



Grant Thornton

Independent Assurance Report to the directors of FA III Limited on selected key performance data

We have been engaged to provide limited assurance on selected key performance data (the "selected data") included on the 'Red Funnel' website in the sub-section dealing with performance monitoring.

The selected 2010 data consists of the following:

- Indexed price increases compared to RPI
- Total sailings
- Market share
- Capacity utilisation (and Car Equivalent Units)
- Service punctuality
- Service reliability
- Customer satisfaction
- Costs (controllable, uncontrollable, investment and total)

Respective responsibilities of the directors and Grant Thornton UK LLP

The directors of FA III Limited are responsible for preparing the selected data based on the Reporting Criteria available on the website at www.redfunnel.co.uk/corporate-information/performance-monitoring.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website, and for the controls over, and the security of, the website.

Our responsibility is to express a conclusion on the selected data based on our procedures. The procedures selected depend on our judgment, including an assessment of the risks of material misstatement of the selected data. We consider the implications for our report if we become aware of any apparent material inconsistencies with the selected data. Our responsibilities do not extend to any other information. Historic data has not been subject to assurance.

This report, including the conclusion, has been prepared for FA III Limited to assist the directors in reporting FA III Limited's select key performance data. We consent to the inclusion of this report within the *Annual report* to enable FA III Limited's members to verify that the directors have discharged their governance responsibilities by commissioning an independent assurance report in connection with the selected data. We do not accept or assume responsibility for our work or this report to anyone other than the directors as a body and to FA III Limited save where terms are expressly agreed and with our prior consent in writing.

Inherent limitations

Our procedures were designed to obtain a limited level of assurance on which to base our conclusions. The procedures conducted do not provide all the evidence that would be required in a reasonable assurance engagement and accordingly, we do not express a reasonable level of assurance. While we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our limited assurance engagement was not designed to provide assurance on internal controls.

There are no generally accepted reporting standards applicable for the selected key performance information. We used FA III Limited's own definition of the selected key performance indicators as assessment criteria when undertaking our engagement.

Assurance work performed

We conducted our assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) - "Assurance Engagements other than Audits and Reviews of Historical Financial Information" issued by the International Auditing and Assurance Standards Board ("ISAE 3000"). Our procedures applied to the selected data primarily comprised:

- Evaluate the design of the key processes and controls for managing and reporting the selected data.
- Confirmation that data had been correctly extracted from your underlying accounting records and properly presented in the statistics and KPIs published.
- Recalculation of the indexed prices for the period.
- Review of customer satisfaction reports to ensure they comprise a representative sample, have been properly extracted and are accurately published on your website.
- Analytical procedures calculated and reviewed for the reported data.

Conclusion

On the basis of our procedures, nothing has come to our attention which causes us to conclude that the selected data for the year ended 31 December 2010 have not been prepared in all material respects in accordance with the Reporting criteria.



GRANT THORNTON UK LLP
CHARTERED ACCOUNTANTS

Southampton
23 May 2011

SUMMARY OF STATISTICS

RPIX	4.7
Total sailings	2010: 12,170 2009: 12,227 2008: 12,952
Market share	Private vehicles: 05.12.2010 – 26.03.2011: 33.5% 06.12.2009 – 27.03.2010: 30.6% Passengers: 05.12.2010 – 26.03.2011: 35.8% 06.12.2009 – 27.03.2010: 34.0%
Utilisation	Vehicles (CEUs) 2010: 38.3%; 2009: 38.2% Hi-Speed Passengers 2010: 24.0%; 2009: 23.3%
Punctuality	Soton/W Cowes (% departing within 5 minutes): 2010: 89.95%; 2009: 92.44%; 2008: 93.95% Soton/E Cowes (% departing within 5 minutes): 2010: 92.06%; 2009: 92.45%; 2008: 93.04%
Reliability	Soton/W Cowes (% sailings operated): 2010: 98.31%; 2009: 98.41%; 2008: 99.17%; 2007: 99.14% Soton/E Cowes (% sailings operated): 2010: 98.66%; 2009: 99.06%; 2008: 99.47%; 2007: 99.00%
Customer satisfaction	Island residents (YTD December 2010): Excellent: 18%; Good: 57%; Average: 21%; Poor: 4% Mainland residents (YTD December 2010): Excellent: 41%; Good: 51%; Average: 7%; Poor: 1%
Costs (indexed growth)	Uncontrollable: +13.8% Controllable -5.2% Investment +11.6% Total costs (excl COS) +1.7%