

**The Bournemouth-Swanage Motor Road and Ferry Company**

**(Incorporated by Act of Parliament 31<sup>st</sup> July 1923)**

**Explanatory Note  
To an Application to Increase Certain Toll Charges**

**February 2024**

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## **1. Background**

- 1.1 The Ferry Company was established by The Bournemouth-Swanage Motor Road and Ferry Act 1923 (“1923 Act”). This Act authorised the Ferry Company to construct a motor road and establish a Ferry to provide a more direct means of transport between Bournemouth and Swanage. The Act stated that this would be to a public and local advantage.
- 1.2 The journey from Swanage to Poole or Bournemouth, using the Ferry, is a distance of some 14 kilometres or 21 kilometres respectively. It is possible to avoid using the Ferry by driving around the western side of Poole Harbour, via Corfe Castle and Wareham, using the A351. That involves a journey of some 31 kilometres to Poole or around 38 kilometres to Bournemouth.
- 1.3 The current Ferry is the Bramble Bush Bay, which was brought into service in 1994.

## **2. The Application**

- 2.1 This Application is for the Secretary of State to make an Order in such manner, as he shall think fit, to revise the tolls: -
  - 2.1.1 To replace the current<sup>1</sup> annual fare increases, which are based on a flat 3%<sup>2</sup> annual increase with a power to the Ferry Company to adjust the tolls once a year in line with the ONS’s January CPI data. There are additional safeguards. The Ferry Company must publish its accounts and is limited in the amount it may pay to Shareholders.
  - 2.1.2 To gradually reduce the discounts on advance pass purchases for vehicles to a level that is consistent with the statutory criteria, while still offering significant discounts.

## **3. Toll Charge Revision**

- 3.1 The Ferry Company was incorporated by Section 4 of the 1923 Act. The power to demand and receive tolls was granted by Section 79 of the 1923 Act, with Section 28 providing for an increase in tolls from 1933 onwards.
- 3.2 The power to revise the tolls, following an Inquiry under the 1923 Act, was substituted by Section 6 of the Transport Charges & c (Miscellaneous Provisions) Act 1954 (“1954 Act”). The relevant provisions of Section 6 of the 1954 Act (emphasis added) are:

“(2) An application may be made to the Minister at any time -

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<sup>1</sup> As provided by the current Order relating to tolls, namely the Bournemouth-Swanage Motor Road and Ferry (Revision of Tolls) Order 2021 (‘the 2021 Order’).

<sup>2</sup> As explained further below 3% was chosen as it was thought to be a reasonable estimate of RPI over time at the time of the application that led to the 2021 Order.

(a) By the undertakers; or,

(b) By any person, or anybody representative of persons, appearing to the minister to have a substantial interest,

for the revision of any of the charges which the undertakers are for the time being authorised to demand and take in pursuance of any statutory provision; and if on any such application the Minister is **satisfied that under the circumstances then existing it is proper so to do**, he may, subject to the provisions of this section, make an order **revising in such manner as he may think fit, with effect from such date as may be specified in the order, all or any of the said charges**, whether or not the subject matter of the application, including any classification by reference to which the amount of any of those charges is to be determined; and any such order shall have effect notwithstanding anything in any statutory provision relating to the subject matter of the order:

Provided that -

(1) the Minister shall not vary any charge other than those to which the application relates except after consultation with the undertakers and such other persons, or such bodies representative of other persons, appearing to him to have a substantial interest as may appear to him appropriate.

(11) where on any application under this section for an increase or a decrease in any charge the Minister has made an order or has decided that it is not proper to make an order, the Minister shall not entertain an application for a further increase or, as the case may be, a further decrease in that charge, or for a further revision of any other charge revised by the order, if any, so made, if that application is made before the expiration of a period of twelve months from the date of the making of the order or, as the case may be, from the date when the Minister gave notice of his decision not to make an order;...

(3) In making any order on an application under this section, the Minister shall **have regard to the financial position and future prospects of the undertaking** and shall **not make any revision of charges which in his opinion would be likely to result in the undertaking receiving an annual revenue either substantially less or substantially more than adequate to meet such expenditure on the working, management and maintenance of the undertaking** and such other costs, charges and expenses of the undertaking as are properly chargeable to revenue, **including reasonable contributions to any reserve, contingency or other fund and, where appropriate, a reasonable return** [upon the investment of the Ferry Company in the motor road and the ferry as defined in section 2 of the Bournemouth-Swanage Motor road and Ferry Act 1986]:”

#### 4 Discretion

4.1 The Secretary of State, therefore, has a broad discretion to revise the Tolls in such manner as he may think fit, subject to the statutory test.

- 4.2 This wide power was specifically noted by Mrs J. A. Vyse Dip TP Dip PNB MRTPI, an independent inspector appointed by the Secretary of State, in her report dated 15 February 2021 following the last public inquiry.

“5.32 The Minister’s power is to revise in ***such manner as he may think fit***. This is a very broad discretion. One should recall the wording of the predecessor section (s. 81 of the 1923 Act) i.e., *alter, modify, reduce or increase all or any of such tolls*. The result of the Inquiry may be neither binary (i.e., grant or refuse application) nor singular (i.e., to allow only an increase).

5.33 *All or any of the said charges may be revised with effect from such date as may be specified, but this does not mean that the order need only state one date*”<sup>3</sup>

- 4.3 The Secretary of State considered the report, noted the Inspector’s conclusions and agreed with her recommendation that the Order be made.<sup>4</sup>

## 5 Annual increases

- 5.1 The Secretary of State, in the exercise of his powers conferred by Section 6 of the 1954 Act, last made an Order in respect of the tolls in 2021 as contained in the 2021 Order.
- 5.2 The 2021 Order followed from the consideration of the Ferry Company's application at a public inquiry held on 16<sup>th</sup> November 2020 and 5<sup>th</sup>-7<sup>th</sup> January 2021 before Mrs. J. A. Vyse.
- 5.3 The 2021 Order included a provision for yearly incremental toll charge increases of up to 3% (based upon the Ferry Company's financial projections and an assuming that RPI would average 3% pa across the period) as illustrated in the Inspector's report.<sup>5</sup>
- 5.4 Whether the Secretary of State had the lawful power under the relevant legislation to make an Order, subject to maximum rates in any one year (an annual incremental approach) was specifically dealt with in the inspector's conclusions to her report.

“8.4 I therefore recommend that an order be made confirming the toll increases proposed, subject to the maximum rates in any year as set out in the attached schedule at Annex 'C'. Whilst the applicant maintains that this proviso is not necessary, I consider it to be very necessary for the reasons set out above, otherwise, the Company could, if it so wished, introduce maximum fares (i.e., the fares before 2032) whenever it chose. That could, in some years, result in revenue over and above what I consider to be adequate in the terms of the legislation. The view of Mr. Dubin, for the Consortium, is that such approach is lawful. I have no reason to disagree. In the event that the Secretary of State was to agree my recommendation, it should be noted that the applicant adopts Mr. Dubin’s

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<sup>3</sup> File Ref: DPI/G1250/20/9 paragraph 5.32

<sup>4</sup> Letter Dave Candlish National Transport Casework Team to Michael P. R. Kean Managing Director Ferry Company 11<sup>th</sup> May 2021.

<sup>5</sup> File Ref: DPI/G1250/20/9 Annex C

submission. If the Secretary of State was minded to make the Order in these terms, he may wish to take legal advice to ensure that it is a lawful approach within the terms of the relevant legislation.”<sup>6</sup>

- 5.5 The Secretary of State, noted the inspector’s conclusions and agreed with her recommendation, such that it was the view of the Secretary of State that the 1954 Act permitted him to make an order allowing 3% annual increases, based upon assumed inflation.
- 5.6 The Bournemouth-Swanage Motor Road and Ferry (Revision of Tolls) Order 2021 subsequently provided for maximum tolls under the Schedule, in 11 parts, each for one annual period.

## **6 RPI Increases**

- 6.1 The reason that toll increases permitted by the 2021 Order were sought and were ordered by the Secretary of State was in order to attempt to keep tolls broadly in line with inflation so that, in real terms, there would be no increase in the cost to passengers, but also so that tolls increased in parallel with the Ferry Company’s annual costs, which like all costs are of course subject to inflation.
- 6.2 Inspector Vyse specifically dealt with whether RPI should be applied and at what rate in her report.

