	9,213,580
Creditors: Amounts Falling Due Within One Year															
Trade Creditors and Accruals	111,495	300,403	61,214	62,232	63,281	64,361	65,474	66,620	67,800	69,016	70,269	71,558	72,887	74,255	75,665
Corporation Tax	158,672	(87,590)	128,906	251,549	285,288	208,206	219,321	311,097	323,454	239,503	252,467	372,524	384,696	274,476	286,750
	270,167	212,813	190,120	313,781	348,569	272,567	284,795	377,717	391,254	308,519	322,735	444,082	457,583	348,731	362,414
Net Current Assets	2,113,014	2,189,168	3,288,259	3,904,347	4,300,301	4,504,575	4,987,418	5,159,087	5,749,846	5,854,969	6,554,736	7,034,436	7,839,369	7,944,840	8,851,165
Total Assets Less Current Liabilities	15,620,755	15,608,994	16,604,322	17,116,647	17,408,838	17,509,349	17,888,429	17,956,335	18,443,331	18,444,691	19,040,695	19,416,632	20,117,802	20,119,510	20,922,072
Provisions For Liabilities & Charges															
Deferred Tax	(481,070)	(447,068)	(447,068)	(447,068)	(447,068)	(447,068)	(447,068)	(447,068)	(447,067)	(447,067)	(447,067)	(447,067)	(447,067)	(447,067)	(447,066)
	15,139,685	15,161,926	16,157,254	16,669,579	16,961,770	17,062,281	17,441,361	17,509,267	17,996,264	17,997,624	18,593,628	18,969,565	19,670,735	19,672,443	20,475,006
Capital & Reserves															
Called Up Share Capital	61,000	61,000	61,000	61,000	61,000	61,000	61,000	61,000	61,000	61,000	61,000	61,000	61,000	61,000	61,000
Revaluation Reserve	12,587,594	12,535,191	12,450,074	12,364,957	12,279,840	12,194,723	12,109,606	12,024,489	11,939,372	11,854,255	11,769,138	11,684,021	11,598,904	11,513,787	11,428,670
Ferry Replacement Reserve	2,491,091	2,565,735	3,646,180	4,243,622	4,620,930	4,806,558	5,270,755	5,423,778	5,995,891	6,082,368	6,763,489	7,224,543	8,010,830	8,097,655	8,985,334
Profit & Loss Account	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Shareholders' Funds	15,139,685	15,161,926	16,157,254	16,669,579	16,961,770	17,062,281	17,441,361	17,509,267	17,996,263	17,997,623	18,593,627	18,969,564	19,670,734	19,672,442	20,475,004

Appendix 4.1

Forecast Dividends and Return on Investment (Assuming No proposed increase in Toll Charges)

	Year ending 31 March:											
	2012	2013	2014	2015	2016	2017	2018	2019				
Previous years:												
Dividends on equity shares	626,400	661,200	696,000	713,400	730,800	748,200	769,275	-				
Total net assets ("NA's")	12,437,116	11,850,409	11,909,853	15,025,332	14,198,837	14,555,858	15,139,685	15,108,018				
Turnover	2,950,812	2,494,611	2,908,635	2,636,546	3,057,547	3,056,480	3,130,862	2,508,443				
Actual dividends as a %age of total NA's	5.0%	5.6%	5.8%	4.7%	5.1%	5.1%	5.1%	0.0%				
Actual dividends as a %age of turnover	21.2%	26.5%	23.9%	27.1%	23.9%	24.5%	24.6%	0.0%				
Forecast:												
Total net assets	16,157,254	16,170,091	16,448,732	15,634,769	15,779,109	15,511,549	15,560,665	14,426,207	14,375,650	13,877,960	13,727,907	12,265,166
Turnover	3,030,862	3,061,328	3,130,862	2,922,260	3,130,862	3,061,328	3,130,862	2,922,260	3,130,862	3,061,328	3,130,862	2,922,260
Profit after tax	995,328	832,572	1,122,736	54,492	1,038,024	636,102	952,777	-230,797	853,104	405,971	753,608	-559,080
Return on Investment	6.2%	5.1%	6.8%	0.3%	6.6%	4.1%	6.1%	-1.6%	5.9%	2.9%	5.5%	-4.6%
Forecast dividends	0	819,735	844,095	868,455	893,685	903,661	903,661	903,661	903,661	903,661	903,661	903,661
Forecast dividends as a %age of total NA's	0.0%	5.1%	5.1%	5.6%	5.7%	5.8%	5.8%	6.3%	6.3%	6.5%	6.6%	7.4%
Forecast dividends as a %age of turnover	0.0%	26.8%	27.0%	29.7%	28.5%	29.5%	28.9%	30.9%	28.9%	29.5%	28.9%	30.9%

The Bournemouth-Swanage Motor Road & Ferry Co. Inc.

Appendix 4.2

Forecast Dividends and Return on Investment (Assuming increase in Toll Charges)

	Year ending 31 March:								
	2012	2013	2014	2015	2016	2017	2018	2019	
Previous years:									
Dividends on equity shares	626,400	661,200	696,000	713,400	730,800	748,200	769,275	-	
Total net assets ("NA's")	12,437,116	11,850,409	11,909,853	15,025,332	14,198,837	14,555,858	15,139,685	15,108,018	
Turnover	2,950,812	2,494,611	2,908,635	2,636,546	3,057,547	3,056,480	3,130,862	2,508,443	
Actual dividends as a %age of total NA's	5.0%	5.6%	5.8%	4.7%	5.1%	5.1%	5.1%	0.0%	
Actual dividends as a %age of turnover	21.2%	26.5%	23.9%	27.1%	23.9%	24.5%	24.6%	0.0%	
Forecast:									
Total net assets	16,157,254	16,669,579	16,961,770	17,062,281	17,441,361	17,509,267	17,996,263	17,997,623	20,475,004
Turnover	3,030,862	3,196,332	3,323,598	3,201,028	3,535,573	3,576,276	3,764,751	3,615,570	4,491,641
Profit after tax	995,328	941,926	1,282,999	284,704	1,377,770	1,067,209	1,483,133	351,416	1,802,104
Return on Investment	6.2%	5.7%	7.6%	1.7%	7.9%	6.1%	8.2%	2.0%	8.8%
Forecast dividends	0	429,601	990,807	184,193	998,690	999,303	996,137	350,057	999,541
Forecast dividends as a %age of total NA's	0.0%	2.6%	5.8%	1.1%	5.7%	5.7%	5.5%	1.9%	4.9%
Forecast dividends as a %age of turnover	0.0%	13.4%	29.8%	5.8%	28.2%	27.9%	26.5%	9.7%	22.3%

The Bournemouth-Swanage Motor Road & Ferry Co. Inc.
Appendix 5.1
Comparisons With Industry Averages - Data Table

Ratios	The Bournemouth-Swanage Motor Road & Ferry Co. Inc.												Industry Averages (SIC 6110)*** (Source: www.riskdisk.com)											
	(Actual)												(Forecast - with no proposed toll increase)											
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	Lower	Median	Upper	
PBT/Capital Employed	1.6	8.9	0.3	8.3	8.2	9.5	-	7.5	6.3	8.3	0.6	8.0	5.1	7.5	-	1.8	7.3	3.7	6.7	-	5.2	6.5	12.9	
PBT/Total Assets	1.5	8.7	0.3	8.1	8.0	9.3	-	7.5	6.2	8.2	0.6	7.9	5.0	7.4	-	1.7	7.2	3.6	6.6	-	5.2	6.5	12.7	
PBT/Shareholders' Funds	1.6	8.9	0.3	8.8	8.5	9.8	-	7.8	6.5	8.6	0.6	8.3	5.2	7.7	-	1.8	7.5	3.8	7.0	-	5.4	6.8	45.7	
Sales/Total Assets	20.6	23.8	17.3	19.8	19.8	19.7	15.9	18.0	18.1	18.2	17.9	19.0	18.8	19.2	19.4	20.9	21.0	21.7	22.8	24.9	33.8	102.7	291.4	
Sales	(Actual)												(Forecast - with no proposed toll increase)											
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	
	2,495	2,909	2,637	3,058	3,056	3,130	2,508	3,031	3,061	3,131	2,922	3,131	3,061	3,131	2,922	3,131	3,061	3,131	2,922	3,131	2,922	3,131	3,131	
	187	1,064	48	1,253	1,244	1,483	-	1,253	1,052	1,410	92	1,306	810	1,201	-	261	1,078	526	955	-	666	812	812	
	11,954	11,989	15,079	15,040	15,250	15,655	15,624	16,604	16,617	16,896	16,082	16,226	15,959	16,008	14,873	14,823	14,325	14,175	12,712	12,447	12,447	12,447		
	12,100	12,246	15,242	15,409	15,463	15,891	15,822	16,794	16,918	17,213	16,309	16,444	16,246	16,286	15,051	14,990	14,569	14,408	12,834	12,556	12,556	12,556		
Shareholders' Funds	11,850	11,910	15,025	14,199	14,556	15,140	15,162	16,157	16,170	16,449	15,635	15,779	15,512	15,561	14,426	14,376	13,878	13,728	12,265	12,000	12,000	12,000		
Ratios	(Actual)												(Forecast - with increase)											
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	Lower	Median	Upper	
	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	
	1.6	8.9	0.3	8.3	8.2	9.5	-	7.5	6.9	9.2	2.1	9.6	7.5	10.1	2.5	10.5	8.9	10.5	2.8	10.8	(8.3)	7.3	12.9	
	1.5	8.7	0.3	8.1	8.0	9.3	-	7.5	6.8	9.1	2.1	9.5	7.3	9.9	2.4	10.3	8.7	10.3	2.7	10.6	(1.5)	3.4	12.7	
	1.6	8.9	0.3	8.8	8.5	9.8	-	7.8	7.1	9.5	2.2	9.9	7.7	10.3	2.5	10.7	9.1	10.8	2.9	11.0	-	14.7	45.7	
Sales/Total Assets	20.6	23.8	17.3	19.8	19.8	19.7	15.9	18.0	18.3	18.7	18.0	19.5	19.5	20.0	19.3	20.7	21.2	20.6	20.0	21.1	33.8	102.7	291.4	
Sales	(Actual)												(Forecast - with increase)											
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	
	2,495	2,909	2,637	3,058	3,056	3,130	2,508	3,031	3,196	3,324	3,201	3,536	3,576	3,765	3,616	4,008	4,214	4,243	4,088	4,492	4,492	4,492	4,492	
	187	1,064	48	1,253	1,244	1,483	-	1,253	1,187	1,608	376	1,725	1,342	1,855	458	1,992	1,722	2,120	562	2,249	2,249	2,249		
	11,954	11,989	15,079	15,040	15,250	15,621	15,609	16,604	17,117	17,409	17,509	17,888	17,956	18,443	18,445	19,041	19,417	20,118	20,120	20,922	20,922	20,922		
	12,100	12,246	15,242	15,409	15,463	15,891	15,822	16,794	17,430	17,757	17,782	18,173	18,334	18,835	18,753	19,363	19,861	20,575	20,468	21,284	21,284	21,284		
Shareholders' Funds	11,850	11,910	15,025	14,199	14,556	15,140	15,162	16,157	16,670	16,962	17,062	17,441	17,509	17,996	17,998	18,594	18,970	19,671	19,672	20,475	20,475	20,475		

