VT Leaseco Limited

Directors' report and financial statements

Registered number 4168215

31 March 2006

VT Leaseco Limited
Directors' report and financial statements

Contents

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 March 2006.

Principal activity

The company's principal activity is the leasing of vessels.

Business review

The results for the company show loss before tax of £2,431,000 *(2005: £267,000)* and turnover of £714,000 *(2005: £1,383,000).*

The company continued to lease pilot/patrol boats under a contract to Associated British Ports (ABP). This contract has continued to perform in line with expectations.

The company leased three catamarans under an arrangement that has ceased during the year. As a result, the company has reported both lower turnover and operating result. In addition the catamarans have been written down to their insured value and are classified in the balance sheet as assets held for resale. The assets are being actively marketed for sale.

The principal risks faced by the company relate to the residual value of vessels. The directors believe they have mitigated this via the use of insurance policies and regular reviews of expected residual values.

Directors

The directors who held office during the year were as follows:

CJ Cundy
SE Tarrant

The directors are also directors of VT Group plc and their interests in the shares of that company and their rights to subscribe for shares of that company are shown in its directors' report.

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

In accordance with section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

MP Jowett

MP Jowett
Secretary
24 November 2006

Statement of directors' responsibilities in respect of the directors' report and the financial statements

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with UK Accounting Standards.

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss 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 estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that 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 1985. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

KPMG

KPMG Audit Plc
Dukes Keep
Marsh Lane
Southampton
Hampshire SO14 3EX

Independent auditors' report to the members of VT Leaseco Limited

We have audited the financial statements of VT Leaseco Limited for the year ended 31 March 2006 which comprise the profit and loss account, the balance sheet and related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities on page 2, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

KPMG

KPMG Audit Plc
Dukes Keep
Marsh Lane
Southampton
Hampshire SO14 3EX

Independent auditors' report to the members of VT Leaseco Limited *(continued)*

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2006 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

14 December 2006

Profit and loss account

for the year ended 31 March 2006

	Notes	2006 £000	2005 £000
Turnover	2	**714**	1,383
Cost of sales		**(2,086)**	(1,231)
Gross (loss)/profit		**(1,372)**	152
Administrative expenses		**(672)**	(3)
Operating (loss)/profit		**(2,044)**	149
Interest payable and similar charges	4	**(387)**	(416)
Loss on ordinary activities before taxation	5	**(2,431)**	(267)
Tax on loss on ordinary activities	6	**731**	78
Loss for the financial year	13	**(1,700)**	(189)

The above results all relate to continuing activities.

There are no recognised gains or losses other than the loss for the year reported above. There is also no difference between the loss on ordinary activities before taxation and the loss for the financial year stated above, and their historical cost equivalents.

Balance sheet
at 31 March 2006

	Notes	2006 £000	2005 £000
Fixed assets			
Tangible assets	7	**2,003**	8,958
Current assets			
Debtors	8	**360**	435
Assets held for resale	9	**5,250**	-
		5,610	435
Creditors: amounts falling due within one year	10	**(8,745)**	(8,269)
Net current liabilities		**(3,135)**	(7,834)
Total assets less current liabilities		**(1,132)**	1,124
Provisions for liabilities and charges	11	**(601)**	(1,157)
Net liabilities		**(1,733)**	(33)
Capital and reserves			
Called up share capital	12	**-**	-
Profit and loss account	13	**(1,733)**	(33)
Shareholder's deficit	14	**(1,733)**	(33)

These financial statements were approved by the board of directors on 24 November 2006 and were signed on its behalf by:

CJ Cundy
Director

Notes
(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

In these financial statements the following new standards have been adopted for the first time:
- FRS 21 'Events after the balance sheet date'; and
- FRS 28 'Corresponding amounts'.

The accounting policies under these new standards are set out below together with an indication of the effects of their adoption. FRS 28 'Corresponding amounts' has had no material effect as it imposes the same requirements for comparatives as hitherto required by the Companies Act 1985.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards under the historical cost convention.

The financial statements have been prepared on the going concern basis because the company's ultimate parent undertaking has confirmed that it will provide such financial and other support as is necessary to enable the company to meet its liabilities for the foreseeable future.

Under Financial Reporting Standard 1 (1996 Revised) the company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary undertaking.

In addition advantage has been taken of the exemption available under Financial Reporting Standard 8 not to disclose details of transactions with VT Group plc or other group undertakings as the consolidated financial statements of VT Group plc in which the company is included are publicly available.

Fixed assets and depreciation

Fixed assets are stated at cost. The cost of fixed assets includes the valuation of construction to date and interest charged on the funds received to finance the project during construction. Interest on loans will be capitalised up to the date of completion of each vessel. Upon completion of each vessel, depreciation is provided to write off the cost less the estimated residual value of the tangible fixed asset in equal instalments over its useful economic life.

Vessels - 10 years

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Turnover

Turnover represents income earned excluding VAT during the period from the leasing of vessels.