“7.43 I note in this regard that the forecast profit and loss accounts were prepared at a time when the forecast RPI was 3% and are based on a corresponding inflation rate. Whilst this was a concern of the objectors at the previous Inquiry, the inspector noted that a constant figure had been used across all data and, therefore, provided a consistent relative increase against which to judge the proportionate increases. I have no reason to take a different view in this Inquiry. As far as I am aware, the RPI continues to be a widely used indicator in the UK, including, for instance, by the Government in setting rail fares. As noted by Mr. Thomas, the Chancellor advised in 2019, that RPI would continue to be used by the Government until 2030 (subject to the outcome of consultation to be held in the future). Whilst 3% rate is higher than the current RPI and CPI rates, it is lower, albeit marginally, than the 3.1% RPI predicted by the consumer and marketing website Statistica.com for 2022.”

Inspector Vyse further noted: -

“7.51 Some were concerned about the reliability of the forecast over a twelve-year period with criticism also that the proposed toll increases are excessive, with the discounted fares rising by some 35%. I recognise that forecasting inflation over the next twelve years is never going to be an exact science. However, and whether or not other companies/businesses provide forecast based on that length of time, a good sense check is a historical data over the last twelve years. Mr. Thomas confirmed to the Inquiry in this regard, that that data had

informed the forecast. In any event, given that the expected life span of the current Ferry is twelve years, it seems not unreasonable to me to secure a gradual toll increase over that period, in order to be able to purchase a replacement as and when the annual submission of the accounts to the SOS providing regular scrutiny. As to the overall toll increase, this is spread over the twelve year period and reflects the 3% rate referred to above, which I have found not to be unreasonable.”

- 6.3 The above excerpt from the Inspector’s report underscores a centrally important point when the statutory test to revise fares is being considered by the Secretary of State. In determining whether to permit, modify or refuse an application the Secretary of State will necessarily have to take a view as to likely future events, based upon the information available to him at the time of the decision. This will necessarily involve him making assumptions about the future, and it is entirely proper that he does so, provided they are reasonable.
- 6.4 Two inspectors, one at the Public Inquiry in 2018 and Inspector Vyse at the Public Inquiry in 2021, therefore recommended the use of the predicted RPI figure across all data.
- 6.5 The Secretary of State, again, agreed to the report's conclusions. The tolls set out in the Schedule to the 2021 Order increases tolls by the assumed RPI increase each year.

## **7 The Last Application**

- 7.1 The last application for a revision of the toll charges, which led to the coming into force of the 2021 Order, was made by the Ferry Company in February 2020. Following the 2021 approval toll increases were introduced as soon as practicably possible in May 2021, some 15 months later.
- 7.2 The application, which relied on reports and evidence prepared in late 2019, was made on 24<sup>th</sup> February 2020. The first Covid lockdown began on 23 March 2020.
- 7.3 At the time of the previous public inquiry, as set out in the Inspector’s report <sup>7</sup> both RPI and CPI were marginally lower than 3% but RPI was predicted to rise to 3.1% in 2022.
- 7.4 Between the making of the 2021 Order and this application, the Ferry Company’s financial position has significantly deteriorated. This is not due to a lack of passengers, indeed in many instances traffic volumes have increased, but is largely due to external financial factors namely:-
- (i) RPI has been above 3% since May 2021.
  - (ii) On 1<sup>st</sup> May 2023, the Corporation Tax main rate for non-ringfenced profits above £250,000 PA was increased from 19% to 25%. Companies with profits between £50,000 PA and £250,000 PA will pay tax at the main rate reduced by a marginal relief.



## **8 This Application**

- 8.1 This present application consists of two parts. The first is that the existing arrangement that the tolls should be increased annually, based on an assumed RPI figure of 3% should, instead, be replaced by a mechanism which uses the actual RPI and then CPI figures. For the first year, tolls will be initially increased by the current RPI figure (to reflect actual expenditure and the time taken to hear the application) and then increased or decreased depending on the published CPI figures in each year.
- 8.2 It is submitted that to order revisions based on annual inflation levels, is within the power of the Secretary of State given that he may revise such tolls "in such manner as he shall think fit". The Secretary of State has previously approved a recommendation that the Ferry Company can increase tolls on an annual basis subject to a maximum. Those figures were informed by or reflected an estimated RPI increase of 3% over the period.
- 8.3 The Ferry Company remains subject to scrutiny given the requirement to send accounts to the Secretary of State annually, together with the voluntary offer to publish the accounts on the Ferry Company's website and provide a physical copy for inspection at its operating offices.
- 8.4 An application for revision of charges under Section 6 under the 1954 Act, may be made under paragraph 6.2, namely: -
- "An application may be made to the Minister at any time
- (a) by the undertaker; or
  - (b) by any person, or any body representative of persons, appearing to the Minister to have a substantial interest,
  - (c) for the revision of any of the charges which the undertakers are, for the time being, authorised to demand."
- 8.5 The publication of the accounts will, therefore, provide both any person using the Ferry and, perhaps more pertinently, Local and Parish Councils with a mechanism for reviewing the Ferry Company's accounts. If it appears that, in the view of any person or body, the Ferry Company is now receiving an annual revenue that is substantially more than adequate to meet its expenditure, any person or body can make the appropriate application to the Secretary of State. At the last Public Inquiry, a consortium was formed between Dorset Council, Bournemouth, Poole and Christchurch Council and Swanage Town Council to object to elements of the Ferry Company's last proposal.
- 8.6 The publication of the accounts, with accurate income, expenditure and profit figures, together with a power to any interested person to thereafter make an application to the Secretary of State, is an assurance that the Ferry Company is not being taken outside the scope of the provisions of the 1954 Act. The users of the Ferry Company

continue to be safeguarded and protected.

- 8.7 Further, the Ferry Company has, in its draft Order, offered an additional safeguard, namely that it will not declare any distribution (in effect a dividend) without the Ferry Replacement Reserve (FRR) being in a “surplus” position.
- 8.8 Further, any distribution will not exceed 6% of the total Net Asset Values. A figure that the Ferry Company submits is well within a “reasonable return on the investment” the test set out in Section 6(3) of the 1954 Act as subsequently amended by the Bournemouth-Swanage Motor Road and Ferry Act 1986 (“the 1986 Act”)
- 8.9 This proposal deals with the specific objection raised at the previous Public Inquiry, namely the concern about the reliability of the forecasts over a period and, the recognition by the inspector that forecasting inflation over a period, is never going to be an “exact science”.
- 8.10 The test is that the Secretary of State shall not make any revision of charges which, in his opinion, would be likely to result in the undertaking receiving an annual revenue either substantially less or substantially more than adequate to meet such expenditure. It is submitted that substituting a “forecast” of RPI in exchange for the exact CPI figures, on an annual basis, would allow the Minister to be readily satisfied that this is likely to result in the Ferry Company receiving an annual increase which is neither substantially less nor substantially more than is adequate to meet its expenditure.
- 8.11 CPI, as opposed to RPI, is a better and more favourable measure for the consumer. A point made by some objectors at the last Inquiry.
- 8.12 The proposed mechanism will also: -
- (i) give certainty to the passengers and Ferry Company as to when changes will take effect. On the last occasion some 15 months elapsed between application and approval. The delay lost the Ferry Company part of the increase that was approved by the Secretary of State.
  - (ii) reduce the burden of the existing procedure, which is expensive, not only to the Ferry Company but also to local tax payers some of whom may not use the Ferry.
  - (iii) remove much of the uncertainty that inhibits proper long-term planning and investment.
  - (iv) Ensure that the price increases match the current state of the economy, and so in real terms is closer to neutral.

## 9 Other Enterprises

Other similar enterprises (i.e. private companies established by statute which provide infrastructure services) are already setting tolls revised in line with inflation. The River Tyne Tunnel is such an example where the Secretary of State for Transport has made an order providing that the fares may be increased annually by the consumer prices index of inflation.<sup>6</sup>

## 10 Reduction in Discounts

10.1 Historically the Ferry Company offered discounts of 10% and 15% on multiples of 10 or 50 tickets for vehicles. Exceptionally, at the last inquiry, the Ferry Company offered additional discounts of up to 28% and 32% respectively as part of the consultation process.