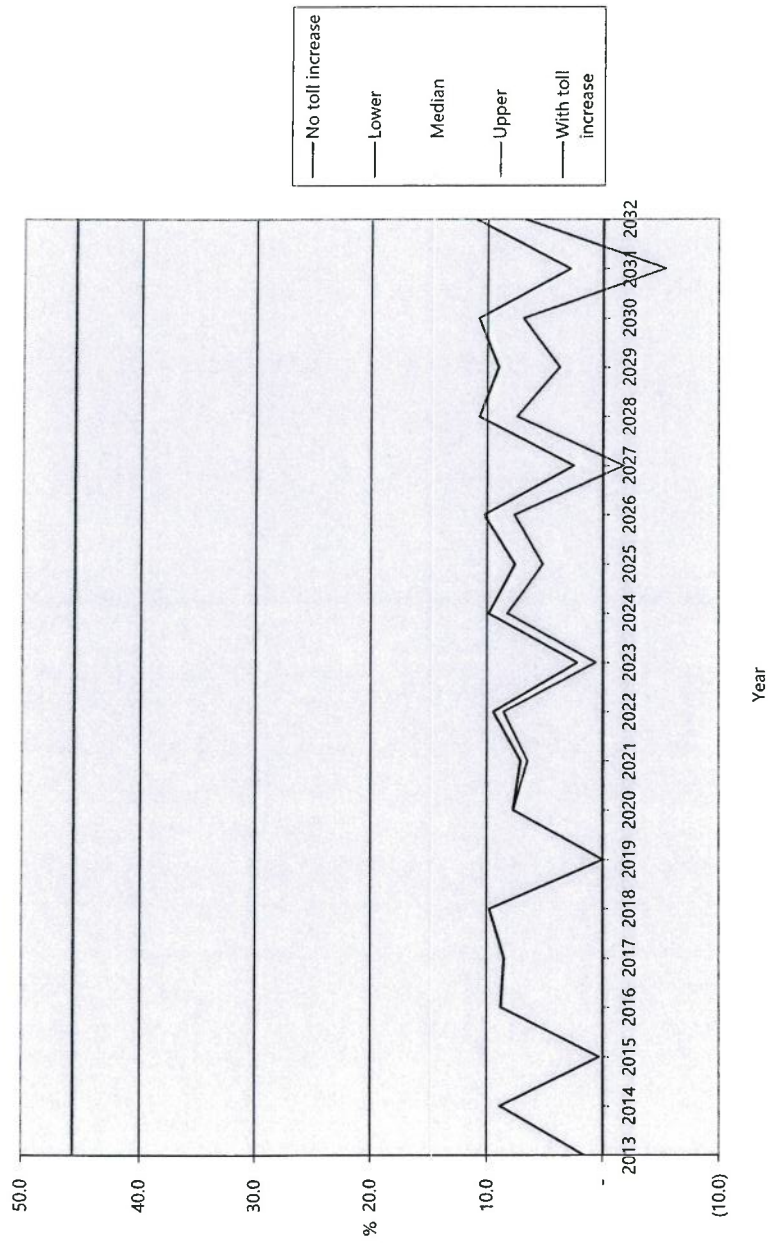
* Capital Employed = Total Assets Less Current Liabilities

** Total Assets = Fixed Assets plus Current Assets

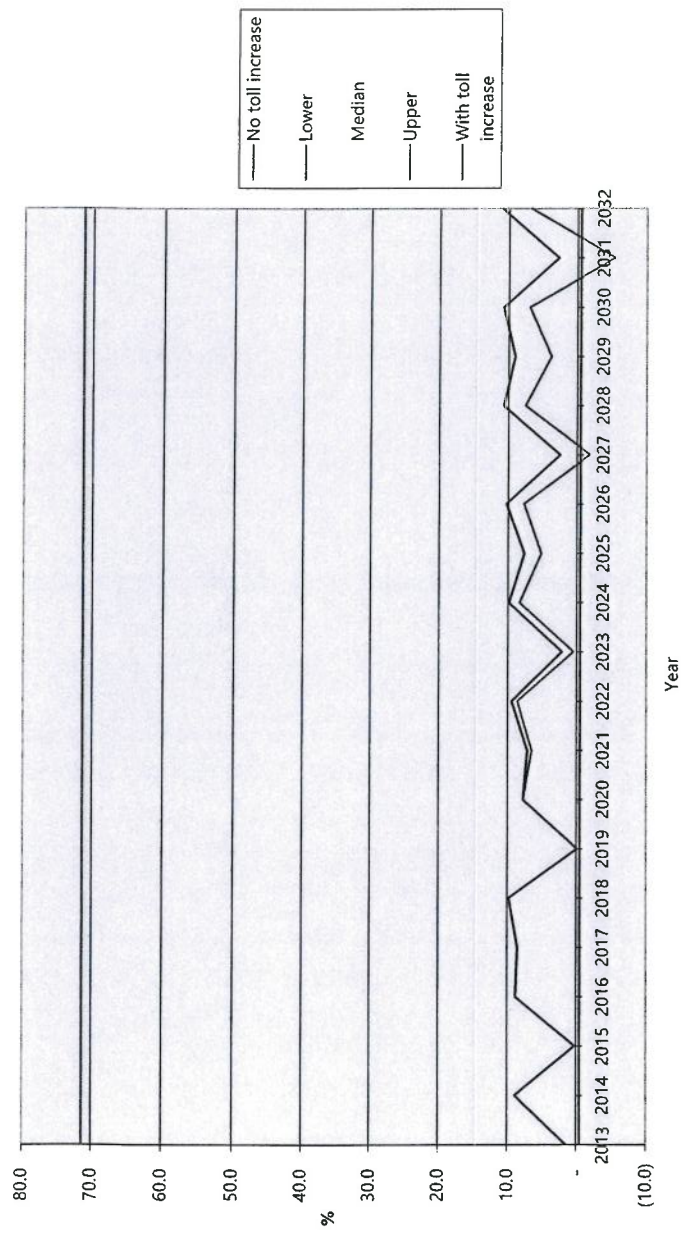
***SIC 6120 = 'Inland Water Transport'

****SIC 6110 = 'Passenger Sea & Coastal Water Transport'

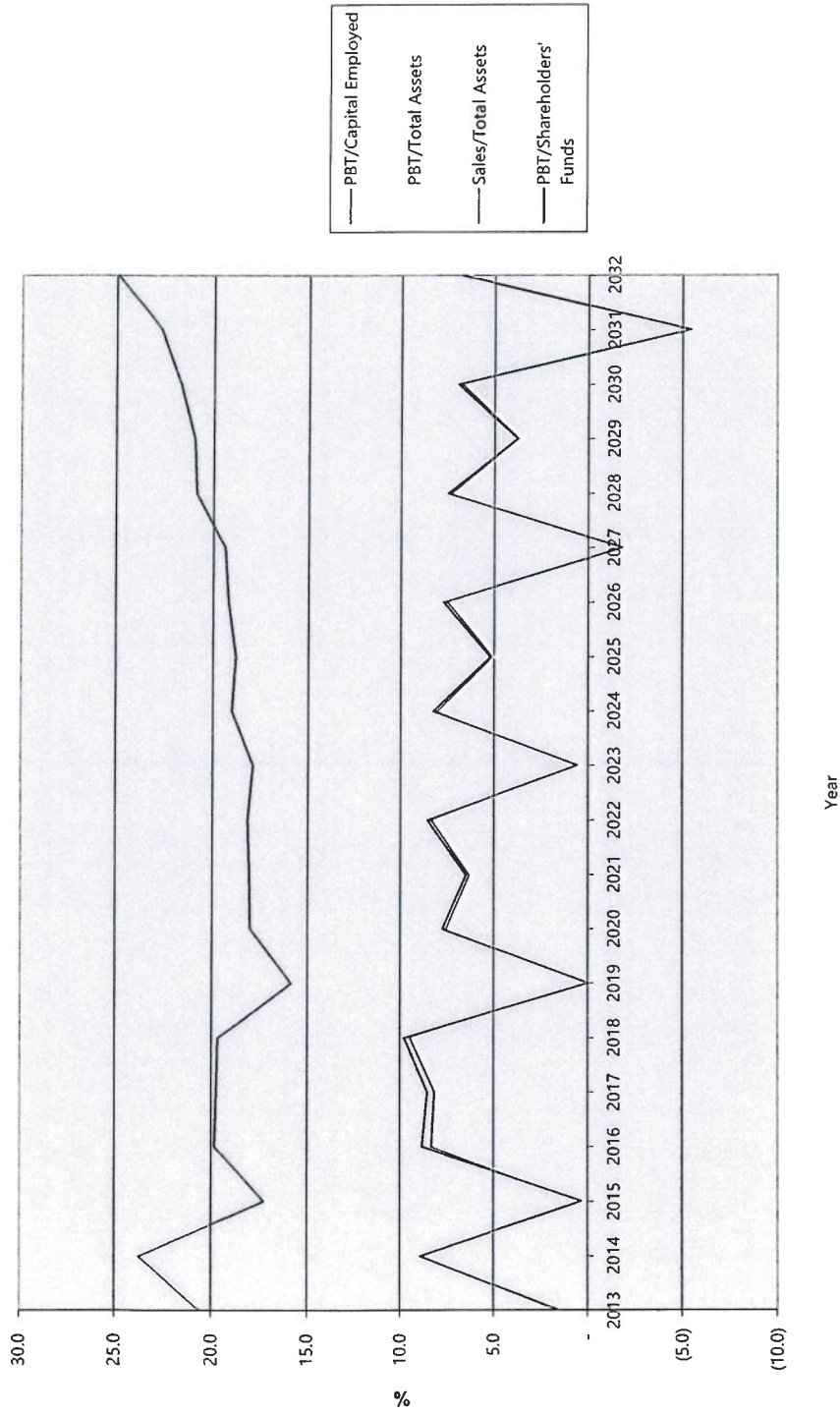
Appendix 5.2 - PBT/Shareholders' Funds vs. SIC 6120 (Inland Water Transport) Averages



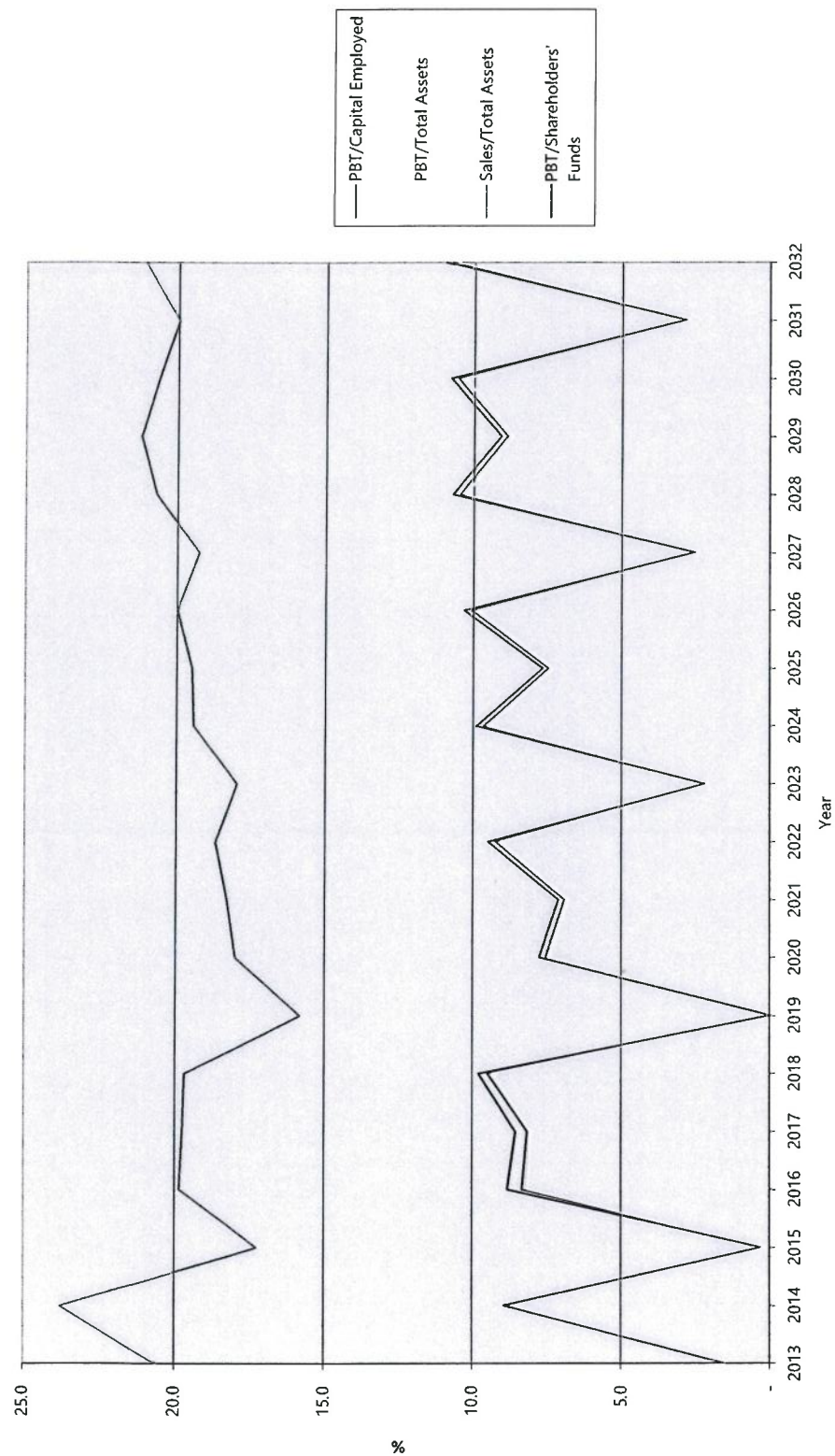
Appendix 5.3 - PBT/Shareholders' Funds vs. SIC 6110 (Passenger Sea & Coastal Water Transport) Averages