Notes *(continued)*

1 Accounting policies *(continued)*

Leased assets: lessor

Operating lease rentals are credited to the profit and loss account on a straight line basis over the period of the lease.

2 Turnover

Turnover is wholly attributable to the principal activity of the company and arises solely within the United Kingdom.

3 Remuneration of directors

During the year and the previous year, the emoluments of the directors were borne by a fellow group company.

4 Interest payable and similar charges

	2006	2005
	£000	£000
On bank borrowings	**387**	421
Less: finance costs capitalised	**-**	(5)
	387	416

5 Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after charging/(crediting):

		2006	2005
		£000	£000
Depreciation		**1,655**	950
Auditors remuneration	- audit services	**4**	2
	- non-audit services	**1**	-
Operating lease rentals receivable		**(714)**	(1,383)

6 Taxation

	2006	2005
	£000	£000
Current tax		
Group relief receivable	**(173)**	(305)
Adjustments in respect of prior years	**(2)**	-
Total current tax credit	**(175)**	(305)
Deferred tax		
Origination and reversal of timing differences	**(556)**	227
Total deferred tax (credit)/charge (note 11)	**(556)**	227
Tax credit on loss on ordinary activities	**(731)**	(78)

Notes *(continued)*

6 Taxation *(continued)*

Factors affecting the tax credit for the current period

The current tax credit for the year is lower *(2005: higher)* than the standard rate of corporation tax in the UK of 30% *(2005: 30%)*. The differences are explained below:

	2006	2005
	£000	£000
Loss on ordinary activities before tax	**(2,431)**	(267)
Loss on ordinary activities multiplied by standard rate in UK of 30% *(2005: 30%)*	**(729)**	(80)
Effects of:		
Difference between capital allowances and depreciation	**556**	(225)
Adjustment in respect of prior periods	**(2)**	-
Current tax credit for the period	**(175)**	(305)

Factors affecting future tax charge

Based on current capital investments, the company expects to continue to be able to claim capital allowances in excess of depreciation in future years but at a lower level than in the current year.

7 Tangible assets

	Vessels
	£000
Cost	
At beginning of year	10,043
Disposals	(50)
Transfer to current assets (note 9)	(7,313)
At end of year	2,680
Depreciation	
At beginning of year	1,085
Charge for year	1,655
Transfer to current assets (note 9)	(2,063)
At end of year	677
Net book value	
At 31 March 2006	**2,003**
At 31 March 2005	8,958

The gross book value of tangible fixed assets includes £416,000 *(2005: £589,000)* of capitalised interest, and includes vessels held for use in operating leases of £2,680,000 *(2005: £10,043,000)* with cumulative depreciation of £677,000 *(2005: £1,085,000)*.

Notes *(continued)*

8 Debtors

	2006	2005
	£000	£000
Trade debtors	**-**	97
Amounts owed by group undertakings	**187**	33
Group relief receivable	**173**	305
	360	435

9 Assets held for resale

Three catamarans that were being leased to a contracted third party were returned during the year and an impairment review undertaken. The vessels were written down to their net realisable value of £5,250,000. The vessels are being actively marketed for sale and have therefore been transferred to current assets.

10 Creditors: amounts falling due within one year

	2006	2005
	£000	£000
Bank overdraft	**8,329**	8,226
Other taxes	**12**	10
Accruals and deferred income	**404**	33
	8,745	8,269

The bank overdraft is secured by a fixed and floating charge over the assets of the group.

11 Provisions for liabilities and charges

	Deferred taxation £000
At beginning of year	1,157
Utilised during the year	(556)
At end of year	**601**

Deferred taxation liability is analysed as follows:

	2006	2005
	£000	£000
Accelerated capital allowances	**476**	1,006
Other timing differences	**125**	151
	601	1,157

Notes *(continued)*

12 Called up share capital

	2006 £	2005 £
Authorised		
100 ordinary shares of £1 each	**100**	100
Allotted, called up and fully paid		
1 ordinary share of £1 each	**1**	1

13 Reserves

	Profit and loss account £000
At beginning of year	(33)
Loss for the financial year	(1,700)
At end of year	**(1,733)**

14 Reconciliation of movements in shareholder's deficit

	2006 £000	2005 £000
Loss for the financial year	**(1,700)**	(189)
Net reduction in shareholder's deficit	**(1,700)**	(189)
Opening shareholder's (deficit)/funds	**(33)**	156
Closing shareholder's deficit	**(1,733)**	(33)

15 Ultimate parent company

The company is a subsidiary undertaking of Vosper Thornycroft (UK) Limited, a company incorporated in Great Britain and registered in England and Wales. The ultimate parent undertaking is VT Group plc incorporated in Great Britain and registered in England and Wales.

The largest group in which the results of the company are reported is that headed by VT Group plc. The consolidated financial statements are available to the public at that company's registered office of Grange Drive, Hedge End, Southampton. No other financial statements include the results of the company.