10.2 The unanticipated impact on revenue since the last order means that those additional discounts became unaffordable and had to be reviewed. The new discounts proposed are closer to but still greater than the historic position.

10.2.1 Cars make up the vast majority of the Company's traffic and income. Over the two years of FYE's 2020 and 2021, the last periods before the increased levels of discount being introduced, the average price paid by a car (total 'car' revenue divided by the total number of cars transported) was £4.28.

10.2.2 In FYE 2022, the period when the 2021 Order increases came into force, this figure rose, as was expected, but only to £4.49 as tabulated below.

	Average paid per Car	Cash Toll	Average Discount
FYE's 2020 & 2021	£4.28	£4.50	£0.22
FYE 2022	£4.49	£4.75	£0.26
FYE 2023	£4.33	£5.00	£0.67

10.2.3 The average paid per car shows that the effect of the new discounts is that cars are being carried at a greater discount each year. Three years ago, the average discount was £0.22 per car, now it is £0.67 per car. An increase of over 200% in the discount across that short period.

10.2.4 The latest figures show that this trend is expected to continue.

10.2.5 Despite cash toll levels increasing, and the Ferry Company carrying more vehicles, it is seeing lower levels of revenue than expected. The assumptions made as to the breakdown between passengers paying the full cash toll and passengers paying discounted rates, provided to the Secretary of State at the last inquiry, and upon which he relied in making the 2021 Order, has been

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<sup>6</sup> See the River Tyne (Tunnels) Order 2005 (No.2222), in particular Schedule 14, and Tyne and Wear Act 1976, s.13.

shown, by the actual data, to be incorrect.

10.2.6 This is unsustainable now and will continue to be unsustainable in the future.

- 10.3 For this reason, the Ferry Company seeks to slowly reduce the discounts currently enjoyed by those making bulk purchases of vehicle passes (although under this proposal the level of discount remains at a higher level than historically enjoyed). At the same time, the Ferry Company will provide greater levels of discount for pedestrians and cyclists to recognise the health and environmental benefits of those means of travel.
- 10.4 The available discounts are set out in the draft statutory instrument. The discount % amendments for pedestrians and cyclists are 50 and 100 tickets at 15% and 20% (this is an increase from the 10% and 15% currently provided) respectively for each class.
- 10.5 Motor vehicles can purchase passes in multiples of 10 and 50 currently at discounts of 28% and 32%. These discounts will gradually reduce over the next 4 years to 15% and 20% respectively.
- 10.6 The proposed new rates of discounts at 15% & 20% for ALL classes will then remain in force at that level until changed by any subsequent order.
- 10.7 The Ferry Company has considered various variable pricing models, including "off-season" or "off-peak" discounts but none have been identified that are workable and economically viable.
- 10.8 The proposed new level of discounts at 15% and 20% are still significant and comparable with other similar schemes. This proposal seeks to lessen the shortfalls in revenue currently experienced by the Ferry Company which are anticipated to continue to occur, despite the upturn in traffic.

## 11 The Evidence

The Ferry Company relies upon the following documents, all attached herewith, save where otherwise stated these documents have been produced by Mr Kevin Thomas, Chartered Accountant, of Rickard Luckin, the Company's Auditors & Accountants:

i)	Appendix 1	Financial Assumptions
ii)	Appendix 2.1	Forecast Profit and Loss Accounts to 31 <sup>st</sup> March 2040 - Tolls as approved in 2021.
iii)	Appendix 2.2	Forecast Profit and Loss Accounts to 31 <sup>st</sup> March 2040 - This application approved.

iv)	Appendix 3.1	Forecast Year-end Balance Sheets to 31 <sup>st</sup> March 2040 - Tolls as approved in 2021.
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xii)	Appendix 7.1	The RPI Index prepared by; The Office for National Statistics
xiii)	Appendix 7.2	The CPI Index prepared by; The Office for National Statistics

**12 The financial effect on the Ferry Company if the tariffs in the 2021 Order are maintained (i.e. if this application is not approved).**

- 12.1 The Ferry Company relies upon the detailed analysis provided by its accountants.
- 12.2 In light of inflation and the increase in passengers purchasing the heavily discounted bulk vehicle passes the Ferry Company faces significant and ongoing losses. In the last financial year to 31st March 2023, The Ferry Company made a loss before taxation of **£721,149** and a loss after taxation of **£438,087**.
- 12.3 On the predicted figures once payments into the Ferry Replacement Fund have been factored in (which the Ferry Company has committed to making before it considers any payment of dividends), the Company will have a surplus only in 2024 (which is cancelled out by losses the previous year) of £351,700. The Company will then have no net retained profit at all in the following years, after payments have been made into the Ferry Replacement Fund.

- 12.4 Total direct costs have risen from £2,055,578 as at 31<sup>st</sup> March 2019 to £3,726,788 as at 31<sup>st</sup> March 2023.
- 12.5 Although savings have been made, overheads increased in the same period from £550,110 to £621,608.
- 12.6 If there is no increase in the tolls then the forecast position is that:-
- (i) As noted above, once payments have been made into the FRR, there will be no net retained profits and so no dividends can ever be paid, and;
  - (ii) The forecasted shortfall in the FRR in 2032 will be **£2,644,566** and in 2034 **£1,813,314**.

### 13 The Ferry Replacement Reserve

- 13.1 A new ferry is forecast to cost £18,577,148 in 2034.<sup>7</sup>
- 13.2 The order for the new ferry will be placed in 2032, allowing for a 2-year design and build, before coming into service in 2034. The Ferry Company will need to know it can afford to pay for the new ferry before placing the order.
- 13.3 The maximum amount that the Ferry Company can borrow is £4,965,022.<sup>8</sup> That borrowing, in the current economic circumstances, will need to be provided and/or guaranteed by the owner/investors.
- 13.4 The FRR must, therefore, by the end of March 2032 total some £12,410,504.

	2031	2032	2033	2034
FRR at start of year	8,655,911	8,572,559	9,765,938	10,428,953
Annual contribution	(83,352)	1,193,380	663,015	1,369,859
FRR at end of year	<b>8,572,559</b>	<b>9,765,938</b>	<b>10,428,953</b>	<b>11,798,812</b>
Cost of New Ferry	16,804,184	17,375,526	17,966,294	18,577,148
Borrowings	4,965,022	4,965,022	4,965,022	4,965,022
Sum needed in FRR	<b>11,839,162</b>	<b>12,410,504</b>	<b>13,001,272</b>	<b>13,612,126</b>
FRR shortfall	<b>3,266,603</b>	<b>2,644,566</b>	<b>2,572,319</b>	<b>1,813,314</b>

- 13.5 The shortfall in the FRR (without this application being approved) in 2034, when a new ferry is expected, will be **£1,813,314**.

<sup>7</sup> These are the same figures from the last public inquiry updated to take into account inflation.

<sup>8</sup> This is a statutory limit see Bournemouth and Swanage Motor Road and Ferry Act 1986 s.11 (1).

## **14 Return to Investors**

- 14.1 The Ferry Company has not paid any dividends to its investors since FYE 2018. The present forecast position (without this application being approved) is that the investors will not receive any return on their investment in the forecast period going forward.

It is plain that the maintaining the present position would therefore be contrary to the statutory test, which requires the Secretary of State to be satisfied that his decision would not 'be likely to result in the undertaking receiving an annual revenue either substantially less or substantially more than adequate...including...a reasonable return upon the paid up share capital of the undertaking.'

- 14.2 In 2032 the investors will, in addition, have to provide the necessary security or guarantee if the Ferry Company is to use its powers to borrow the maximum allowed £4,965,022 to part-fund the purchase of a new ferry.
- 14.3 If the application is approved the Ferry Company could start paying dividends in the FYE 2030. The investors will therefore receive their first return on their investment after 12 years of no return,

## **15 Benefits of the Ferry**

The Ferry -

- 15.1 provides a convenient means of travel between Swanage and Poole or Bournemouth.
- 15.2 saves circa 8 million road vehicle miles in an average year with important congestion and environmental benefits.
- 15.3 is a popular tourist attraction with consequent benefits to other businesses in the area; and
- 15.4 operates a voluntary "blue light" service throughout the night.
- 15.5 makes several more crossings daily than is required under legislation.