Appendix 5.4: Trends - 2013 to 2017 (actual) and 2018 to 2032 (forecast) assuming no proposed increase in toll charges



Appendix 5.5: Trends - 2013 to 2017 (actual) and 2017 to 2032 (forecast) assuming an increase in toll charges



The Bournemouth-Swanage Motor Road & Ferry Co. Inc.

Appendix 6

Summary of Costs for the 5 Years from 2015 to 2019 (excluding Depreciation)

	31 March 2015 £	31 March 2016 £	31 March 2017 £	31 March 2018 £	31 March 2019 £	Average annual increase / (decrease) (%)	Total increase / (decrease) from 2015 to 2019 (%)
DIRECT COSTS							
Ferry Harbour Dues	1,150	1,150	1,272	1,272	1,272	2.6%	10.6%
Direct Wages	633,506	684,950	709,329	710,613	724,079	3.4%	14.3%
Ferry repairs & maintenance - day to day	227,399	88,100	143,920	112,230	155,000	(9.1%)	(31.8%)
Ferry repairs & maintenance - refits	653,764	799	215,125		945,936		
Ferry consumable stores	71,328	57,391	60,789	74,888	77,883	2.2%	9.2%
Ferry insurance	45,837	42,356	32,323	35,201	27,770	(11.8%)	(39.4%)
Slipways repairs & maintenance - regular	130,034	58,193	11,879	7,622	7,930	(50.3%)	(93.9%)
Road repairs & maintenance	5,329	104,489	5,642	4,839	7,092	7.4%	33.1%
Buildings repairs & maintenance	10,741	19,864	7,891	11,742	7,544	(8.5%)	(29.8%)
Total Direct Costs	1,779,088	1,057,292	1,188,170	958,407	1,954,506	2.4%	9.9%
OVERHEADS							
Wages & salaries	116,096	120,472	114,714	114,783	121,452	1.1%	4.6%
Staff pension costs	36,425	34,848	34,696	25,712	30,121	(4.6%)	(17.3%)
Rates	96,748	98,999	99,750	144,825	65,933	(9.1%)	(31.9%)
Insurance	12,731	20,347	17,732	11,836	20,807	13.1%	63.4%
Light & heat	6,138	5,799	6,263	6,079	5,133	(4.4%)	(16.4%)
Tickets	3,922	5,498	3,692	5,580	2,321	(12.3%)	(40.8%)
Printing, postage and stationery	4,570	4,235	5,907	5,762	4,195	(2.1%)	(8.2%)
Advertising	401	45	45	45	45	(42.1%)	(88.8%)
Telephone	2,794	2,814	3,286	4,266	3,297	4.2%	18.0%
Motor running expenses	7,187	3,636	4,697	5,912	16,413	22.9%	128.4%
Legal and professional fees	13,188	25,229	11,171	17,269	49,470	39.2%	275.1%
Audit fees	12,875	12,575	12,825	11,000	11,325	(3.2%)	(12.0%)
Management charges	134,067	118,931	127,396	158,701	171,803	6.4%	28.1%
Bank charges	7,151	8,692	10,072	14,457	15,699	21.7%	119.5%
Sundry expenses	23,348	28,753	28,695	28,619	32,096	8.3%	37.5%
Total Overheads	477,641	490,873	480,941	554,846	550,110	3.6%	15.2%
Grand Total	2,256,729	1,548,165	1,669,111	1,513,253	2,504,616	2.6%	11.0%

50,945 Average excluding 31 March 2015

Appendix 7.2

Monthly Traffic Volume Averages for the 6 Years from April 2013 to March 2019

Average of Non-Refit years (FY 2014, 2016, 2018)

(No. of crossings)	Total	April	May	June	July	August	September	October	November	December	January	February	March
Class A (Foot passenger)	144,035	12,448	13,434	16,139	21,005	23,097	12,335	10,261	5,880	6,483	6,349	7,123	9,480
Class B/C (Bikes & motorcycles)	115,092	12,232	13,323	15,504	15,189	16,500	10,286	7,567	4,938	4,094	4,059	4,342	7,057
Class F (car)	744,775	68,075	76,501	72,040	84,602	88,942	66,811	60,181	44,013	44,146	41,306	44,014	54,144
Class G (Truck)	1,750	163	151	153	173	162	137	151	125	128	122	113	173
Coach & Bus	11,981	844	1,056	1,399	1,477	1,562	1,125	865	759	700	724	691	778
	1,017,633	93,761	104,465	105,236	122,446	130,264	90,695	79,025	55,715	55,551	52,560	56,283	71,632

Average of Refit years (FY 2013,2015,2017)

(No. of crossings)	Total	April	May	June	July	August	September	October	November	December	January	February	March
Class A (Foot passenger)	138,343	12,355	15,669	14,146	18,268	21,332	13,281	9,844	2,843	6,131	8,364	8,184	7,925
Class B/C (Bikes & motorcycles)	106,970	9,713	13,290	12,368	14,385	15,677	11,886	7,758	2,033	3,017	4,797	5,120	6,926
Class F (car)	695,776	63,405	70,029	71,686	82,740	91,588	72,103	59,671	11,793	28,034	43,039	46,752	54,936
Class G (Truck)	1,535	166	167	162	166	164	143	131	23	49	106	108	149
Coach & Bus	11,453	833	1,122	1,404	1,521	1,758	1,182	868	170	361	729	692	811
	954,076	86,472	100,278	99,766	117,081	130,520	98,596	78,272	16,863	37,591	57,034	60,856	70,747

Average of Non-Refit years (FY 2014, 2016, 2018)

(Percentage of crossings as a percentage of total)	Total	April	May	June	July	August	September	October	November	December	January	February	March
Class A (Foot passenger)	100.0%	8.64%	9.33%	11.20%	14.58%	16.04%	8.56%	7.12%	4.08%	4.50%	4.41%	4.95%	6.58%
Class B/C (Bikes & motorcycles)	100.0%	10.63%	11.58%	13.47%	13.20%	14.34%	8.94%	6.58%	4.29%	3.56%	3.53%	3.77%	6.13%
Class F (car)	100.0%	9.14%	10.27%	9.67%	11.36%	11.94%	8.97%	8.08%	5.91%	5.93%	5.55%	5.91%	7.27%
Class G (Truck)	100.0%	9.29%	8.65%	8.74%	9.86%	9.27%	7.81%	7.14%	7.29%	7.29%	6.44%	6.44%	9.90%
Coach & Bus	100.0%	7.05%	8.82%	11.68%	12.33%	13.04%	9.39%	7.22%	6.34%	5.85%	6.04%	5.76%	6.49%

Average of Refit years (FY 2013,2015,2017)

(Percentage of crossings as a percentage of total)	Total	April	May	June	July	August	September	October	November	December	January	February	March
Class A (Foot passenger)	100.0%	8.93%	11.33%	10.23%	13.21%	15.42%	9.60%	7.12%	2.06%	4.43%	6.05%	5.92%	5.73%
Class B/C (Bikes & motorcycles)	100.0%	9.08%	12.42%	11.56%	13.45%	14.66%	11.11%	7.25%	1.90%	2.82%	4.48%	4.79%	6.47%
Class F (car)	100.0%	9.11%	10.06%	10.30%	11.89%	13.16%	10.36%	8.58%	1.69%	4.03%	6.19%	6.72%	7.90%
Class G (Truck)	100.0%	10.82%	10.88%	10.53%	10.84%	10.71%	9.34%	8.56%	1.50%	3.19%	6.89%	7.02%	9.73%
Coach & Bus	100.0%	7.28%	9.80%	12.26%	13.28%	15.35%	10.32%	7.58%	1.49%	3.15%	6.37%	6.04%	7.08%

Average non-refit year activity is (higher)/lower than an average MAJOR refit year:

Class A (Foot passenger)	(4.0%)	(0.7%)	16.6%	(12.3%)	(13.0%)	(7.6%)	7.7%	(4.1%)	(51.6%)	(5.4%)	31.7%	14.9%	(16.4%)
Class B/C (Bikes & motorcycles)	(7.1%)	(20.6%)	(0.2%)	(20.2%)	(5.3%)	(5.0%)	15.6%	2.5%	(58.8%)	(26.3%)	18.2%	17.9%	(1.9%)
Class F (car)	(6.6%)	(6.9%)	(8.5%)	(0.5%)	(2.2%)	3.0%	7.9%	(0.8%)	(73.2%)	(36.5%)	4.2%	6.2%	1.5%
Class G (Truck)	(12.3%)	2.0%	10.4%	5.7%	(3.7%)	1.2%	4.9%	(12.8%)	(81.6%)	(61.6%)	(13.6%)	(4.4%)	(13.8%)
Coach & Bus	(4.4%)	(1.3%)	6.2%	0.3%	3.0%	12.5%	5.1%	0.3%	(77.6%)	(48.5%)	0.7%	0.2%	4.3%

.....