## **16 Conclusion**

The forecasts demonstrate that if tolls are not revised as requested then:

- 16.1 in two of the forecast years, major refit years 2027 and 2031, the Ferry Company will make significant losses, adding to the loss incurred in 2023
- 16.2 in every forecast year there will be insufficient funds to make the necessary contribution to the Ferry Replacement Reserve; and
- 16.3 in every forecast year, for the foreseeable future, there will be no return at all to the investors.

If however the Ferry Company is permitted to increase its fares by CPI and gradually reduce the discount provided on advance ticket and pass purchases, then it is forecast that: -

- 16.4 The Ferry Company will make a profit in the years prior to the introduction of a new Ferry, including the major refit years of 2027 and 2031. That is to say, its revenue will be adequate to meet its expenditure.
- 16.5 By the early 2030's there will be sufficient funds in the Ferry Replacement Reserve which, together with the Ferry Company's maximum permitted borrowings will produce a sum that is forecasted to be adequate to purchase the new (probably diesel-electric) ferry; and
- 16.6 The Company is also forecast by 2030 to be able to pay a return, albeit small, to its investors, which will be the first such payment for 12 years.



## **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/traffic volumes for the period to 31 March 2018 (“the base year”) as income and traffic volumes for 2019 to 2023 were affected by exceptional events:

2019 - Extended ferry outage due to drive shaft failure

2020 and 2021 - Effects of Covid-19

2022 and 2023 - Extended ferry outage due to hull damage sustained during towing operation to annual refit.

The income figures for 2019 to 2023 were depressed and thus to use these income figures as the basis for extrapolating future years would be give unrealistically lower than expected revenues.

The events of the last five years, however, demonstrate that the financial position of the company must be sufficiently robust in the event of an unexpected event.

- 1.1.2 Appendix 2.1 applies toll fares as detailed in the 2021 Order using 2018 traffic volumes (the 2021 Order set out fares for the 13 years to 31 March 2032). The income is calculated based upon the toll fares in Appendix 5.1 applied to 2018 traffic volumes.
- 1.1.3 Appendix 2.2 uses proposed tolls as set out in Appendix 5.2 which increase annually with inflation. The starting point for vehicle toll fares in the period commencing 1 April 2023 (FYE 2024) are the starting fares from the May 2021 Order indexed for actual RPI to January 2023. Tolls in the same period for pedestrians & cycles are also based on RPI to January 2023 from when they were previously increased under an order.
- 1.1.4 Thereafter appendices 2.2 and 5.2 inflate fares by CPI. The rates used for FYE’s 2025 to 2027 inclusive are taken from the HM Treasury publication, ‘Forecasts for the UK Economy: a comparison of independent forecasts (No.430 published in May 2023)’. For the years 2028 to 2040 the forecast for 2027 has been used. The rates are reproduced in Appendices 2.1 and 2.2.
- 1.1.5 Appendices 5.1 and 5.2 provide details of the phased toll increases, as well as the rate of discounts applicable to books of tickets & passes.
- 1.1.6 For refit years, income has been adjusted 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 minor refit year it is assumed the reduction in traffic volumes during the refit period will be one third that in a major refit year.

## 1.2 **Expenditure**

1.2.1 In general, expenditure has been forecast using expenditure for 2023 as the base year and increased by RPI per annum. The RPI forecast is taken from the same publication detailed in 1.1.6 above. The rates are reproduced in Appendices 2.1 and 2.2.

1.2.2 A review of expenses during the period 2018 to 2023 indicates that costs (excluding ferry refit costs) rose at an average of 5.4% per annum or 30.3% over the period. This cost increase was considerably higher than the CPI increase in the same period which averaged 4.2% per annum and 22.6% over the period. For this reason, the forecast expenditure has been increased by the higher RPI amounts to more closely reflect the reality that increased costs cannot fully be passed on to toll fares.

1.2.3 The forecasts assume a new ferry will be purchased and brought into use at 31 March 2034. The cost of the new ferry is estimated to be £18.577m. The forecasts for the years 2035 to 2040 include depreciation (assuming the new ferry will have a useful life of 40 years) and interest on loan finance to assist with the purchase of the ferry. Following the introduction of the new vessel, with the exception of ferry refit costs, all expenses are expected to continue at the same level as before increasing by RPI.

1.2.4 The base cost for ferry repairs and maintenance (excluding the cost of refits) of £175,000 has been arrived at by taking an average of the annual costs incurred in each of the last five financial years (excluding 2020 where exceptional non refit costs were incurred) and increasing this figure by RPI per annum compounded to arrive at future projected costs. The base cost of ferry repairs and maintenance is forecast to remain at these levels once the new ferry is brought into use.

1.2.5 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. The refit cost in 2023 was £2.273m which was exceptional, and it is assumed that the base cost of a major refit is £1.2m (being the indexed cost of the 2019 major refit) and a mini refit being one-third the cost of a major refit i.e. £400k. These amounts have been increased by RPI per annum compounded to arrive at future refit costs for the financial year ending 31 March 2025 and biennially thereafter. Following the purchase of the new ferry it is expected that a minor refit will be required after two years in operation and a major refit two years after that. The company will then continue the present cycle of a refits every other year. It is forecast that refit costs will decrease by 8% as a consequence of operating a new ferry.

1.2.6 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.

1.2.7 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, other than the new ferry.

1.2.8 The company no longer pays management charges to its holding company. All income and expenditure is solely accounted for in the company.

1.2.9 Interest payable on loan finance is forecast at bank base rate plus 4%. Bank base rate is assumed to reduce to 3.6% by 2025 and remain at this level until 2040.

### 1.3 ***Other Income***

1.3.1 Other Income has been calculated using a base figure of £45,000. Figures in recent years have included exceptional income from insurance claims and Covid-19 support.

### 1.4 ***Dividends***

1.4.1 The stated dividend policy is that no dividends will be paid unless the Ferry Replacement Reserve (FRR) at any given time plus £4,965,022 (being the maximum amount the company can borrow net of long-term creditors) exceeds the forecast cost of a new ferry (at that same given time) and that the total dividends paid in any year do not exceed 6% of the then net asset value.

1.4.2 No provision has been made for the £3,675 dividend relating to non-equity preference shares as it is considered immaterial.

1.4.3 In the no toll increase scenario, the company will not reach a point where the FRR reserve plus finance exceeds the forecast cost of a new ferry. Consequently, no dividends can be paid within the foreseeable future. .

1.4.4 In the toll increase scenario, the first year the company could pay a dividend is the year ending 31 March 2030. Appendix 4.2 details the return on investment for each year. This ranges from 0.0% to 2.9%. At no time does the return on investment exceed 2.9%. No return on investment is forecast until 2030. The average return on investment is 1.4% over the forecast period.

### 1.5 ***Calculation of Transfers to the Ferry Replacement Reserve***

1.5.1 Allowing for cost rises over the period, it is projected that the replacement cost of the ferry at 31 March 2034 will be £18.577m.

1.5.2 Therefore, assuming £4.965m will be raised externally, the value of the Ferry Replacement Reserve at 31 March 2034 will need to be £13.612m, an increase of £9.388m over the period (from £4.224m). Thus the Company will need to transfer an average of £853k per annum over the next 11 years to be on target

to replace the ferry.

- 1.5.3 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.

## **2 CASH FLOW**

- 2.1 Corporation tax will be 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. It is assumed that the new ferry will qualify as a long life asset for corporation tax capital allowances and 6% writing down allowances will be claimed.

## **3 BALANCE SHEET FORECASTS**

### **3.1 *Fixed Assets***

- 3.1.1 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 advised that the current value of its assets is not dissimilar to the last valuation.

### **3.2 *Deferred Tax***

- 3.2.1 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.

### **3.3 *Reserves***

- 3.3.1 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 eleven years shown in these forecasts, this amount is approximately £86.3k per annum until the ferry is fully depreciated in 2034.

## **4 DISCOUNTS**

- 4.1 The average discount figures which appear at paragraph of the explanatory memorandum are calculated on the basis of cash tolls, which are factual, minus the average paid per car (APPC) . The APPC figure is total number of journeys divided by revenue earned.





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

Appendix 3.1

Forecast Year end Balance Sheet for 17 years to 31st March 2040 (in line with increases approved under The 2021 Order)

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040
	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£
<b>Fixed Assets</b>	<b>13,199,078</b>	<b>13,095,652</b>	<b>12,992,226</b>	<b>12,888,800</b>	<b>12,785,374</b>	<b>12,681,948</b>	<b>12,578,522</b>	<b>12,475,096</b>	<b>12,371,670</b>	<b>12,268,244</b>	<b>12,164,818</b>	<b>30,638,540</b>	<b>30,138,542</b>	<b>29,638,545</b>	<b>29,138,547</b>	<b>28,638,549</b>	<b>28,138,551</b>	<b>27,638,554</b>
<b>Current Assets</b>																		
Other debtors	1,223,197	123,197	123,197	123,197	123,197	123,197	123,197	123,197	123,197	123,197	123,197	123,197	123,197	123,197	123,197	123,197	123,197	123,197
Stocks	406,643	406,643	406,643	406,643	406,643	406,643	406,643	406,643	406,643	406,643	406,643	406,643	406,643	406,643	406,643	406,643	406,643	406,643
Trade debtors	762	6,326	6,296	6,552	6,326	7,004	7,069	7,513	7,610	8,078	7,898	8,078	8,078	8,078	7,898	8,078	7,538	8,078
Stocks & Debtors	1,630,602	536,166	536,136	536,392	536,166	536,844	536,909	537,353	537,450	537,918	537,738	537,918	537,918	537,918	537,738	537,918	537,378	537,918
Cash at Bank	2,794,003	3,612,314	4,403,639	5,353,503	5,020,512	6,040,550	6,807,288	7,934,528	7,754,475	8,983,158	9,789,685	(2,590,117)	(1,788,304)	(1,386,134)	(1,637,257)	(1,384,210)	(3,361,409)	(3,459,911)
	<b>4,424,605</b>	<b>4,148,480</b>	<b>4,939,774</b>	<b>5,889,895</b>	<b>5,556,677</b>	<b>6,577,394</b>	<b>7,344,197</b>	<b>8,471,880</b>	<b>8,291,925</b>	<b>9,521,076</b>	<b>10,327,423</b>	<b>(2,052,199)</b>	<b>(1,250,386)</b>	<b>(848,216)</b>	<b>(1,099,519)</b>	<b>(846,292)</b>	<b>(2,824,030)</b>	<b>(2,921,993)</b>
<b>Creditors: Amounts Falling Due Within One Year</b>																		
Trade Creditors and Accruals	1,223,462	69,716	70,840	72,171	73,725	75,331	76,992	78,709	80,485	82,321	84,220	86,183	88,213	90,312	92,482	94,727	97,047	99,446
Corporation Tax	-	4,062	238,256	249,004	121,754	133,335	272,287	289,206	173,789	190,684	315,079	158,721	-	(45,379)	-	-	-	-
	<b>1,223,462</b>	<b>73,778</b>	<b>309,096</b>	<b>321,175</b>	<b>195,478</b>	<b>208,665</b>	<b>349,278</b>	<b>367,915</b>	<b>254,274</b>	<b>273,005</b>	<b>399,299</b>	<b>244,904</b>	<b>88,213</b>	<b>44,934</b>	<b>92,482</b>	<b>94,727</b>	<b>97,047</b>	<b>99,446</b>
<b>Net Current Assets</b>	<b>3,201,143</b>	<b>4,074,702</b>	<b>4,630,678</b>	<b>5,568,720</b>	<b>5,361,199</b>	<b>6,368,728</b>	<b>6,994,919</b>	<b>8,103,965</b>	<b>8,037,652</b>	<b>9,248,070</b>	<b>9,928,124</b>	<b>(2,297,104)</b>	<b>(1,338,599)</b>	<b>(893,150)</b>	<b>(1,192,001)</b>	<b>(941,018)</b>	<b>(2,921,077)</b>	<b>(3,021,439)</b>
<b>Total Assets Less Current Liabilities</b>	<b>16,400,221</b>	<b>17,170,354</b>	<b>17,622,904</b>	<b>18,457,520</b>	<b>18,146,573</b>	<b>19,050,676</b>	<b>19,573,441</b>	<b>20,579,061</b>	<b>20,409,322</b>	<b>21,516,314</b>	<b>22,092,942</b>	<b>28,341,436</b>	<b>28,799,944</b>	<b>28,745,395</b>	<b>27,946,545</b>	<b>27,697,531</b>	<b>25,217,474</b>	<b>24,617,114</b>
<b>Creditors: Amounts Falling Due After One Year</b>																		
Other creditors	(34,978)	(34,978)	(34,978)	(34,978)	(34,978)	(34,978)	(34,978)	(34,978)	(34,978)	(34,978)	(34,978)	(34,978)	(34,978)	(34,978)	(34,978)	(34,978)	(34,978)	(34,978)
Loan finance	-	-	-	-	-	-	-	-	-	-	-	(4,965,022)	(4,851,624)	(4,729,607)	(4,598,318)	(4,457,050)	(4,305,046)	(4,141,489)
<b>Provisions For Liabilities &amp; Charges</b>																		
Deferred Tax	(367,694)	(367,694)	(367,694)	(367,694)	(367,694)	(367,694)	(367,694)	(367,694)	(367,694)	(367,694)	(367,694)	(367,694)	(367,694)	(367,694)	(367,694)	(367,694)	(367,694)	(367,694)
	<b>15,997,549</b>	<b>16,767,682</b>	<b>17,220,232</b>	<b>18,054,848</b>	<b>17,743,901</b>	<b>18,648,004</b>	<b>19,170,769</b>	<b>20,176,389</b>	<b>20,006,650</b>	<b>21,113,642</b>	<b>21,690,270</b>	<b>22,973,742</b>	<b>23,545,647</b>	<b>23,613,115</b>	<b>22,945,556</b>	<b>22,837,809</b>	<b>20,509,756</b>	<b>20,072,953</b>
<b>Capital &amp; Reserves</b>																		
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	61,000	61,000	61,000
Revaluation Reserve	12,064,187	11,977,800	11,891,413	11,805,026	11,718,639	11,632,252	11,545,865	11,459,478	11,373,091	11,286,704	11,200,317	11,113,930	11,027,543	10,941,156	10,854,769	10,768,382	10,681,995	10,595,608
Ferry Replacement Reserve	4,224,062	4,728,882	5,267,819	6,188,822	5,964,262	6,954,752	7,563,904	8,655,911	8,572,559	9,765,938	10,428,953	11,798,812	12,457,104	12,610,959	12,029,787	12,008,427	9,766,761	9,416,345
Profit & Loss Account	(351,700)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Shareholders' Funds</b>	<b>15,997,549</b>	<b>16,767,682</b>	<b>17,220,232</b>	<b>18,054,848</b>	<b>17,743,901</b>	<b>18,648,004</b>	<b>19,170,769</b>	<b>20,176,389</b>	<b>20,006,650</b>	<b>21,113,642</b>	<b>21,690,270</b>	<b>22,973,742</b>	<b>23,545,647</b>	<b>23,613,115</b>	<b>22,945,556</b>	<b>22,837,809</b>	<b>20,509,756</b>	<b>20,072,953</b>