Income By Category

	Actual															
	31 March 2017 £	31 March 2018 £	31 March 2019 £	31 March 2020 £	31 March 2021 £	31 March 2022 £	31 March 2023 £	31 March 2024 £	31 March 2025 £	31 March 2026 £	31 March 2027 £	31 March 2028 £	31 March 2029 £	31 March 2030 £	31 March 2031 £	31 March 2032 £
Operating Profit/(Loss) [Profit Before Interest & Tax]	1,244,072	1,483,243	(32,064)	1,232,049	1,020,368	1,376,336	53,551	1,275,805	777,233	1,169,151	(293,474)	1,056,002	503,582	935,962	(684,053)	808,612
Depreciation of tangible assets	178,748	177,220	103,763	103,763	103,763	103,763	103,763	103,763	103,763	103,763	103,763	103,763	103,763	103,763	103,763	103,763
Decrease (Increase) in stocks & debtors	34,639	(104,604)	1,482	(1,670)	(1,633)	(1,758)	(1,250)	(2,135)	(1,630)	(1,961)	(1,459)	(2,350)	(1,852)	(2,190)	(1,695)	(2,593)
Increase (Decrease) in creditors due within one year	(156,434)	22,725	30,236	(22,693)	110,835	15,991	(90,176)	(8,822)	69,360	(8,818)	(100,458)	(10,438)	75,972	(10,340)	(111,817)	(12,144)
Net Cash Inflow From Operating Activities	1,301,025	1,578,584	103,417	1,311,449	1,233,334	1,494,333	65,889	1,368,611	948,725	1,262,135	(291,628)	1,146,976	681,465	1,027,195	(693,802)	897,638
Interest received	7	143	20,397	21,091	31,839	34,097	38,063	30,047	32,418	31,457	32,879	21,552	21,957	18,758	18,170	3,445
Interest paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividend paid	(751,875)	(769,275)	-	-	(819,735)	(844,095)	(868,455)	(893,685)	(903,661)	(903,661)	(903,661)	(903,661)	(903,661)	(903,661)	(903,661)	(903,661)
Corporation tax paid	(281,699)	(309,247)	(20,000)	(257,812)	(219,634)	(287,697)	(37,122)	(267,827)	(173,549)	(247,831)	29,798	(224,450)	(119,567)	(201,112)	106,803	(174,006)
Payments to acquire tangible fixed assets	(116,049)	(35,106)	(13,157)	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Cash Inflow (Outflow)	151,409	465,099	90,657	1,074,729	225,803	396,637	(801,626)	237,145	(96,067)	142,100	(1,132,612)	40,418	(319,807)	(58,820)	(1,472,490)	(176,583)
Opening Cash at Bank & In Hand	1,401,963	1,553,372	2,018,471	2,109,128	3,183,857	3,409,660	3,806,297	3,004,671	3,241,817	3,145,750	3,287,850	2,155,238	2,195,655	1,875,849	1,817,029	344,539
Closing Cash at Bank & In Hand	1,553,372	2,018,471	2,109,128	3,183,857	3,409,660	3,806,297	3,004,671	3,241,817	3,145,750	3,287,850	2,155,238	2,195,655	1,875,849	1,817,029	344,539	167,956

The Bournemouth-Swanage Motor Road & Ferry Co. Inc.
Appendix 9.2
Cash Flow Analysis - Assuming An Increase in Toll Charges

	Actual															
	31 March 2017	31 March 2018	31 March 2019	31 March 2020	31 March 2021	31 March 2022	31 March 2023	31 March 2024	31 March 2025	31 March 2026	31 March 2027	31 March 2028	31 March 2029	31 March 2030	31 March 2031	31 March 2032
	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£
Operating Profit [Profit Before Interest & Tax]	1,244,072	1,483,243	(32,064)	1,232,049	1,155,372	1,569,072	332,320	1,680,516	1,292,181	1,803,040	399,837	1,933,277	1,656,276	2,048,303	481,914	2,169,391
Depreciation of tangible assets	178,748	177,220	103,763	103,763	103,763	103,763	103,763	103,763	103,763	103,763	103,763	103,763	103,763	103,763	103,763	103,763
Decrease (Increase) in stocks & debtors	34,639	(104,604)	1,482	(1,670)	(1,903)	(1,873)	(1,422)	(2,386)	(1,850)	(2,199)	(1,578)	(2,718)	(2,403)	(2,109)	(1,802)	(2,982)
Increase (Decrease) in creditors due within one year	(156,434)	22,725	30,236	(22,693)	123,661	34,788	(76,001)	12,228	92,922	13,538	(82,736)	14,216	121,347	13,501	(108,852)	13,683
Net Cash Inflow From Operating Activities	1,301,025	1,578,584	103,417	1,311,449	1,380,893	1,705,750	358,659	1,794,120	1,487,015	1,918,142	419,286	2,048,538	1,878,984	2,163,457	475,023	2,283,855
Interest received	7	143	20,397	21,091	31,839	39,217	43,506	44,774	49,701	52,328	58,349	58,558	65,670	71,657	79,820	79,768
Interest paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividend paid	(751,875)	(769,275)	-	-	(429,601)	(990,807)	(184,193)	(998,690)	(999,303)	(996,137)	(350,057)	(997,667)	(999,123)	(996,283)	(433,582)	(999,541)
Corporation tax paid	(281,699)	(309,247)	(20,000)	(257,812)	(245,285)	(325,290)	(91,122)	(347,520)	(274,673)	(372,235)	(106,770)	(398,163)	(346,885)	(422,507)	(126,444)	(447,055)
Payments to acquire tangible fixed assets	(116,049)	(35,106)	(13,157)	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Cash Inflow (Outflow)	151,409	465,099	90,657	1,074,729	737,846	428,869	126,850	492,684	262,740	602,098	20,809	711,265	598,645	816,324	(5,183)	917,027
Opening Cash at Bank & In Hand	1,401,963	1,553,372	2,018,471	2,109,128	3,183,857	3,921,702	4,350,572	4,477,422	4,970,106	5,232,846	5,834,944	5,855,753	6,567,018	7,165,664	7,981,987	7,976,804
Closing Cash at Bank & In Hand	1,553,372	2,018,471	2,109,128	3,183,857	3,921,702	4,350,572	4,477,422	4,970,106	5,232,846	5,834,944	5,855,753	6,567,018	7,165,664	7,981,987	7,976,804	8,893,831

Incorporated by The Bournemouth-Swanage Motor Road and Ferry Act 31 July 1923

THE BOURNEMOUTH-SWANAGE MOTOR ROAD & FERRY COMPANY
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

THE BOURNEMOUTH-SWANAGE MOTOR ROAD & FERRY COMPANY

COMPANY INFORMATION

Directors	MPR Kean Mrs TA Nicol N Purchase	(Appointed 28 December 2018)
Secretary	Mrs TA Nicol	
Incorporated by Act of Parliament	31 July 1923	
Head office	Fairacres Stock Lane Ingatestone Essex CM4 9QL	
Auditors	Rickard Luckin Limited Aquila House Waterloo Lane Chelmsford Essex CM1 1BN	
Business address	Ferry Office Shell Bay Studland Swanage Dorset BH19 3BA	
Bankers	Handelsbanken - Chelmsford Greenwood House 91-99 New London Road Chelmsford Essex CM2 0PP	

THE BOURNEMOUTH-SWANAGE MOTOR ROAD & FERRY COMPANY

CONTENTS

	Page
Directors' report	1 - 2
Independent auditor's report	3 - 5
Profit and loss account	6
Balance sheet	7
Statement of changes in equity	8
Notes to the financial statements	9 - 16

THE BOURNEMOUTH-SWANAGE MOTOR ROAD & FERRY COMPANY

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2019

The directors present their ninety fifth report and financial statements for the year ended 31 March 2019.

Principal activities

The principal activity of the company continued to be that of the operation, under statute, of a motor driven chain ferry.

Directors

No director held any beneficial interest in the share capital of the company. In order to qualify each of the directors holds one hundred shares on trust for the holding company. The directors' interests in the holding company, Fairacres Group Limited, are disclosed in the directors' report of that company.

GR Kean (Deceased)

(Resigned 28 December 2018)

MPR Kean

Mrs TA Nicol

N Purchase

(Appointed 28 December 2018)

Results and dividends

The results for the year are set out in the profit and loss account on page 5. Both the level of the business and the year end financial position were greatly under expectations.

During the year the Company's vessel suffered from major mechanical challenges and the Company's application to increase tolls was refused. These combined matters unfortunately resulted in the Company not being able to continue growing and greatly diminished the amount possible to add to the ferry replacement reserve.

The negative financial impact of the foregoing is likely to take some time to recover from but in small mitigation of this the Directors have negotiated that the Company is to receive a commercial rate of interest on its cash at bank which it has during the year.

As a result no ordinary dividends were paid during the year and the Directors policy is that they will not pay any dividends to the shareholders until the ferry replacement reserve is at the required level in any given year.

Directors' insurance

A directors' indemnity insurance policy exists in the form of a combined insurance policy across the group.

Financial instruments

Liquidity risk

The company manages its cash and borrowing requirements in order to maximise interest income and minimise interest expense, whilst ensuring the company has sufficient liquid resources to meet the operating needs of the business.

Interest rate risk

The company has no interest bearing financial instruments and as such the directors do not consider that they are exposed directly to interest rate risk.

Credit risk

All customers who wish to trade on credit terms are subject to credit verification procedures. Trade debtors are monitored on an ongoing basis and provision is made for doubtful debts where necessary.

Auditor

In accordance with the company's constitution, a resolution proposing that Rickard Luckin Limited be re-appointed as auditors of the company will be put at a General Meeting.

THE BOURNEMOUTH-SWANAGE MOTOR ROAD & FERRY COMPANY

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

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 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 company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure to auditor

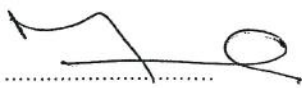
So far as the directors are aware,

(a) there is no relevant audit information of which the company's auditors are unaware, and

(b) they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

By order of the board



Mrs TA Nicol
Secretary

Date: 18.07.2019.....

THE BOURNEMOUTH-SWANAGE MOTOR ROAD & FERRY COMPANY

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF THE BOURNEMOUTH-SWANAGE MOTOR ROAD & FERRY COMPANY

Opinion

We have audited the financial statements of The Bournemouth-Swanage Motor Road & Ferry Company (the 'company') for the year ended 31 March 2019 which comprise the profit and loss account, the balance sheet, the statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2019 and of its loss for the year 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 Bournemouth-Swanage Motor Road & Ferry Co Acts 1923-1986 and the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

THE BOURNEMOUTH-SWANAGE MOTOR ROAD & FERRY COMPANY

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF THE BOURNEMOUTH-SWANAGE MOTOR ROAD & FERRY COMPANY

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption in preparing the directors' report and take advantage of the small companies exemption from the requirement to prepare a strategic report.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

THE BOURNEMOUTH-SWANAGE MOTOR ROAD & FERRY COMPANY

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF THE BOURNEMOUTH-SWANAGE MOTOR ROAD & FERRY COMPANY

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Rickard Luckin Limited

Michael Breame (Senior Statutory Auditor)
for and on behalf of Rickard Luckin Limited

Chartered Accountants
Statutory Auditor

19th July 2019

Aquila House
Waterloo Lane
Chelmsford
Essex
CM1 1BN

THE BOURNEMOUTH-SWANAGE MOTOR ROAD & FERRY COMPANY

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2019

	2019 £	2018 £
Turnover	2,508,443	3,130,862
Cost of sales	(2,055,578)	(1,135,627)
Gross profit	452,865	1,995,235
Administrative expenses	(550,110)	(554,846)
Other operating income	82,264	42,854
Operating (loss)/profit	(14,981)	1,483,243
Interest receivable and similar income	20,397	143
Interest payable and similar expenses	-	(18)
Profit before taxation	5,416	1,483,368
Tax on profit	3 (17,177)	(308,680)
(Loss)/profit for the financial year	(11,761)	1,174,688

THE BOURNEMOUTH-SWANAGE MOTOR ROAD & FERRY COMPANY

BALANCE SHEET

AS AT 31 MARCH 2019

	Notes	2019 £	£	2018 £	£
Fixed assets					
Tangible assets	4		13,419,826		13,507,741
Current assets					
Stocks		236,073		326,296	
Debtors	5	144,370		38,414	
Cash at bank and in hand		2,109,128		2,018,471	
		<u>2,489,571</u>		<u>2,383,181</u>	
Creditors: amounts falling due within one year	6	<u>(265,425)</u>		<u>(235,189)</u>	
Net current assets			2,224,146		2,147,992
Total assets less current liabilities			15,643,972		15,655,733
Creditors: amounts falling due after more than one year	7		(34,978)		(34,978)
Provisions for liabilities	8		(447,068)		(481,070)
Net assets			<u>15,161,926</u>		<u>15,139,685</u>
Capital and reserves					
Called up share capital	10		61,000		61,000
Revaluation reserve			12,535,191		12,587,594
Other reserves	11		2,565,735		2,491,091
Total equity			<u>15,161,926</u>		<u>15,139,685</u>