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

**Appendix 3.2**

**Forecast Year End Balance Sheets for the 17 Years to 31 March 2040 (Assuming an Increase in Toll Charges)**

	2023 £	2024 £	2025 £	2026 £	2027 £	2028 £	2029 £	2030 £	2031 £	2032 £	2033 £	2034 £	2035 £	2036 £	2037 £	2038 £	2039 £	2040 £
<b>Fixed Assets</b>	<b>13,199,078</b>	<b>13,095,652</b>	<b>12,992,226</b>	<b>12,888,800</b>	<b>12,785,374</b>	<b>12,681,948</b>	<b>12,578,522</b>	<b>12,475,096</b>	<b>12,371,670</b>	<b>12,268,244</b>	<b>12,164,818</b>	<b>30,638,540</b>	<b>30,138,542</b>	<b>29,638,545</b>	<b>29,138,547</b>	<b>28,638,549</b>	<b>28,138,551</b>	<b>27,638,554</b>
<b>Current Assets</b>																		
Other debtors	1,223,197	123,197	123,197	123,197	123,197	123,197	123,197	123,197	123,197	123,197	123,197	123,197	123,197	123,197	123,197	123,197	123,197	123,197
Stocks	406,643	406,643	406,643	406,643	406,643	406,643	406,643	406,643	406,643	406,643	406,643	406,643	406,643	406,643	406,643	406,643	406,643	406,643
Trade debtors	762	7,488	7,589	7,980	7,663	8,465	8,467	8,841	8,439	9,244	9,229	9,660	9,865	10,087	10,080	10,530	10,045	10,997
Stocks & Debtors	1,630,602	537,328	537,429	537,820	537,503	538,305	538,307	538,681	538,279	539,084	539,069	539,500	539,705	539,927	539,920	540,370	539,885	540,837
Cash at Bank	2,794,003	4,119,694	5,485,915	7,007,058	7,206,507	8,812,092	10,151,277	11,149,568	11,171,347	12,167,549	12,832,786	368,503	675,823	1,322,538	1,907,489	2,880,046	2,555,670	3,959,987
	<b>4,424,605</b>	<b>4,657,022</b>	<b>6,023,344</b>	<b>7,544,878</b>	<b>7,744,010</b>	<b>9,350,397</b>	<b>10,689,584</b>	<b>11,688,248</b>	<b>11,709,627</b>	<b>12,706,633</b>	<b>13,371,855</b>	<b>908,002</b>	<b>1,215,528</b>	<b>1,862,465</b>	<b>2,447,409</b>	<b>3,420,416</b>	<b>3,095,555</b>	<b>4,500,824</b>
<b>Creditors: Amounts Falling Due Within One Year</b>																		
Trade Creditors and Accruals	1,223,462	69,716	70,840	72,171	73,725	75,331	76,992	78,709	80,485	82,321	84,220	86,183	92,482	94,727	97,047	99,446	26,479	26,479
Corporation Tax	-	76,711	393,052	423,159	301,548	317,931	463,408	474,879	324,887	331,676	487,192	355,609	-	-	-	-	-	-
	<b>1,223,462</b>	<b>146,427</b>	<b>463,892</b>	<b>495,330</b>	<b>375,272</b>	<b>393,262</b>	<b>540,399</b>	<b>553,588</b>	<b>405,372</b>	<b>413,997</b>	<b>571,412</b>	<b>441,792</b>	<b>92,482</b>	<b>94,727</b>	<b>97,047</b>	<b>99,446</b>	<b>26,479</b>	<b>26,479</b>
<b>Net Current Assets</b>	<b>3,201,143</b>	<b>4,510,595</b>	<b>5,559,453</b>	<b>7,049,548</b>	<b>7,368,738</b>	<b>8,957,135</b>	<b>10,149,184</b>	<b>11,134,660</b>	<b>11,304,255</b>	<b>12,292,636</b>	<b>12,800,443</b>	<b>466,210</b>	<b>1,123,046</b>	<b>1,767,738</b>	<b>2,350,363</b>	<b>3,320,969</b>	<b>3,069,076</b>	<b>4,474,345</b>
<b>Total Assets Less Current Liabilities</b>	<b>16,400,221</b>	<b>17,606,247</b>	<b>18,551,679</b>	<b>19,938,348</b>	<b>20,154,112</b>	<b>21,639,083</b>	<b>22,727,706</b>	<b>23,609,756</b>	<b>23,675,925</b>	<b>24,560,880</b>	<b>24,965,261</b>	<b>31,104,750</b>	<b>31,261,588</b>	<b>31,406,283</b>	<b>31,488,909</b>	<b>31,959,519</b>	<b>31,207,628</b>	<b>32,112,898</b>
<b>Creditors: Amounts Falling Due After One Year</b>																		
Other creditors	(34,978)	(34,978)	(34,978)	(34,978)	(34,978)	(34,978)	(34,978)	(34,978)	(34,978)	(34,978)	(34,978)	(34,978)	(34,978)	(34,978)	(34,978)	(34,978)	(34,978)	(34,978)
Loan finance	-	-	-	-	-	-	-	-	-	-	-	(4,965,022)	(4,851,624)	(4,729,607)	(4,598,318)	(4,457,050)	(4,305,046)	(4,141,489)
<b>Provisions For Liabilities &amp; Charges</b>																		
Deferred Tax	(367,694)	(367,694)	(367,694)	(367,694)	(367,694)	(367,694)	(367,694)	(367,694)	(367,694)	(367,694)	(367,694)	(367,694)	(367,694)	(367,694)	(367,694)	(367,694)	(367,694)	(367,694)
	<b>16,124,433</b>	<b>17,203,575</b>	<b>18,149,007</b>	<b>19,535,676</b>	<b>19,751,440</b>	<b>21,236,411</b>	<b>22,325,034</b>	<b>23,207,084</b>	<b>23,273,253</b>	<b>24,158,208</b>	<b>24,562,589</b>	<b>25,737,056</b>	<b>26,007,292</b>	<b>26,274,003</b>	<b>26,487,920</b>	<b>27,099,797</b>	<b>26,499,909</b>	<b>27,568,737</b>
<b>Capital &amp; Reserves</b>																		
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	61,000	61,000	61,000
Revaluation Reserve	12,064,187	11,977,800	11,891,413	11,805,026	11,718,639	11,632,252	11,545,865	11,459,478	11,373,091	11,286,704	11,200,317	11,113,930	11,027,543	10,941,156	10,854,769	10,768,382	10,681,995	10,595,608
Ferry Replacement Reserve	4,224,062	5,164,775	6,196,594	7,669,650	7,971,801	9,543,159	10,718,169	11,686,606	11,839,162	12,810,504	13,301,272	14,562,126	14,918,749	15,271,847	15,572,151	16,270,415	15,756,914	16,912,129
Profit & Loss Account	(351,700)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Shareholders' Funds</b>	<b>16,124,433</b>	<b>17,203,575</b>	<b>18,149,007</b>	<b>19,535,676</b>	<b>19,751,440</b>	<b>21,236,411</b>	<b>22,325,034</b>	<b>23,207,084</b>	<b>23,273,253</b>	<b>24,158,208</b>	<b>24,562,589</b>	<b>25,737,056</b>	<b>26,007,292</b>	<b>26,274,003</b>	<b>26,487,920</b>	<b>27,099,797</b>	<b>26,499,909</b>	<b>27,568,737</b>



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

**Appendix 4.1**

**Forecast dividends and returns on investment (in line with increases approved under The 2021 Order)**

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040
<b>Forecast:</b>																	
Total net assets	16,767,682	17,220,232	18,054,848	17,743,901	18,648,004	19,170,769	20,176,389	20,006,650	21,113,642	21,690,270	22,973,742	23,545,647	23,613,115	22,945,556	22,837,809	20,509,756	20,072,953
Turnover	3,162,767	3,147,760	3,275,835	3,162,858	3,501,973	3,534,614	3,756,378	3,805,202	4,039,050	3,949,101	4,039,050	4,039,050	4,039,050	3,949,101	4,039,050	3,769,205	4,039,050
Profit after tax	770,133	452,550	834,617	(310,947)	904,103	522,765	1,005,620	(169,739)	1,106,993	576,628	1,283,472	571,905	67,468	(667,559)	(107,747)	(2,328,053)	(436,803)
Transfer to Ferry Replacement Reserve	(418,433)	(452,550)	(834,617)	310,947	(904,103)	(522,765)	(1,005,620)	169,739	(1,106,993)	(576,628)	(1,283,472)	(571,905)	(67,468)	667,559	107,747	2,328,053	436,803
Profit available for distribution	351,700	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Return on Investment	<b>2.1%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>
Forecast dividends	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Forecast dividends as a %age of total NA's	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Forecast dividends as a %age of turnover	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

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

**Appendix 4.2**

**Forecast dividends and returns on investment (assuming this application is approved).**

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040
<b>Forecast:</b>																	
Total net assets	17,203,575	18,149,007	19,535,676	19,751,440	21,236,411	22,325,034	23,207,084	23,273,253	24,158,208	24,562,589	25,737,056	26,007,292	26,274,003	26,487,920	27,099,797	26,499,909	27,568,737
Turnover	3,743,958	3,794,550	3,989,868	3,831,693	4,232,452	4,233,437	4,420,289	4,219,527	4,622,067	4,614,604	4,829,761	4,932,496	5,043,282	5,040,138	5,265,016	5,022,500	5,498,394
Profit after tax	1,206,026	945,432	1,386,669	215,764	1,484,971	1,088,623	1,553,796	188,673	1,594,532	1,121,770	1,919,663	1,033,383	1,038,936	525,576	1,056,622	-599,887	1,068,828
Transfer to Ferry Replacement Reserve	(854,326)	(945,432)	(1,386,669)	(215,764)	(1,484,971)	(1,088,623)	(882,050)	(66,168)	(884,955)	(404,381)	(1,174,467)	(270,236)	(266,711)	(213,917)	(611,877)	599,887	(1,068,828)
Profit available for distribution	351,700	-	-	-	-	-	671,746	122,505	709,577	717,389	745,196	763,147	772,225	311,659	444,745	-	-
Return on Investment	<b>2.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>2.9%</b>	<b>0.5%</b>	<b>2.9%</b>	<b>2.9%</b>	<b>2.9%</b>	<b>2.9%</b>	<b>2.9%</b>	<b>1.2%</b>	<b>1.6%</b>	<b>0.0%</b>	<b>0.0%</b>
Forecast dividends	0	0	0	0	0	0	671,746	122,505	709,577	717,389	745,196	763,147	772,225	311,659	444,745	0	0
Forecast dividends as a %age of total NA's	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	2.9%	0.5%	2.9%	2.9%	2.9%	2.9%	2.9%	1.2%	1.6%	0.0%	0.0%
Forecast dividends as a %age of turnover	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	15.2%	2.9%	15.4%	15.5%	15.4%	15.5%	15.3%	6.2%	8.4%	0.0%	0.0%





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

Appendix 6.1

Cash flow analysis (in line with increases approved under The 2021 Order)

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040
	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£
Operating Profit/(Loss) [Profit Before Interest & Tax]	(999,645)	991,469	562,018	1,054,821	(492,545)	1,134,515	604,643	1,232,349	(358,470)	1,347,622	614,667	1,168,646	677,997	580,721	(193,490)	376,135	(1,873,381)	157,400
Depreciation of tangible assets	83,469	103,426	103,426	103,426	103,426	103,426	103,426	103,426	103,426	103,426	103,426	103,426	499,998	499,998	499,998	499,998	499,998	499,998
Decrease (Increase) in stocks & debtors	(966,741)	1,094,436	30	(256)	226	(678)	(65)	(444)	(98)	(468)	180	(180)	-	-	180	(180)	540	(540)
Increase (Decrease) in creditors due within one year	330,859	(1,149,684)	235,318	12,078	(125,696)	13,187	140,613	18,637	(113,642)	18,732	126,294	(154,395)	(156,691)	(43,280)	47,549	2,244	2,320	2,399
<b>Net Cash Inflow From Operating Activities</b>	<b>(1,552,058)</b>	<b>1,039,647</b>	<b>900,792</b>	<b>1,170,069</b>	<b>(514,589)</b>	<b>1,250,450</b>	<b>848,617</b>	<b>1,353,968</b>	<b>(368,783)</b>	<b>1,469,312</b>	<b>844,566</b>	<b>1,117,497</b>	<b>1,021,304</b>	<b>1,037,439</b>	<b>354,236</b>	<b>878,197</b>	<b>(1,370,523)</b>	<b>659,257</b>
Interest received	44,730	69,850	75,859	92,476	112,424	105,431	126,852	142,953	166,625	162,844	188,646	205,583	(196,849)	(135,911)	(105,346)	(124,432)	(105,200)	(255,467)
Interest paid	(43)	-	-	-	-	-	-	-	-	-	-	-	-	(377,342)	(368,723)	(359,450)	(349,472)	(338,736)
Dividend paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Corporation tax paid	78,214	(291,186)	(185,326)	(312,681)	69,174	(335,843)	(208,730)	(369,682)	22,105	(403,473)	(226,685)	(90,757)	90,757	-	-	-	-	-
Loan finance capital - advanced (repaid)	-	-	-	-	-	-	-	-	-	-	-	4,965,022	(113,398)	(122,017)	(131,290)	(141,268)	(152,004)	(163,557)
Payments to acquire tangible fixed assets	(183,154)	-	-	-	-	-	-	-	-	-	-	(18,577,148)	-	-	-	-	-	-
<b>Net Cash Inflow (Outflow)</b>	<b>(1,612,311)</b>	<b>818,311</b>	<b>791,324</b>	<b>949,865</b>	<b>(332,992)</b>	<b>1,020,038</b>	<b>766,738</b>	<b>1,127,239</b>	<b>(180,053)</b>	<b>1,228,683</b>	<b>806,527</b>	<b>(12,379,802)</b>	<b>801,814</b>	<b>402,169</b>	<b>(251,123)</b>	<b>253,047</b>	<b>(1,977,199)</b>	<b>(98,503)</b>
Opening Cash at Bank & In Hand	4,406,314	2,794,003	3,612,314	4,403,639	5,353,503	5,020,512	6,040,550	6,807,288	7,934,528	7,754,475	8,983,158	9,789,685	(2,590,117)	(1,788,304)	(1,386,134)	(1,637,257)	(1,384,210)	(3,361,409)
<b>Closing Cash at Bank &amp; In Hand</b>	<b>2,794,003</b>	<b>3,612,314</b>	<b>4,403,639</b>	<b>5,353,503</b>	<b>5,020,512</b>	<b>6,040,550</b>	<b>6,807,288</b>	<b>7,934,528</b>	<b>7,754,475</b>	<b>8,983,158</b>	<b>9,789,685</b>	<b>(2,590,117)</b>	<b>(1,788,304)</b>	<b>(1,386,134)</b>	<b>(1,637,257)</b>	<b>(1,384,210)</b>	<b>(3,361,409)</b>	<b>(3,459,911)</b>

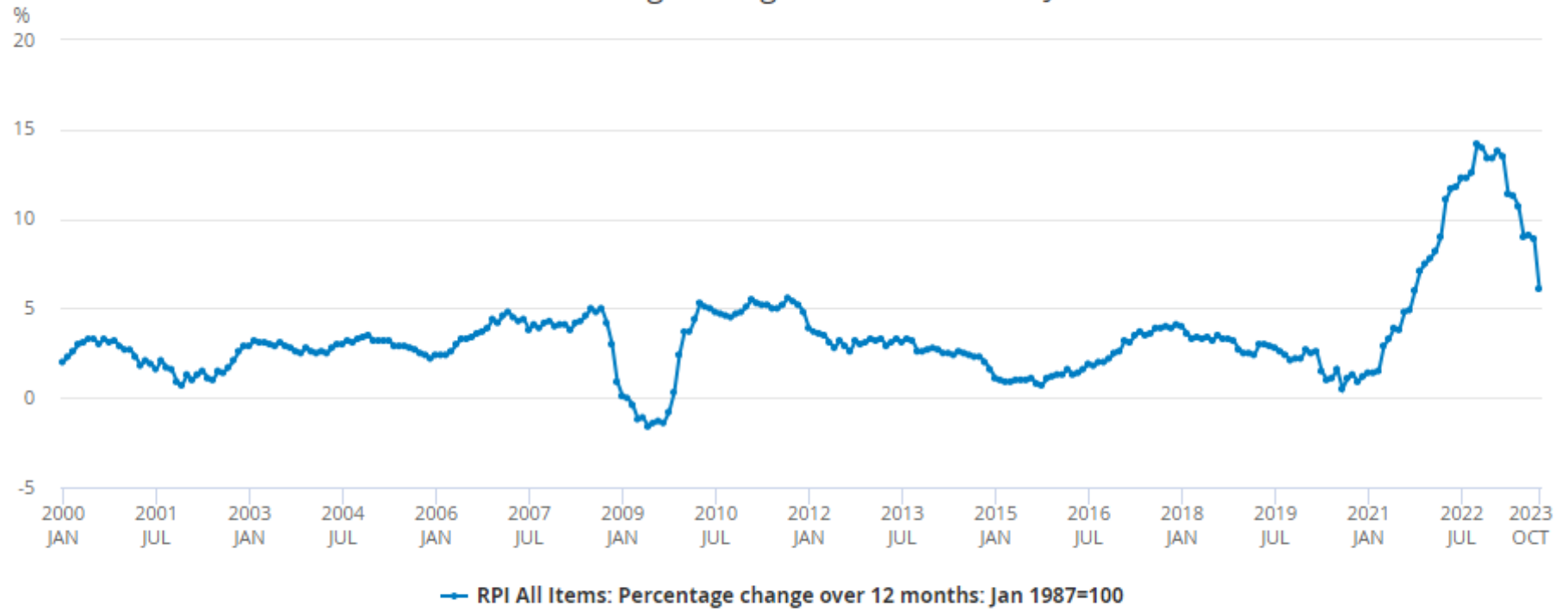
**The Bournemouth-Swanage Motor Road & Ferry Co. Inc.**  
**Appendix 6.2**  
**Cash flow analysis (assuming this application is approved)**