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements were approved by the board of directors and authorised for issue on 18/07/2019 and are signed on its behalf by:



MPR Kean
Director

THE BOURNEMOUTH-SWANAGE MOTOR ROAD & FERRY COMPANY

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2019

	Notes	Share capital £	Revaluation reserve £	Other reserves £	Profit and loss reserves £	Total £
Balance at 1 April 2017		61,000	12,563,424	1,931,434	-	14,555,858
Year ended 31 March 2018:						
Profit for the year		-	-	-	1,174,688	1,174,688
Other comprehensive income:						
Tax relating to other comprehensive income		-	178,414	-	-	178,414
Total comprehensive income for the year		-	178,414	-	1,174,688	1,353,102
Dividends		-	-	-	(769,275)	(769,275)
Transfers		-	(154,244)	559,657	(405,413)	-
Balance at 31 March 2018		61,000	12,587,594	2,491,091	-	15,139,685
Year ended 31 March 2019:						
Loss for the year		-	-	-	(11,761)	(11,761)
Other comprehensive income:						
Tax relating to other comprehensive income		-	34,002	-	-	34,002
Total comprehensive income for the year		-	34,002	-	(11,761)	22,241
Transfers		-	(86,405)	74,644	11,761	-
Balance at 31 March 2019		61,000	12,535,191	2,565,735	-	15,161,926

The revaluation reserve totalling £12,535,191 represents reserves generated from historic revaluations less the unwinding of associated depreciation and provision for deferred tax, and as such are non-distributable.

THE BOURNEMOUTH-SWANAGE MOTOR ROAD & FERRY COMPANY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

1 Accounting policies

Company information

The Bournemouth-Swanage Motor Road and Ferry Company Inc. is a company limited by shares incorporated under the Bournemouth-Swanage Motor Road and Ferry Company Act 31 July 1923.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102"), the Bournemouth-Swanage Motor Road and Ferry Acts 1923-1986 and the requirements of the Companies Act 2006 as applicable to companies subject to the small companies regime. The disclosure requirements of section 1A of FRS 102 have been applied other than where additional disclosure is required to show a true and fair view.

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

1.2 Turnover

Turnover represents the consideration received or receivable for providing the ferry service, and is shown net of VAT and other sales related taxes. Turnover is generated entirely within the UK.

1.3 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

The company has adopted the transitional arrangements, included within FRS 102 and have chosen to "freeze" the valuation of land and buildings and the Motor Ferry as at the date of transition; 31st March 2014. No subsequent valuations are therefore included and the valuation at that date becomes the "deemed cost".

No depreciation is provided on freehold land.

Buildings with an estimated economic life in excess of 50 years are not depreciated. Other buildings are depreciated on a straight line basis over their remaining economic life. The non-depreciation of these assets is a departure from the general requirement of the Companies Act 2006 for all tangible assets to be depreciated. In the opinion of the directors this departure is necessary for the financial statements to give a true and fair view. It is estimated that the useful life of the land and buildings used in the business exceeds 50 years and that its residual value would not be less than its book value.

Other tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost, less estimated residual value, of each asset over its expected useful life, as follows:

Motor Ferry	40 years
Equipment and motor vehicles	5 - 10 years

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

The useful economic life of the Motor Ferry has been raised from 33 years to 40 years during the current year. This extension is based upon a professional third party assessment of the remaining life of the asset. The depreciation charge for the current period has been revised accordingly. The Motor Ferry was acquired in 1993 and subsequently bought into use in 1994.

THE BOURNEMOUTH-SWANAGE MOTOR ROAD & FERRY COMPANY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

1 Accounting policies

(Continued)

1.4 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

1.5 Stocks

Stocks are stated at cost as they are used solely for the purpose of the ferry re-fit and are not held for sale.

At each reporting date, an assessment is made for impairment.

1.6 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts.

1.7 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

THE BOURNEMOUTH-SWANAGE MOTOR ROAD & FERRY COMPANY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

1 Accounting policies

(Continued)

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

1.8 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.9 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

In accordance with FRS 102 deferred tax is provided in respect of historically revalued assets as appropriate.

1.10 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

THE BOURNEMOUTH-SWANAGE MOTOR ROAD & FERRY COMPANY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

1 Accounting policies (Continued)

1.11 Retirement benefits

The company operates a defined contribution scheme for the benefit of its employees. Contributions payable are charged to the profit and loss account in the year they are payable.

1.12 Motor ferry replacement reserve

An amount is being set aside over the period to 31 March 2032 to renew the motor ferry by the transfer of an estimated amount to the Motor Ferry Replacement Reserve, when sufficient funds are available. To ensure the reserve is available for the replacement of the Ferry with sufficient time, the reserve is being built up to the required level 2 years before the anticipated replacement year of 2034. The directors have specifically ring fenced this reserve for the purpose of the ferry replacement.

2 Employees

The average monthly number of persons (including directors) employed by the company during the year was 40 (2018 - 43).

3 Taxation

	2019 £	2018 £
Current tax		
UK corporation tax on profits for the current period	17,177	308,680
Adjustments in respect of prior periods	(74,641)	(31,364)
Group tax relief	74,641	31,364
	<u>17,177</u>	<u>308,680</u>

In addition to the amount charged to the profit and loss account, the following amounts relating to tax have been recognised directly in other comprehensive income:

	2019 £	2018 £
Deferred tax arising on:		
Revaluation of property	<u>(34,002)</u>	<u>(178,414)</u>

THE BOURNEMOUTH-SWANAGE MOTOR ROAD & FERRY COMPANY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

4 Tangible fixed assets

	Land, roads & slipways	Buildings	Motor Ferry	Equipment and motor vehicles	Total
	£	£	£	£	£
Cost or valuation					
At 1 April 2018	11,528,971	967,981	1,900,000	110,701	14,507,653
Additions	-	-	-	13,157	13,157
At 31 March 2019	11,528,971	967,981	1,900,000	123,858	14,520,810
Depreciation and impairment					
At 1 April 2018	-	105,572	814,286	80,054	999,912
Depreciation charged in the year	-	26,589	67,857	6,626	101,072
At 31 March 2019	-	132,161	882,143	86,680	1,100,984
Carrying amount					
At 31 March 2019	11,528,971	835,820	1,017,857	37,178	13,419,826
At 31 March 2018	11,528,971	862,409	1,085,714	30,647	13,507,741

The two and a half mile strip of land which is occupied for the ferry road is held in perpetuity under the terms of The Bournemouth-Swanage Motor Road and Ferry Act 1923.

The land for the buildings, causeway and slipways is freehold.

As detailed in the accounting policies, the land, buildings and ferry are carried at a transitional deemed cost.

If revalued assets were stated on an historical cost basis rather than a fair value basis, the total amounts included would have been as follows:

On a historical cost basis fixed assets would have been included at:

	Land, roads and slipways	Buildings	Motor Ferry	Equipment and motor vehicles	Total
	£	£	£	£	£
Cost	138,977	372,038	2,123,690	123,858	2,758,563
Accumulated depreciation based on historical cost	-	215,481	2,123,690	86,680	2,425,851
	138,977	156,557	-	37,178	332,712

THE BOURNEMOUTH-SWANAGE MOTOR ROAD & FERRY COMPANY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

5 Debtors

	2019 £	2018 £
Amounts falling due within one year:		
Trade debtors	5,918	6,469
Corporation tax recoverable	87,590	-
Other debtors	50,862	31,945
	<u>144,370</u>	<u>38,414</u>

6 Creditors: amounts falling due within one year

	2019 £	2018 £
Trade creditors	206,251	20,997
Amounts due to group undertakings	14,671	13,824
Corporation tax	-	158,672
Other taxation and social security	18,369	15,603
Other creditors	26,134	26,093
	<u>265,425</u>	<u>235,189</u>

7 Creditors: amounts falling due after more than one year

	2019 £	2018 £
Other creditors	<u>34,978</u>	<u>34,978</u>

The preference shares comprise 35,000, 10.5% non-cumulative preference shares of £1 each less £22 calls in arrears. The preference shares carry no voting rights and rank in priority to the ordinary shares for repayment in the event of the company being wound up. The holders of the preference shares have no right to receive notice of or to be present or to vote at any General Meeting of the company.

On winding up, the preference shares confer the right to the return of the capital paid up or credited as paid up plus arrears of dividend, before any return of capital is made on any other shares. The holders of preference shares shall not then have the right to participate further in profits or assets.

8 Provisions for liabilities

	2019 £	2018 £
Deferred tax liabilities	<u>447,068</u>	<u>481,070</u>

THE BOURNEMOUTH-SWANAGE MOTOR ROAD & FERRY COMPANY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

9 Deferred taxation

	Liabilities 2019 £	Liabilities 2018 £
Balances:		
Revaluations	447,068	481,070
Movements in the year:		2019 £
Liability at 1 April 2018		481,070
Credit to other comprehensive income		(34,002)
Liability at 31 March 2019		447,068

10 Called up share capital

	2019 £	2018 £
Ordinary share capital		
Issued and fully paid		
1,740,000 Ordinary of 5p each	87,000	87,000
Less: Discount of 50% on issue of 1,040,000	(26,000)	(26,000)
	61,000	61,000

11 Other reserves

Transfers are made from the profit and loss account to the Motor Ferry Replacement Reserve, to the extent that reserves are available. In March 2019, the company obtained a professional estimate of the cost of building a diesel hydraulic powered motor ferry to replace the company's existing vessel. The approximate cost was £8,440,000. If full provision for renewal had been made, less what the company are able to borrow for this purpose, the Motor Ferry Replacement Reserve at the balance sheet date would have totalled £3,474,978.

12 Financial commitments, guarantees and contingent liabilities

The company, together with four other group companies, has entered into a composite guarantee in respect of bank overdrafts of those companies. There is a right to set off incorporated within the cross guarantee. The net overdraft indebtedness of the group companies to the bank at the year end date was £Nil (2018: £Nil).

The company, together with four other group companies, has also entered into a composite cross guarantee in respect of bank loans totalling, at the balance sheet date, £8,000,000.

THE BOURNEMOUTH-SWANAGE MOTOR ROAD & FERRY COMPANY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

13 Related party transactions

The company has taken advantage of the exemption in the Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") Section 1A to disclose transactions with group companies on the grounds that it is a subsidiary that is wholly owned.

At the year end the company owed its parent company £14,671 (2018: £13,824).

14 Parent company

The company is a wholly owned subsidiary of Fairacres Group Limited, a company registered in England. Details of the group and consolidated financial statements can be found at Companies House. That company is controlled by its directors.

THE BOURNEMOUTH-SWANAGE MOTOR ROAD & FERRY COMPANY

MANAGEMENT INFORMATION

FOR THE YEAR ENDED 31 MARCH 2019

THE BOURNEMOUTH-SWANAGE MOTOR ROAD & FERRY COMPANY

DETAILED TRADING AND PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2019

		2019		2018
	£	£	£	£
Turnover				
Tolls		2,508,443		3,130,862
Cost of sales				
Ferry harbour dues	1,272		1,272	
Ferry consumable stores	77,883		74,888	
Ferry wages and salaries	724,079		710,613	
Building repairs and maintenance	7,544		11,742	
Slipway repairs & maintenance	21,499		7,622	
Road repairs & maintenance	7,092		4,839	
Ferry repairs & maintenance	1,087,367		112,230	
Ferry insurance	27,770		35,201	
Depreciation on freehold property	26,589		34,164	
Depreciation on motor ferry	67,857		135,714	
Depreciation on other equipment	6,626		7,342	
		(2,055,578)		(1,135,627)
Gross profit	18.05%	452,865	63.73%	1,995,235
Other operating income				
Sundry income		82,264		42,854
Administrative expenses		(550,110)		(554,846)
Operating (loss)/profit		(14,981)		1,483,243
Investment revenues				
Other interest received	20,397		143	
		20,397		143
Interest payable and similar expenses				
Interest on overdue taxation		-		(18)
Profit before taxation	0.22%	5,416	47.38%	1,483,368

THE BOURNEMOUTH-SWANAGE MOTOR ROAD & FERRY COMPANY

SCHEDULE OF ADMINISTRATIVE EXPENSES

FOR THE YEAR ENDED 31 MARCH 2019

	2019 £	2018 £
Administrative expenses		
Wages and salaries	121,452	114,783
Staff pension costs defined contribution	30,121	25,712
Management charge	171,803	158,701
Rates	65,933	144,825
Tickets	2,321	5,580
Light and heat	5,133	6,079
Insurance	20,807	11,836
Motor running expenses	16,413	5,912
Legal and professional fees	49,470	17,269
Audit fees	11,325	11,000
Bank charges	15,699	14,457
Printing, postage and stationery	4,195	5,762
Advertising	45	45
Telecommunications	3,297	4,266
Sundry expenses	32,096	28,619
	<u>550,110</u>	<u>554,846</u>

CF BRAMBLE BUSH BAY
Planned Maintenance & Replacement Costing Rev 0
BCP/J/10889/06

Issued:	Nick Purchase – Operations Director
Date:	28th March 2019
Prepared:	Tim Hope – Principal Consultant Naval Architect

QUALITY STATEMENT

This document has been prepared in accordance with the Quality Assurance Procedures of Burness Corlett Three Quays (Southampton) Ltd. in conformance with BS EN ISO 9001:2015.

	Prepared	Reviewed	Approved
Name	T. Hope	R. Heslop/J. Berry	S. Sartorio
Date	27-03-19	27-03-19	27-03-19

Revision	Date	By	Description	Checked	Approved
0	27-03-19	TJH	Formal Issue to Client	RKH/JMB	SFS

Table of Contents

1 Introduction..... 1

2 Background..... 2

3 Response to Specific Points 3

4 Conclusions 9

1 Introduction

Burness Corlett & Partners Ltd (BCP), now Burness Corlett Three Quays (Southampton) Ltd (BCTQ), have acted as maritime consultants to The Bournemouth & Swanage Motor Road & Ferry Co. (BSMRFCo.) during the design and construction of the 74m chain ferry 'BRAMBLE BUSH BAY' and have previously been requested by the Owners to provide advice and estimate costs to the following points:

1. What is the likely current cost of replacing the CF 'BRAMBLE BUSH BAY' as is?
2. As 1. above, but with diesel electric rather than diesel hydraulic drive?
3. When and why is it considered that this may be necessary?
4. Advise on the likely variation in shipbuilding costs in relation to inflation in the short, medium and long term for a craft of this type and size.
5. What is the likely current cost (both financially as well as in time) of replacing any major items in the engine room, what are they, why may they need to be replaced and when?
6. As 5. above, but with electric rather than hydraulic drive?
7. Advise on the likely variation in ship repair costs (in particular for items such as 5. or 6. above) in relation to inflation in the short, medium and long term.
8. Provide key points of the advantages and disadvantages of both diesel hydraulic and diesel electric drive systems, as could be installed in a chain ferry.
9. Does the new build cost include professional fees?

The purpose of this report is to provide updated recommendations and costing to the points above.

All costs shown are net prices, exclusive of VAT.

2 Background

Following the preparation by BCP (now Burness Corlett Three Quays) of the design and specification for this craft, the shipbuilding contract was placed in January 1993, the completed craft 'BRAMBLE BUSH BAY', entering service on the Sandbanks – Studland service in late January 1994.

3 Response to Specific Points

The following response is made to the points listed in Section 1:

3.1 Replacement Cost

Based on recent known costs and an extrapolated method of costing for new build steel vessels of similar size and functionality, to replace the existing craft, assuming an order is placed during the first quarter of 2019 with a UK shipyard the estimated cost would be circa.....£8.44m

3.2 Replacement Cost with Diesel Electric Drive

As existing craft but with electric drive – order is placed during the first quarter of 2019 with a UK shipyard the estimated cost would be circa.....£9.79m

3.3 Economic Life

The existing craft entered service in the first quarter of 1994, i.e. the craft is now 25 years old. Whilst the working life of chain ferries has been longer historically than conventional ferries, the ultimate economic life of a chain ferry will be affected by:

- The maintenance regime operated
- Obsolescence of equipment
- Carrying capacity of craft unable to meet traffic demand
- Changes to statutory requirements governing chain ferries

The existing craft is well maintained and has undergone scheduled maintenance including annual 'in service' refit and dry-docking every two years. In 2014 Lloyd's Register permitted the dry-docking cycle to be extended to every five years with the 'in service' refit continuing in the interim years.

Based on the currently maintained condition of the hull structure compared to steel vessels of similar age, the craft should be capable of a further 15 years' service, providing protective coatings are maintained/renewed as found necessary and taking into consideration the extended time between dry-dockings.

The three diesel prime movers underwent a major overhaul in 2012 and subject to the future availability of spares the engines should be serviceable for another 15 years and this would also be subject to any future regulatory emission requirements.

At present the existing craft provides the largest platform in terms of length and breadth that can be accommodated on the service.

Should vehicle demand increase to the point that the existing craft cannot carry the available traffic and result in the adverse effect of diverting potential traffic away from the ferry, then

consideration will have to be given to either increasing the capacity of the existing ferry, or building new tonnage.

At the time of commissioning 'BRAMBLE BUSH BAY' was the largest chain ferry to enter service (with others also under construction) and a number of features relating to stability, lifesaving and navigational safety were built into the craft that formed the basis for the then new MCA regulation for chain ferries later introduced in 2002, '*Code of Practice for the construction, machinery, equipment, stability and operation of Chain/wire ferries acting as a Floating Bridge, carrying passengers and vehicles*', which was last revised in January 2018.

It was not until the 2018/19 refit that the MCA required the craft's structural fire protection to be upgraded to meet the relevant regulation in the code and for the stability to be reviewed after 25 years' in service.

Unless new environmental/pollution control regulations, for example, reduced emissions, reduced noise, or further safety requirements are imposed on chain ferries within the next 10 to 15 years, then it is not envisaged that any major modifications will be necessary for compliance with the current MCA code, subject to any future amendments arising.

On the basis of the above, it is considered that the existing craft could be expected to have an economical service life of between 35 to 40 years and hence the replacement of the existing craft should not be necessary until 2029 to 2034.

3.4 Variations in Shipbuilding Costs

Since the 'BRAMBLE BUSH BAY' was built in 1993/4, the number of shipbuilding yards in the UK of the size and with the necessary experience to build this type of craft would likely to be as follows:

- Fergusons
- Cammell Laird
- Pendennis Shipyard
- Southampton Marine Services / Wight Shipyard – (sister companies)

These yards are identified as having the capability to undertake new commercial build projects, it is likely that in order to obtain competitive prices, quotations from shipyards in Europe would also need to be considered.

New Build prices in UK and Europe are affected by the following factors:

- Exchange rates
- Steel prices
- Energy costs
- Overhead and labour costs

Factors which favour a reduction in prices for UK (and Europe) are fall in demand, current exchange rates (for UK - pound falling against Euro) and reduction in steel prices. Offsetting these factors are higher energy, overhead and labour costs.

Other factors to consider to optimise costs for building a replacement chain ferry, would be contracting with a UK shipyard, responsible for the complete ferry, but subcontracting the hull construction to a European Yard and outfitting back in the UK (as was the 2006 built replacement King Harry Ferry) may be given.

This option has the advantage of obtaining a more competitive hull construction cost, whilst maintaining quality, reputation, local facilities and associated advantages of a UK build.

However due to the specialized nature of a chain ferries, the following factors will also need to be considered when selecting a shipyard:

- Chain ferries are not self-propelled, they require to be transported (usually towed) from the shipyard to the point of operation (e.g. shipyard to Sandbanks).
- In order to fully test a new ferry's operation, the propulsion chain drive, machinery and hydraulics, it is necessary to connect them to their chains (e.g. at Sandbanks)

Thus it can be expected that for these aspects, the contract costs and delivery time for a build by a North Eastern Europe shipyard will be higher when compared to UK yard.

Since a replacement new building is unlikely to be imminent, any effect Brexit might have replacement costs would be highly speculative depending on what assumptions were made but for such a specific vessel, the chance of a fall in replacement cost is unlikely.

3.5 Replacement Cost of Major Machinery Items

As anticipated, in 2012 the craft started to undergo a planned maintenance programme as part a '20 year life extension' refit.

To date the main areas of renovation work so far have included:

- Engines - in 2012 the three Cummins engines were completely rebuilt at a cost of £22,444 per engine, total cost of £67,332.
- Hydraulic Motors – in 2016 one of two hydraulic motors was replaced at a cost of £26,846
- Deck - the main deck has been stripped back and re-coated.
- Prows – the prows have undergone extensive work that included the re-bushing of the hinges.
- Tanks - four tanks were re-coated in 2014 at a cost of £17,307 excluding services i.e. venting, air quality testing and lighting.
- Structural Fire Protection - in 2018/19 additional fire insulation was fitted at the request of the MCA at a cost of £55,000.

To prolong the craft's serviceable life it is recommended that a maintenance programme is continued in accordance with Class and MCA requirements.

Whilst the hull of a chain ferry is relatively easy and economical to maintain in terms of maintaining and renewing the anti-corrosion coatings, the chain drive machinery is subject to a high degree of wear and tear particularly in respect of the chain wheel hydraulics.

To minimise the period out of service this work is mainly internal which is not necessarily weather dependent and therefore can be completed during the interim 'in service' refits and at the next scheduled dry-docking in 2022.

The estimated cost for a 'life extension refit' during this period up to the next dry dock would cover:

- Renewal of the hull void space (internal) coatings.
- Chain drive machinery.

Completed in accordance with a Lloyds Register 'Hull Renovation Scheme (HRS)' which aims to help enhance the condition of the hull condition to approximately that of a typical vessel at first special survey (5 years of age)

Estimated costs to prepare and recoat the hull (internal) void spaces.....**£315,000**

For the Diesel prime movers, now that the craft has two units driving the hydraulic units and one 'spare' engine, it should be feasible to rotate the three engines to carry out routine maintenance.

Should the engines require to be overhauled then the costs per engine at today's prices would be in the order of £27,000, giving a total cost of £81,000.

Depending on the overall condition of the Diesel engines and the total hours run, considered in relation to the projected total life extension required for the craft, it may be economically beneficial to fit replacement engines.

It is envisaged that providing no major reworking of engine seatings or exhaust runs are necessary, costs would not be very different to the heavy overhaul option.

A replacement for the other hydraulic drive motors would become necessary at some time and the cost to do so at today's prices would be in the order of £30,000.

3.6 Replacement Cost of Diesel Electric (if fitted at build)

Had the craft been fitted with a Diesel electric installation at build, it is envisaged that machinery work at the time of the 'life extension' refit would comprise the overhaul/replacement of the Diesel prime movers at cost circa £81,000.

3.7 Ship Repair Costs

The UK ship repair industry has been considerably down sized and finding competent companies with the necessary facilities for this size of craft is becoming difficult.

The general reduction in the number of competing repairers has resulted in those remaining, increasing their prices slightly above the rate of inflation.

Docking with other vessels in a large dock is one way of containing these costs, but this is not guaranteed and may result in extended docking periods.

Currently A & P Falmouth offer the only suitable dry-docking facility that serves the purpose for refits on BRAMBLE BUSH BAY and many other ferry operators on the UK south coast.

In the long term, it is necessary to allow escalation averaging at least at the rate of inflation.

To the current normal dry-docking refit cost of £30,000 to £40,000, plus daily rent of £350, which must be added the costs of removing the craft from the chains and towage to and from the ship repair yard, classification survey fees, docking and mooring charges, professional fees, additional repairs and emerging work, which could easily double the cost of a refit.

In terms of the craft's future repair and maintenance being undertaken in the UK, then Brexit should not have much impact on these costs unless there are critical spares coming from Europe. Any increase in cost due to a fall in sterling/euro rate falls further might only be short lived and should recover.

As a relatively uncomplicated craft it would be beneficial for the interim refit work to continue to utilise in-house staff, local contractors and manufacturer service engineers who provide a competitive service.

3.8 Advantages/Disadvantages of Diesel Hydraulic & Diesel Electric

Diesel Hydraulic

For

- Lower first cost
- Lower installation weight

Against

- Limited flexibility of operation
- Reduced reliability
- Higher maintenance costs
- Risk of contamination
- Risk of higher installation noise

Diesel Electric

For

- Total flexibility of operation
- Higher reliability
- Lower maintenance costs
- Equipment longevity
- Low noise

Against

- Higher first cost
- Higher installation weight

3.9 Professional Fees Cost

Professional fees for a new build, covering the following:

Pre Contact:

- Invitation to Tender
- Instructions to Tenderers
- Specification
- General Arrangement Drawing
- Machinery Arrangement Drawing
- Technical Schedule
- Assessment of Shipbuilders' Tenders
- Pre-Contract Technical & Commercial Discussions

Post Contract:

- Project Management
- Attendance at Project /Progress Meetings
- Plan Approval
- Supervision of Construction
- Attendance at commissioning and trials

It is has been assumed that the Post-Contract Services would be provided on a periodic basis (similar to that for the Bramble Bush Bay).

The professional fees will be dependent on location of shipyard, duration of build, but is estimated the likely cost in 2019 would be circa.....**£273,000**

Classification and MCA costs already included in build costs.

4 Conclusions

The chain ferry 'BRAMBLE BUSH BAY' is currently being maintained to the necessary standard to ensure both safe and reliable operation, thereby maintaining the scheduled service across the entrance to Poole Harbour.

If this standard of service reliability is to be retained in the future, it will be necessary to continue to maintain and refit the craft to the existing standard and where items of equipment become life expired for these to be replaced.

In the near future the likelihood is that some additional consideration will be required as to how any new safety or environmental regulations could be imposed on marine vessels, including chain ferries, and how this could impact the operation of the existing craft, future refit work or eventually the design for a new replacement craft.

Therefore until any future regulations are known it is currently not possible to quantify how these could affect the planned costings within this report.

Handelsbanken

Chelmsford

Private and Confidential

The Directors
Bournemouth-Swanage Motor Road and Ferry Company Inc
Fairacres
Stock Lane
Ingatestone
Essex. CM4 9QL

Date: 23 April 2019

Dear Sirs

I write further to our recent discussions regarding your funding proposals utilising the assets and shareholding in the Bournemouth-Swanage Motor Road and Ferry Company inc (BSMRF) as security.

The BSMRF is a company established and governed by the terms of a series of private Acts of Parliament. In order to fully understand the provisions of these Acts, legal opinion has been sought to establish a clearer understanding of the powers BSMRF have in terms of borrowing and/or granting security over its assets.

Without going over every salient point covered within the legal opinion, although BSMRF does have powers to borrow for its own purposes, either directly or indirectly, the opinion provided confirmed that there are a number of provisions within the various Acts placing restrictions and limitations on what BSMRF can do which could make it difficult for the bank to provide facilities and/or utilise its own assets as security for these facilities.

It is recognised that BSMRF does have substantial assets in its balance sheet all of which forms the operation of the Bournemouth-Swanage Chain Ferry. At this stage I've not obtained legal opinion, but on the information I do have to hand, I understand BSMRF retains either the freehold title to the properties or has a perpetual interest or power over the properties vested in it by statute. In terms of the bank utilising these assets to support borrowings, because of the type/class etc this again may not be a viable option.

You have also asked the bank to consider taking a legal or an equitable mortgage over the shares in BSMRF owned by Fairacres Group Limited as direct security. My initial thought here is if the bank needed to enforce its security i.e. sell the shares, it is unclear what the demand will be for such shares on the open market. Taking into account the restrictions and limitations placed on the company by the series of private Acts of Parliament this could make them less attractive.

It is therefore with regret that we are unable to proffer the funding facilities requested at this time and I sincerely hope this doesn't affect our relationship with your Group moving forwards.

Handelsbanken plc
Greenwood House
91-99 New London Road
Chelmsford CM2 0PP

Tel: 01245 347777
Fax: 01245 346359
handelsbanken.co.uk/chelmsford
SWIFT HANDGB22

Handelsbanken is the trading name of Handelsbanken plc, which is incorporated in England and Wales with company number 11305395. Registered office: 3 Thomas More Square, London, E1W 1WY, UK. Handelsbanken plc is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Financial Services Register number 806852. Handelsbanken plc is a wholly-owned subsidiary of Svenska Handelsbanken AB (publ).

Yours faithfully



Tim Paddon
Branch Manager

Handelsbanken plc
Greenwood House
91-99 New London Road
Chelmsford CM2 0PP

Tel: 01245 347777
Fax: 01245 346359
handelsbanken.co.uk/chelmsford
SWIFT HANDGB22

Handelsbanken is the trading name of Handelsbanken plc, which is incorporated in England and Wales with company number 11305395. Registered office: 3 Thomas More Square, London, E1W 1WY, UK. Handelsbanken plc is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Financial Services Register number 806852. Handelsbanken plc is a wholly-owned subsidiary of Svenska Handelsbanken AB (publ).

FAIRACRES GROUP LIMITED

Directors: S. E. Seager M. P. R. Kean Secretary: T. A. Nicol

Monday, 24th February 2020.

The Secretary Of State
Department For Transport
Great Minster House
33 Horseferry Road
London
SW1P 4DR

Dear Secretary Of State,

Re: Our Subsidiary
THE BOURNEMOUTH-SWANAGE MOTOR ROAD AND FERRY COMPANY Inc.
Application to Revise Tolls

We Fairacres Group Limited (FGL) hereby undertake:

(i) we will procure The Bournemouth-Swanage MR & Ferry Co Inc. (the **Company**) will acquire and bring into operation a suitable, newly built replacement vessel for the current ferry, "Bramble Bush Bay" (the **Ferry**) by the time it reaches the end of its useful life (which is currently expected to be January 2034); and

(ii) we will maintain net assets (as shown in FGL's accounts) of not less than £15m until the replacement vessel is in operation.

This undertaking will not apply if:

- a) FGL and/or the Company are prevented by force majeure for so long as any such force majeure shall continue;
- b) any key regulatory change or force majeure occurs that, in either case, is reasonably likely to materially and adversely affect the future profitability of the Ferry operation or materially increases the capital cost of providing a replacement ferry beyond the cost that is currently anticipated to be the same at the date of this undertaking; or
- c) the Company ceases to be a subsidiary of FGL or if the Ferry operation ceases to be owned by the Company by way of involuntary sale or involuntary transfer of any kind to a third party; or
- d) the Company ceases to be a subsidiary of FGL or if the Ferry operation ceases to be owned by the Company by way of voluntary sale or voluntary transfer of any kind to a third party provided that such third party who acquires a beneficial interest in the Company or who acquires the Ferry operation from the Company after the date of this letter gives an undertaking to you in the same terms as this letter (with necessary alterations that do not affect the substance) on or before acquiring that interest.

Registered in England No. 3021137 V.A.T. Registration No. 637 1865 18

Fairacres, Stock Lane, Ingatestone, Essex, CM4 9QL, England.

Telephone: (01277) 353171 Facsimile: (01277) 352430 email@fairacresgroup.co.uk

FAIRACRES GROUP LIMITED

Cont'd. Page 2

For this purpose:

“**force majeure**” means any natural or man-made disaster that materially affects the Ferry operation or flow of toll traffic to the ferry including hurricanes, floods, rising sea levels, earthquakes, severe weather disturbance, explosions, radioactive contamination, energy blackouts, road blockage, war, hostilities, terrorism, strike, civil disorder, fire or any other similar unforeseen cause beyond FGL’s or the Company’s control

“**key regulatory change**” means any change to the laws and regulations governing the operations of the Ferry (including those effecting the cost of any replacement) or the financial return from those operations including tolling rights, route exclusivity, health & safety regulations, taxes (other than taxes of general application), expropriation or compulsory acquisition of any assets or land necessary for the Ferry’s operations or any other law or regulation or action authorised under any law or regulation that prevents or restricts the Company operating on substantially the same terms as it presently operates.

“**third party**” means a party who owns or controls directly or through any entity any beneficial interest in the Company who is not an existing or future director or shareholder of FGL and is not related to or in concert with any such director or shareholder.

This undertaking will immediately cease on the earlier of the date:-

- (i) the application made by the Company in 2020 to you for an increase of certain tolls is refused; or
- (ii) the date a new replacement for the existing ferry ‘Bramble Bush Bay’ is brought into operation.

Yours faithfully,



Michael P. R. Kean,
Managing Director.

Sandbanks Ferry Company announces toll increase application

- **Proposed year on year enhancement of bulk purchase discount levels**
- **Proposed single trip toll increases less than half the rate of inflation since the last review**
- **Future single trip toll increases capped annually at the rate of inflation**

The Sandbanks Ferry Company has made an application to the Secretary of State for Transport to increase the Maximum Tolls Chargeable amounts, which were last approved under a Toll Revision Order in February 2015.

The proposed cash tolls, or single trip ticket prices, are between a 5% to 5.56% increase on the last approved Maximum Tolls Chargeable amounts. **This represents an increase of less than half the rate of inflation since that point in time.**

The application also proposes freezing the discount level of bulk purchase tickets at the current level until at least 2021. Bulk purchase tickets, which are available to buy in multiples between 10 and 50, are **proposed to remain unchanged until they reach 26%-30% less than single trip tickets.** Bulk purchases, which are now managed via online purchasing, are primarily used by local residents and commuters and are currently discounted between only 10-24% of cash toll prices.

Toll increases are an important part of the Ferry Company's prudent financial management and in securing the future safe and reliable running of the current vessel, the Bramble Bush Bay. Alongside increases in efficiency, cost savings and the commitment from the Directors not to pay dividends to the owners until a ferry replacement fund is topped up annually, sound financial planning also ensures that a replacement ferry can be purchased when it is judged necessary by the Company's Naval Architects.

Mike Kean, Managing Director of the Sandbanks Ferry Company, said: "We have held detailed discussions over the past 12 months with local residents, councillors and MPs and have incorporated their feedback into the application proposals. These include increasing the discounts applied to bulk purchase of tickets and pledging not to pay dividends until the Ferry Replacement Fund is at the required level in any given year. We are incredibly grateful for their time and input."

Mike Kean added: "Toll increases are a necessary part of the mix in ensuring that our vital service to local businesses, residents and tourists is maintained long into the future, and we look forward to the application progressing over the coming months."

The Sandbanks Ferry Company has recently established a Community Liaison Group with representatives from the Studland, Swanage, Purbeck and Sandbanks communities and Councils. The Community Liaison Group will be a forum for the Ferry Company to inform them about the ferry's ongoing performance and the Company's future plans. Group members will be able to provide their feedback on these issues going forward. The Group held its first meeting on 10th January 2020 and a second meeting on 31st January 2020.

The Department for Transport and the Ferry Company will publish further details of the application consultation in due course.

ENDS

Notes to editors

Further details of the application can be found on the Ferry Company website:

<http://www.sandbanksferry.co.uk/>

About the Ferry Company:

The Bournemouth-Swanage Motor Road and Ferry Company, known as the Sandbanks Ferry Company, was established in 1923 to run a chain ferry service between Sandbanks in Poole and Shell Bay in Studland, near Swanage. The Sandbanks Ferry Company has been in the same family ownership since 1983 and is headed up by managing director, Mike Kean.

The present ferry, 'Bramble Bush Bay' came into service in January 1994 and is the fourth ferry to operate this service. 'Bramble Bush Bay' is 242 feet in length and has a nominal capacity of 48 cars.

For media enquiries, contact:

Liz Lean PR

01202 701828

Belinda Rastall: Belinda.Rastall@lizleanpr.co.uk

Emma Coakley: Emma.Coakley@lizleanpr.co.uk

THE BOURNEMOUTH-SWANAGE MOTOR ROAD AND FERRY ACTS 1923 & 1986 AND TRANSPORT CHARGES &c. (MISCELLANEOUS PROVISIONS) ACT 1954

NOTICE IS HEREBY GIVEN that The Bournemouth-Swanage Motor Road and Ferry Company has applied to the Secretary of State for Transport for an Order to revise the charges for the use of the ferry between Sandbanks and South Haven Point. The current and proposed toll charges are set out in the Schedules below:

<u>CURRENT SCHEDULE</u>		<u>Current Toll</u>
1.	(a) Pedestrian (One-way toll from Sandbanks)	£1.00
	(b) Pedestrian (One-way toll from Shell Bay)	0p
2.	Pedal or Motor Cycle with no more than three wheels.	£1.00
3.	(a) Passenger vehicle constructed or adapted to carry not more than 16 persons exclusive of driver with an operating weight not exceeding 3,500 kilograms.	£4.50
	(b) Goods vehicle with an operating weight not exceeding 3,500 kilograms.	£4.50
4.	Passenger vehicle constructed or adapted to carry more than 16 persons exclusive of driver with an operating weight not exceeding 20,000 kilograms.	£9.00
5.	Goods vehicle, or any other vehicle not specified above, with an operating weight exceeding 3,500 kilograms but not exceeding 20,000 kilograms.	£9.00

<u>PROPOSED SCHEDULE</u>		<u>Proposed Toll</u>
1.	(a) Pedestrian (One-way toll from Sandbanks)	£1.50
	(b) Pedestrian (One-way toll from Shell Bay)	0p
2.	Pedal or Motor Cycle with no more than three wheels.	£1.50
3.	(a) Passenger vehicle constructed or adapted to carry not more than 16 persons exclusive of driver with an operating weight not exceeding 3,500 kilograms.	£6.75
	(b) Goods vehicle with an operating weight not exceeding 3,500 kilograms.	£6.75
4.	Passenger vehicle constructed or adapted to carry more than 16 persons exclusive of driver with an operating weight not exceeding 20,000 kilograms.	£13.50
5.	Goods vehicle, or any other vehicle not specified above, with an operating weight exceeding 3,500 kilograms but not exceeding 20,000 kilograms.	£13.50

Vehicles not specified above, with an operating weight not exceeding 3,500 kilograms, will be charged at the rate applicable for that of the nearest similar vehicle. Where a vehicle is drawing one or more trailers, in addition to the toll chargeable for the use by that vehicle of the ferry, there shall be payable for each trailer an additional toll equal to the toll for the drawing vehicle.

Any person having a substantial interest may, not later than.....2020 object to the application by giving notice via email to nationalcasework@dft.gov.uk, or in writing to the Secretary of State, Department for Transport, Tyneside House, Skinnerburn Road, Newcastle Business Park, Newcastle upon Tyne, NE4 7AR, marked for the attention of Sandra Zamenzadeh (Casework Manager, National Transport Casework Team) accompanied by the grounds of their objection, and by sending a copy to the Company to email@sandbanksferry.co.uk or to the Ferry Office, Shell Bay, Studland, Swanage, Dorset, BH19 3BA. Please note that the terms of any objection may be communicated to other persons.

Full details of the Application, phased implementation of the increases & extended discounts on the new Sandbanks Ferry Ticket Card Passes (previously known as pre-paid books of tickets) are available from the Company at the Ferry Office as detailed above and on www.sandbanksferry.co.uk

Dated.....T. A. Nicol, Secretary, The Bournemouth-Swanage Motor Road & Ferry Company Inc.

The Bournemouth-Swanage Motor Road and Ferry Company – Proposed Future Toll Plans

February 2020

This briefing note outlines the recent past and proposed future tolls to be operated on the Sandbanks Chain Ferry (the Ferry Company) following the first Chain Ferry Community Liaison Group held on 10th January 2020.

Please see attached the accompanying spreadsheets which contain details of the amended proposals.

Headline proposals

- Proposed cash tolls represent a 5-5.56% increase on the last Maximum Tolls Chargeable amounts approved in February 2015.
- The cost of book tickets will be frozen at the current level, rather than increased, and the discount levels will be increased until they reach 26% and 30% less than cash tolls.
- The Ferry Company owners have committed voluntarily to ensuring the Ferry Company is loaned the required funds when required and to acquire and bring into operation a suitable, newly built replacement vessel for the current ferry, Bramble Bush Bay, by the time it reaches the end of its useful life.
- The Directors of the Ferry Company also undertake that no dividends will be paid until the required level of the Ferry Replacement Reserve (less borrowings) in any given year is attained.

Overview

The Sandbanks Chain Ferry is an iconic and essential part of Purbeck and Poole life. Thousands of tourists enjoy the journey as part of their holiday to the area, and on an everyday basis, residents from both sides rely on the ferry for commuting to work. Businesses in Studland and Swanage also rely on the ferry in part for their trade, particularly in the summer months. As such, its reliability now and in the future is crucial.

This reliability is maintained through rigorous inspections, repairs, re-fits and testing – all of which are required for safety and regulatory compliance. The sound financial management of the Ferry Company is a vital cog in this machine. Without forward financial planning, safety and reliability cannot be maintained and a replacement ferry cannot be purchased at the appropriate time. The crucial part that the ferry plays in daily life for residents and businesses may therefore be jeopardised.

This note sets out the proposed toll increase plans for 2020 going forward. Toll increases play a vital but not unique role in this forward financial planning. They sit alongside careful financial management, increases in efficiency and cost savings as one part of the wider plan to secure the future of the ferry.

Proposed 2020 onwards toll increase application: cash tolls

The Ferry Company will shortly be applying to the Secretary of State for an increase in cash tolls with effect from 1st April 2020, although it is unlikely any approval will now be until much later in the year. These proposed cash toll increases, as can be seen from the attached, represent just 5% to 5.56% increases on the last approved Maximum Tolls Chargeable (MTC's) amounts approved under the last Toll Revision Order made in February 2015. This represents less than half the rate of inflation since that point in time and a significantly smaller increase than experienced by users of, for example, the UK's Rail Network or Transport for London.

The proposed cash tolls from 1st April 2021 align with a predicted Retail Price Index of 3% per year. However, to calculate charges from 1st April every year (using the initial increased tolls in April 2020 as a starting point) tolls will be determined according to the preceding January's annual RPI figure. We would never expect our team to be required to collect £1.12 or £5.36 for example, so cash tolls will be rounded down to the nearest 5p.

It should be noted that motorbike, bicycle and pedestrian tolls have not been increased since November 2009.

Proposed 2020 onwards toll increase: book tickets

From 1st April 2020 the Ferry Company has the ability to set the level of discount on book tickets under the current MTC Order.

Books of 10 or 50 tickets for motor cars (which form most the company's traffic) currently represent a 20% and just over a 24% discount on cash tolls respectively. Under the future proposals, the Ferry Company will freeze the current charges and apply levels of discounts from the MTC for book tickets until they reach 26% & 30% respectively, which, in these calculations, is shown from 1st April 2021. At this point, we have committed to ensuring that book ticket prices remain at those levels of discount. Bulk purchase costs for bikes, motorbikes & pedestrians are shown not to rise (in the same way) until at least 2025, in an effort to promote 'greener' transport usage. These pricing strategies will eradicate the inconsistent toll increases experienced by regular passengers in the past.

Ferry Replacement Reserve (FRR)

As part of the vital financial planning function, the Ferry Company's accountants have prepared amended financial forecasts based on the proposed toll increases outlined above, supplied herewith. These forecasts take account of the latest cost and timing projections for when the current vessel reaches the end of its viable economic life (which is currently expected to be January 2034) when a replacement vessel will be required.

These forecasts indicate that this will result in the Ferry Replacement Reserve (FRR) being sufficient by the time a new vessel is required, if the proposed Toll Application is approved, and during the intervening years pay the owners a sum representing a return of less than 4.3% a year on average.

We have investigated the Ferry Company's ability to borrow funds for the purchase of the replacement ferry. Our bank have confirmed (as previous banks have done over the decades) that they are currently unwilling to lend to nor against the Ferry Company for the purchase of a replacement vessel, even with a Parent Company Guarantee, due to the nature of the Company's incorporation in that it is a 'Statutory Undertaking'. This means that recourse in the event of company default would be complex, and they have deemed that there is no ready market for the sale of the Ferry Company's assets individually.

However, the Ferry Company is permitted under statute to borrow a maximum of £5 million towards a replacement ferry. To make up the shortfall with the FRR, the Ferry Company owners have committed voluntarily to ensuring the Ferry Company is loaned the required funds when required and undertake that the Company will acquire and bring into operation a suitable, newly built replacement vessel for the current ferry, Bramble Bush Bay, by the time it reaches the end of its useful life unless prevented by force majeure or any other cause beyond their control.

The Directors of the Ferry Company also undertake that no dividends will be paid until the required level of the FRR (less borrowings) in any given year is attained. This is to ensure that the FRR has reached the required level in line with the replacement ferry timescale. It is also now the Company's policy that the FRR is ring-fenced and will not be used for any other purpose. These undertakings have been committed to publicly and can be held to account publicly too.

The Company's Directors have researched comparable reasonable returns with other chain ferry operators, but public information on this is limited, so have used statistics available at Companies House for firms in similar lines of business. The Directors have expressed a desire to preserve at least a 7% return on investment on average, which is lower than these comparable businesses, whilst also acknowledging the need to balance any return with adequate funds to purchase a ferry replacement when it is required.

In the process of developing these new policies, the Ferry Company has obtained a revised cost and timing estimate report from Naval Architects BCTQ. The costs for a replacement 'Diesel Electric' ferry have significantly increased from the previous June 2008 figure of £6.2 million to £10.063 million. As such, as of 2020, it is likely that the Ferry Company will have to plan for a 'Diesel Hydraulic' replacement ferry (similar to the existing) which is estimated at a cost of £8.713 million (excluding delivery & assuming UK manufacture).

This BCTQ report also confirmed that a replacement ferry is now estimated to be required by 2034. This is dependent on the maintenance regime for the current ferry that is adopted and assumes no changes in safety nor environmental regulations. With the design, procurement and manufacturing time involved it will be prudently necessary for the Company to be in a financial position to replace the vessel no later than 31st March 2032 which is the date the Ferry Company is working towards.

Conclusion

The Ferry Company has undertaken and will continue extensive engagement with stakeholders in the future in an effort to listen to and respond to any concerns that stakeholders, residents and businesses may have over the proposed toll increase application, and its place in the wider ecosystem of sound financial planning for a safe and reliable service and, in the required time, a replacement ferry.

We hope that this briefing has provided a useful overview of the rationale for the proposed toll increase application in 2020, and will provide sufficient information prior to the application being made.