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040
	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£
Operating Profit [Profit Before Interest & Tax]	(999,645)	1,572,660	1,208,538	1,768,163	175,013	1,863,099	1,300,919	1,893,026	51,898	1,925,920	1,274,649	1,952,994	1,564,864	1,578,150	890,513	1,594,827	(627,606)	1,608,968
Depreciation of tangible assets	83,469	103,426	103,426	103,426	103,426	103,426	103,426	103,426	103,426	103,426	103,426	103,426	499,998	499,998	499,998	499,998	499,998	499,998
Decrease (Increase) in stocks & debtors	(966,741)	1,093,274	(101)	(391)	316	(802)	(2)	(374)	402	(805)	15	(430)	(205)	(222)	6	(450)	485	(952)
Increase (Decrease) in creditors due within one year	330,859	(1,077,035)	317,465	31,438	(120,057)	17,990	147,137	13,188	(148,216)	8,626	157,415	(129,620)	(349,310)	2,244	2,320	2,399	(72,967)	-
<b>Net Cash Inflow From Operating Activities</b>	<b>(1,552,058)</b>	<b>1,692,325</b>	<b>1,629,327</b>	<b>1,902,636</b>	<b>158,698</b>	<b>1,983,713</b>	<b>1,551,481</b>	<b>2,009,267</b>	<b>7,509</b>	<b>2,037,166</b>	<b>1,535,505</b>	<b>1,926,370</b>	<b>1,715,346</b>	<b>2,080,170</b>	<b>1,392,837</b>	<b>2,096,775</b>	<b>(200,091)</b>	<b>2,108,014</b>
Interest received	44,730	69,850	86,514	115,204	147,148	151,337	185,054	213,177	234,141	234,598	255,519	269,489	7,739	14,192	27,773	40,057	60,481	53,669
Interest paid	(43)	-	-	-	-	-	-	-	-	-	-	-	(377,342)	(368,723)	(359,450)	(349,472)	(338,736)	(327,183)
Dividend paid	-	-	-	-	-	-	-	(671,746)	(122,505)	(709,577)	(717,389)	(745,196)	(763,147)	(772,225)	(311,659)	(444,745)	-	-
Corporation tax paid	78,214	(436,484)	(349,619)	(496,698)	(106,397)	(529,465)	(397,350)	(552,407)	(97,366)	(565,986)	(408,398)	(302,820)	(161,877)	(184,683)	(33,260)	(228,791)	305,974	(266,626)
Loan finance capital - advanced (repaid)	-	-	-	-	-	-	-	-	-	-	-	4,965,022	(113,398)	(122,017)	(131,290)	(141,268)	(152,004)	(163,557)
Payments to acquire tangible fixed assets	(183,154)	-	-	-	-	-	-	-	-	-	-	(18,577,148)	-	-	-	-	-	-
<b>Net Cash Inflow (Outflow)</b>	<b>(1,612,311)</b>	<b>1,325,691</b>	<b>1,366,222</b>	<b>1,521,142</b>	<b>199,449</b>	<b>1,605,585</b>	<b>1,339,185</b>	<b>998,291</b>	<b>21,780</b>	<b>996,202</b>	<b>665,236</b>	<b>(12,464,283)</b>	<b>307,321</b>	<b>646,715</b>	<b>584,951</b>	<b>972,556</b>	<b>(324,376)</b>	<b>1,404,317</b>
Opening Cash at Bank & In Hand	4,406,314	2,794,003	4,119,694	5,485,915	7,007,058	7,206,507	8,812,092	10,151,277	11,149,568	11,171,347	12,167,549	12,832,786	368,503	675,823	1,322,538	1,907,489	2,880,046	2,555,670
<b>Closing Cash at Bank &amp; In Hand</b>	<b>2,794,003</b>	<b>4,119,694</b>	<b>5,485,915</b>	<b>7,007,058</b>	<b>7,206,507</b>	<b>8,812,092</b>	<b>10,151,277</b>	<b>11,149,568</b>	<b>11,171,347</b>	<b>12,167,549</b>	<b>12,832,786</b>	<b>368,503</b>	<b>675,823</b>	<b>1,322,538</b>	<b>1,907,489</b>	<b>2,880,046</b>	<b>2,555,670</b>	<b>3,959,987</b>

Appendix 7.1 The RPI Index prepared by the Office for National Statistics

### Chart

RPI All Items: Percentage change over 12 months: Jan 1987=100

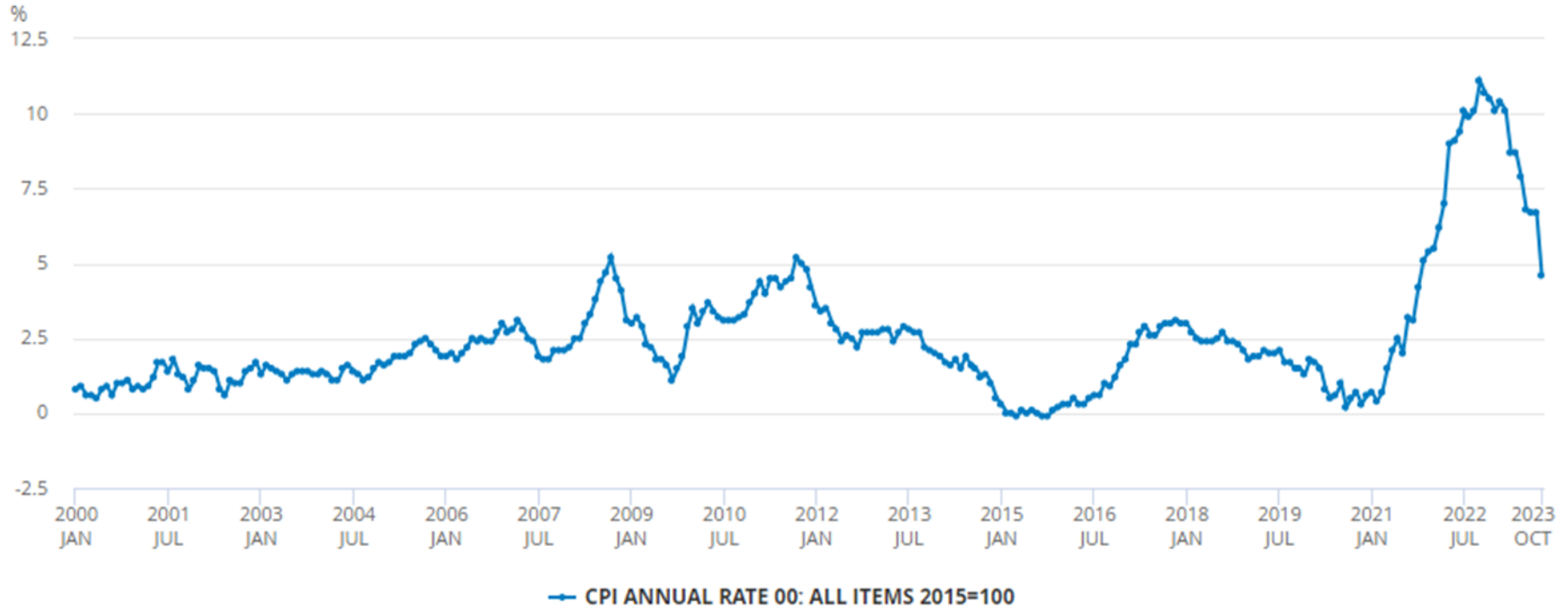


Source:

Appendix 7.2 The CPI Index prepared by the Office for National Statistics

# Chart

## CPI ANNUAL RATE 00: ALL ITEMS 2015=100



Source: