Registered No 5991

ANDREW WEIR SHIPPING LIMITED

REPORT AND ACCOUNTS

31 DECEMBER 2007

The Directors present the audited accounts for the year ended 31 December 2007

PRINCIPAL ACTIVITIES

The Company's shipping activities include the ownership and operation of vessels The Company provides ship management services both for its own vessels and for related or third party companies Andrew Weir Shipping and its subsidiaries provide a range of shipping related services including travel, tours, agency services, technical support and supervision for vessel repairs and newbuilding contracts

RESULTS, REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

A Group trading profit of £4,443k was recorded (2006 £6,430k), which included the one off benefit of the sale of one of the Group's ships at a profit of £189k

In accordance with FRS11, the value of certain of the ships was re assessed, resulting in an impairment in the values of £526k (2006 write back in values of £494k) The impairment was due to the uptake of further options by the current charterers

There has been significant inflationary pressures throughout 2007 on operating costs Due to the large numbers of newbuildings coming into the market, the demand for crew, spares, and repair resources has increased, and thus pushed costs up significantly Global increases in oil prices has also had an impact upon operating costs

With the impact of the FRS11 revaluation and increases in ship costs, profit on ordinary activities before interest and tax is £3,917k (2006 £6,924k)

Group interest costs were higher than in the previous year due to the higher interest rates assumed by the MNOPF Trustees as part of the 31 March 2006 actuarial valuation Lower levels of other debt were offset by higher interest rates on these loans Payments against loans and finance lease obligations amounted to £1,993k in the year

Excluding the impact of pension matters referred to in Note 5, the Group's reserves rose year on year by £151k During the year a 50% investment was made in Sovereign Shipping Limited, a joint venture company owning a CV1100 container ship The investment will assist in broadening the current business base and the focus on new investments, and acquiring additional ship management contracts

In January 2008, the Company was re awarded the contract to provide ship management services for the six Foreland Ro Ro ships for a further five years This followed the successful dry docking of five of the six ships in mid 2007 A further three ships managed by the Company were also dry docked during 2007

On the 30 June 2008 the rights attached to the Preference Shares were changed and they are now classified as Ordinary "B" non voting Shares of £1 each, as set out in note 16 to the Accounts

DIVIDENDS

The Directors do not recommend the payment of any dividend for 2007 (2006 £500,000)

FIXED ASSETS AND FIXED ASSET INVESTMENTS

Details of fixed assets and fixed asset investments are shown in Notes 9 and 10 to the accounts

EMPLOYEES

Information on matters of concern to employees is given through information bulletins and reports, which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the Company's performance

The Company's policy is to provide equal employment opportunities to all

DIRECTORS AND DIRECTORS' INTERESTS

The Directors of the Company during the year and as at the date of this report are set out below

Mr M G Parker
Mr S J Corkhill
Mr G Hamilton
Mr A F Jones

Mr M G Parker and Mr A F Jones are Directors of the ultimate holding company, Andrew Weir & Company Limited, at 31 December 2007 and, as such, are not required to notify their interests in that company

According to the register required to be kept by Section 325 of the Companies Act 1985, no other Directors held any shares in the Company or any other company in the Group at any time during the year

DIRECTORS' RESPONSIBILITIES FOR PREPARING THE ACCOUNTS

Company law requires the Directors to prepare accounts for each financial year, which give a true and fair view of the state of affairs of the Company and the Group, and of the profit or loss of the Company and the Group for that period In preparing those accounts, the Directors are required to

* Select suitable accounting policies and then apply them consistently,
* Make judgments 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 accounts,
* Prepare the accounts 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 which disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the accounts comply with the Companies Act 1985 They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

RISK MANAGEMENT AND CONTROL

The management of risk – operational, market, interest rate, liquidity, credit, current and reputational – is fundamental to the Group, with the Board of Directors (together with the Board of Directors of the Holding Company) having responsibility for the overall system of internal control and for reviewing its effectiveness

The key areas of risk in relation to the use of financial instruments comprise credit risk (losses due to the inability or unwillingness of a client or other counterparty to meet its obligations), interest risk (fluctuations in the prevailing levels of market rates of interest on its financial position and cash flows), liquidity risk (failure to meet financial obligations in a timely and cost effective manner due to mismatches in the maturity profile of assets and liabilities) and currency risk (adverse movements in exchange rates that will result in a decrease in the value of foreign exchange assets or an increase in the value of foreign currency liabilities)

DISCLOSURE OF INFORMATION TO THE AUDITORS

The Directors confirm at the time when this report is approved

- So far as the Directors are aware, there is no relevant audit information of which the Company's Auditors are unaware, and
- The Directors have taken all steps that ought to have been taken as Directors, including making appropriate enquiries of the Company's Auditors for that purpose, in order to be aware of any information needed by the Company's Auditors in connection with preparing their report and to establish that the Company's Auditors are aware of that information

AUDITORS

A resolution to re appoint Moore Stephens LLP as the Company's Auditors will be proposed at the Annual General Meeting

BY ORDER OF THE BOARD

G HAMILTON
COMPANY SECRETARY

Date 14 July, 2008

INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF ANDREW WEIR SHIPPING LIMITED

We have audited the financial statements of Andrew Weir Shipping Limited for the year ended 31 December 2007 set out on pages 6 to 26 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

The Directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities

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

In addition we 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 are 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 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 judgments 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

INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF ANDREW WEIR SHIPPING LIMITED (Continued)

Qualified opinion arising from disagreement about accounting treatment

Included in capital and reserves shown in the balance sheet as at 31 December 2006 is an amount of £8,100,000 relating to the issue of 8,100,000 cumulative 6% preference shares of £1 each The preference shares were still in issue at 31 December 2007 Since the balance sheet date and before the financial statements were approved by the Board, the company amended the terms of the rights attached to the preference shares, and reclassified them as Ordinary "B" non voting shares of £1 each within equity at 31 December 2007 In our opinion, this is an non adjusting post balance sheet event and the cumulative preference shares in issue at 31 December 2007 and 2006 should have been classified as a financial liability at 31 December 2007 and 2006, resulting in a reduction of net assets by £8,100,000 with a corresponding increase in liabilities

Except for the disagreement in the classification and presentation of the cumulative preference shares, in our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's and Group's affairs at 31 December 2007 and of the profit of the Group 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

Moore Stephens LLP

MOORE STEPHENS LLP
Registered Auditors
London EC4M 7BP

Dated 25 July 2008

Group Profit and Loss Account
For the year ended 31 December 2007

	Notes	Group 2007 £'000	Group 2006 £'000
Turnover – group and share of joint ventures			
Continuing operations	2	24,206	24,874
Less share of joint ventures' turnover		(9,030)	(8,533)
		15,176	16,341
Cost of Sales	4	(12,330)	(12,191)
Gross profit		2,846	4,150
Operating expenses	3/4	(3,248)	(2,969)
		(402)	1,181
Share of profit of joint ventures		3,992	4,135
Share of profit of associated undertakings		664	538
Profit on disposal of ship	4	189	
Profit on disposal of investment	4		576
Group trading profit		4,443	6,430
(Impairment)/write back in value of ships	4	(526)	494
Profit on ordinary activities before interest and tax		3,917	6,924
Net interest and other income			
Group		(699)	(432)
Joint ventures		(2,223)	(2,329)
Associated undertakings		(94)	(27)
	6	(3,016)	(2,788)
Profit on ordinary activities before taxation		901	4,136
Taxation	7	(219)	(51)
Profit on ordinary activities after taxation		682	4,085
Dividends paid on ordinary shares	8		(500)
Dividends paid on preference shares			(486)
Retained profit		682	3,099

Group statement of total recognised gains and losses

	2007 £'000	2006 £'000
Retained profit for the financial year	682	3,099
Currency translation differences on foreign net investments	(45)	(812)
Actuarial gain/(loss) in current year (Note 5(c) – Pensions)	358	(4,789)
	995	(2,502)

There is no difference between the profit on ordinary activities before taxation and the profit for the financial year and their historical cost equivalents

All activities are continuing

	Notes	2007 £'000	2007 £'000	2006 £'000	2006 £'000
Fixed Assets					
Tangible fixed assets	9	16,864		19,386	
Investments	10	1,608		1,448	
			18,472		20,834
Investment in Joint Ventures	10				
Share of gross assets		52,588		45,874	
Share of gross liabilities		(49,130)		(42,982)	
		3,458		2,892	
Loans due within one year		151		151	
Loans due after one year		4,420		2,571	
			8,029		5,614
			26,501		26,448
Current Assets					
Debtors	11	2,433		3,516	
Stock	12	72		109	
Cash at bank and in hand		1,103		2,752	
		3,608		6,377	
Creditors due within one year	13	(6,466)		(6,744)	
Net Current (Liabilities)			(2,858)		(367)
Total assets			23,643		26,081
Creditors due after more than one year	13		(5,900)		(8,034)
Pension liability	5(c)		(8,023)		(9,322)
			9,720		8,725
Capital and Reserves					
Called up share capital	16		12,100		12,100
Reserves	15		(2,380)		(3,375)
Shareholder's funds	17		9,720		8,725
Shareholder's funds comprise					
Non equity shareholder's funds	16		8,100		8,100
Equity shareholder's funds			1,620		625
Total shareholder's funds	17		9,720		8,725

The accounts on pages 5 to 24 were approved by the Board of Directors on 14 July, 2008

M G PARKER

A F JONES

Company Balance Sheet
As at 31 December 2007

	Notes	2007 £'000	2007 £'000	2006 £'000	2006 £'000
Fixed Assets					
Tangible fixed assets	9	15,507		17,722	
Investments	10	13,442		11,626	
			28,949		29,348
Current Assets					
Debtors	11	4,224		6,002	
Stock	12	72		109	
Cash at bank and in hand		997		2,687	
		5,293		8,798	
Creditors – amounts falling due within one year	13	(14,246)		(14,365)	
Net Current Liabilities			(8,953)		(5,567)
Total assets			19,996		23,781
Creditors amounts falling due after more than one year	13		(3,229)		(4,394)
Pension liability	5(c)		(8,023)		(9,322)
			8,744		10,065
Capital and Reserves					
Called up share capital	16		12,100		12,100
Reserves	15		(3,356)		(2,035)
Shareholder's funds	17		8,744		10,065
Shareholder's funds comprise					
Non equity shareholder's funds	16		8,100		8,100
Equity shareholder's funds			644		1,965
Total shareholder's funds	17		8,744		10,065

The accounts on pages 5 to 24 were approved by the Board of Directors on 14 July, 2008

M G PARKER

A F JONES

1. PRINCIPAL ACCOUNTING POLICIES

A summary of the more important accounting policies is set out below These policies have been consistently applied during the years ended 31 December 2007 and 2006

Basis of Accounting

The accounts are prepared on a basis consistent with prior years, in accordance with applicable accounting standards in the United Kingdom

Andrew Weir & Company Limited produces Consolidated Group Accounts and the cash flows of the Company are included in the Consolidated Group Cash Flow Statement Consequently, the Company is exempt under the terms of Financial Reporting Standard No 1 from publishing its own cash flow statement

Basis of Consolidation

The Group Accounts comprise a consolidation of the audited accounts of the Company and all its subsidiary undertakings, together with the Group's share of the post acquisition results of all joint ventures and associated undertakings The results of subsidiary, joint ventures and associated undertakings are consolidated from the date of acquisition or to the date of disposal

Shipping Results

Voyage results are computed on an accruals basis, and income and direct expenses relating to voyages in progress at the Balance Sheet date are accounted for on a pro rata basis

Tangible Fixed Assets

These are stated at cost less depreciation provided

The capital cost of ships includes costs of supervision during building or major modification together with any interest payable during the construction and pre delivery period Also included in cost is the amount spent on the last cyclical dry dock of ships and special surveys

Depreciation

Ships and equipment, both wholly owned and lease financed, are depreciated from the time of entering into service on a straight line basis over their estimated useful lives, being 20 or 25 years for ships and 12 or 5 years for other equipment Where expenditure is incurred to prolong the useful service life of a ship, which is more than twenty years old, this expenditure is written off over the life extension period Depreciation is based on cost and, in the case of ships, a residual value based on their estimated scrap value at the end of their estimated useful lives All cyclical dry dock costs are capitalised and written off over the dry docking cycle of 3 or 5 years

Impairment

The group reviews all fixed assets and investments for impairment whenever events or circumstances indicate that the carrying value of the assets may not be fully recoverable based upon estimated future cash flows Provision for impairment in the value of fixed assets and investments is made in the profit and loss account

Stock

Stocks are valued at the lower of cost and net estimated realisable value

Pensions

The group participates in a number of pension schemes for the benefit of its employees The funds of the schemes are administered by trustees and are separate from the group In accordance with the recommendations of independent actuaries, the group makes contributions to the schemes so as to secure the benefits set out in the rules of the schemes The cost of such contributions is charged to the profit and loss account on a systematic basis over the service lives of the employees

In accordance with Financial Reporting Standard 17 – Retirement Benefits (FRS17), pension scheme deficits, which can be attributed to the AWS group, would be recognised on the balance sheet The increases during the year in the present value of the schemes' liabilities arising from the passage of time would be included in interest payable Actuarial gains and losses would be recognised in the statement of total recognised gains and losses

Currencies

Revenue transactions in foreign currency are translated into sterling at the rates of exchange ruling at the dates of the transaction and current assets and liabilities are translated into sterling at the rates of exchange ruling at the Balance Sheet date Forward foreign exchange contracts are translated into sterling at the contracted rate at the date of maturity These contracts are used to hedge future cash flows in foreign currencies The resultant differences arising on exchange are included in the result before taxation

Certain ships are recorded in the books of the Company in US$ Where matched against US$ loans and finance leases which were effected to finance the acquisition of the assets, the currency balances are translated into sterling at the year end rate and the net difference is taken directly to reserves

The Profit and Loss Accounts of overseas subsidiary and related companies are translated into sterling at an average rate of exchange for the period The Balance Sheets of overseas subsidiary and related companies are translated into sterling at the rates of exchange ruling at 31 December Differences on the translation of net assets arising from exchange fluctuations are taken directly to reserves

Finance and Operating Leases

Where assets are financed by leasing agreements that approximate to the loan of money, 'finance leases', the assets are treated as if they had been purchased outright and the corresponding capital cost is shown as an obligation to the lessor Leasing payments are treated as consisting of a capital element and finance charges, the capital element reducing the obligation to the lessor and the finance charges being written off to the Profit and Loss Account over the period of the lease All other leasing agreements are 'operating leases' and the relevant annual rentals are charged wholly to the Profit and Loss Account

Deferred Taxation

Deferred tax is provided in respect of all timing differences, which will reverse subsequent to the balance sheet date at the rates expected at the time of reversal Deferred tax assets are recognised to the extent they are regarded as recoverable

Related Party Transactions

The Company has taken advantage of the exemption not to disclose transactions with related parties allowed under Financial Reporting Standard No 8 Related Parties, as it is a wholly owned subsidiary of Andrew Weir & Company Limited and all the relevant transactions are disclosed in the parent company's consolidated financial statements

2. TURNOVER

Turnover represents the amounts invoiced for charter hire, management fees, goods supplied and commissions received

As permitted by Schedule 4 Section 55 (5) of the Companies Act 1985, no geographical analysis of turnover is shown as, in the opinion of the directors, to do so would be prejudicial to the interests of the company

3 OPERATING EXPENSES

Operating expenses are made up as follows

	2007 £'000	2006 £'000
Selling expenses	55	41
Administrative expenses	3,193	2,928
	3,248	2,969

4. PROFIT FOR THE FINANCIAL YEAR

	2007 £'000	2006 £'000
Group trading profit is arrived at after crediting/(charging):		
Auditors' remuneration audit services	(39)	(36)
Property lease payments	(80)	(80)
Other operating lease payments		(8)
Depreciation	(1,825)	(1,796)
Directors' remuneration	(281)	(265)
Profit on disposal of investments		576
Profit on disposal of vessel	189	
Exceptional items credited/(debited) to the Profit and Loss account		
Write back in value of ships		494
Impairment in value of ships	(526)	

The impairment in the value of ships has been calculated based upon an extension of the charters, partially offset by higher estimated residual values A discount rate of 6% (2006 5%) has been applied to cash flows to calculate the impairment Depreciation has only been charged on the cyclical dry docking costs No depreciation has been charged on the original asset value in 2007 or 2006

5. DIRECTORS AND EMPLOYEES

(a) Employees

The average number of persons employed during the year, including Executive Directors, was 47 (2006 49)

	2007 £'000	2006 £'000
Aggregate gross wages and salaries paid to the Group's employees	1,626	1,562
Employer's national insurance contributions	153	148
Other pension costs		
Contribution to pension schemes	254	237
Ex gratia pensions	23	24
	2,056	1,971

(b) Directors

	2007 £'000	2006 £'000
Aggregate emoluments	281	265
Highest paid director		
Aggregate emoluments and benefits	156	146
Defined benefit pension schemes		
Accrued pension at end of year	48	46

There are 2 Directors (2006 2) for whom retirement benefits are accruing in defined benefit schemes

A season ticket advance of £3,721 was made to Mr S J Corkhill during the year, of which £2,791 was still outstanding at 31 December 2007

5. DIRECTORS AND EMPLOYEES (cont).

(c) Pension Costs

(i) Andrew Weir & Company Limited Staff Pension and Life Assurance Plan

Andrew Weir Shipping Limited ("AWSL") is a member of the Andrew Weir & Company Limited Staff Pension and Life Assurance Plan ("AWPP"), which is a closed, funded, defined benefits scheme with a defined contribution section

A full actuarial valuation was carried out as at 31 December 2006 by a qualified independent actuary Under FRS 17, liabilities are measured by discounting the best estimate of future cash flows to be paid using the projected unit method The projected unit method is an accrued benefits valuation method in which the liabilities make allowance for projected earnings Under this method the current service cost of a closed scheme will increase as members approach retirement The main assumptions used by the actuary were

	2007		2006		2005	
	%	£'000	%	£'000	%	£'000
Inflation	3 20		2 90		2 60	
Rate of increase in salaries	4 20		3 90		3 60	
Rate of increase in pension in payment and deferred pensions	3 00		2 80		2 60	
Rate to discount liabilities	5 90		5 20		4 75	
Fair value of assets and liabilities and long term expected rates of return						
Equities	7 80	30,512	7 80	30,967	8 00	35,222
Bonds	4 70	31,125	4 50	29,664	4 00	22,472
Cash and net current assets	5 50	607	5 00	717	4 50	1,570
Insurance policies	5 90	46,525	5 20	53,239	4 75	43,878
		108,769		114,587		103,142
Present value of liabilities		(109,936)		(119,164)		(104,034)
Net pension liabilities		(1,167)		(4,577)		(892)

	2007	2006	2005	2004	2003
	£'000	£'000	£'000	£'000	£'000
History of experience gains and losses					
Experience gains and losses	(409)	221	5,822	2,076	5,171
Difference between the expected and actual return on Scheme assets	0%	0%	6%	2%	6%
Experience (losses)/gains on Scheme liabilities	(240)				(782)
Percentage of liabilities	0%	0%	0%	0%	1%
Total amount recognised in the parent company statement of recognised gains and losses	3,082	(4,463)	622	1,672	644
Percentage of liabilities	3%	4%	1%	2%	1%

The Trustees determined the ordinary contribution rate for the year ended 31 December 2007 at 27% (2006 27%) Group contributions during the accounting period amounted to £201,000 (2006 £195,000)

(ii) Merchant Navy Officers Pension Fund

The Group has participated in an industry wide pension scheme – the Merchant Navy Officers' Pensions Fund ("MNOPF") The scheme is split into two sections with the pre 1978 section having a surplus of £210 million as per the 31 March 2006 actuarial report The post 1978 section financial position is detailed below AWSL is a participating employer in the scheme

Based upon the shortfall of £194 million identified at the actuarial valuation at 31 March 2003, the Group was required to contribute £648,000 per annum for a period of ten years, commencing September 2005 Subsequently, the Group was required to contribute a further £110,000 per annum for a period of eight years, commencing March 2007, in order to fund the shortfall, which occurred based upon the original funding requests sent to all employers

Based upon a further shortfall of £151 million identified at the actuarial valuation at 31 March 2006, the Group was required to contribute a further £610,000 per annum for a period of eight years commencing September 2007

Interest charged during the year ended 31 December 2007 amounted to £427,000 (2006 £173,000)

In accordance with FRS17 (Retirement Benefits) a provision has been made in the financial statements for the obligation allocated to the Group At 31 December 2006 this amounted to £9,322,000 Revised calculations relating to the 31 March 2007 update subsequently issued by the MNOPF trustees have resulted in a decrease in the Group's liability of £358,000 This amount has been taken to Reserves as an actuarial gain and recorded in the Statement of Recognised Gains and Losses At 31 December 2007, the liability (including accrued interest) amounted to £8,023,000

Included within the liability of AWSL at 31 December 2007 is £1,855,000 (2006 £2,235,000) relating to a subsidiary's debt to the MNOPF, which has been assumed by AWSL as part of a previous transfer of business Detailed information in respect of assumptions and historic gains and losses has not been disclosed in respect of the MNOPF, as this information has not been provided by the actuary of the scheme

(iii) Summary of movement in deficit in Schemes during the year

	2007		2006	
	AWPP £'000	MNOPF £'000	AWPP £'000	MNOPF £'000
Deficit at 1 January	(4,577)	(9,322)	(892)	(5,008)
Current service cost	(247)		(354)	
Contributions	235	1,368	231	648
Other finance income/(cost)	340	(427)	901	(173)
Actuarial gain/(loss)	3,082	358	(4,463)	(4,789)
Deficit at 31 December	1,167	(8,023)	(4,577)	(9,322)

The AWPP covers several companies and it is not possible to identify the share of assets and liabilities relating to individual companies Consequently, in AWSL's financial statements the above AWPP liability is not recorded and contributions are accounted for as a defined contribution scheme

Deferred tax on the pension liabilities has not been taken into account because of the amount of unrecognised deferred tax assets

6. NET INTEREST AND OTHER INCOME

	2007 £'000	2006 £'000
Interest payable		
Finance leases	(232)	(240)
Bank loans and overdrafts	(319)	(316)
Interest on MNOPF liability (note 5 (c))	(427)	(173)
Share of net interest of joint venture	(2,223)	(2,329)
Share of net interest of associated undertakings	(94)	(27)
	(3,295)	(3,085)
Interest receivable	279	297
Net interest and other income	(3,016)	(2,788)

7. TAXATION ON PROFIT FOR THE YEAR

	2007 £'000	2006 £'000
Based on the results for the year		
UK Corporation Tax 30% (2006 30%)	(57)	(464)
Double taxation relief		130
Capital losses utilised	57	173
Trading losses utilised		161
Tax on results of associated undertaking	(211)	(193)
Tax on results of joint venture	(8)	142
	(219)	(51)

Tax Reconciliation

	2007	2006
Tax (charge) on profit on ordinary activities at 30%	(270)	(1,240)
Tax effect of		
Reversal of impairment to the value of ships	(158)	148
Losses utilised		151
Profit on sale of ship	57	
Losses not utilised	(330)	
Profit on sale of investment		173
Lower tax arising from joint ventures' election to tonnage tax	523	684
Higher rates of tax on overseas earnings and associated company	(41)	(40)
Other		73
Relating to current year	(219)	(51)

8. DIVIDENDS

There were no ordinary dividends authorised or paid during 2007 (2006 £500,000)

9. TANGIBLE FIXED ASSETS

Group

	Ships and Equipment		
	Owned	Leased	Total
	£'000	£'000	£'000
Cost			
At 1 January 2007	67,585	13,264	80,849
Currency adjustment	(355)		(355)
Capitalised dry docking costs	275		275
Disposals	(923)		(923)
At 31 December 2007	66,582	13,264	79,846
Depreciation			
At 1 January 2007	49,857	11,606	61,463
Currency adjustment	(139)		(139)
Charge for the year	1,625	200	1,825
Write off/(back) in value of ships (note 4)	415	111	526
Disposals	(693)		(693)
At 31 December 2007	51,065	11,917	62,982
Net Book Value			
At 31 December 2007	15,517	1,347	16,864
At 31 December 2006	17,728	1,658	19,386

Dry docking

Dry docking costs have been capitalised and are written off over the period of the dry docking cycle or included within any impairment adjustment There were £275,000 (2006 £2,280,000) dry docking additions during the year The previous dry docking costs and accumulated depreciation have been treated as a disposal from fixed assets

Depreciation of £806,000 (2006 £674,000) has been charged in the year and the net book value of dry docking costs at the Balance Sheet date is £988,000 (2006 £1,619,000)

9 TANGIBLE FIXED ASSETS (Continued)

Company	**Ships and Equipment Owned £'000**
Cost	
At 1 January 2007	38,084
Currency adjustment	(355)
Capitalised dry docking costs	275
Disposal	(923)
At 31 December 2007	37,081
Depreciation	
At 1 January 2007	20,362
Currency adjustment	(135)
Charge for the year	1,625
Disposal	(693)
Impairment in value of ships	415
At 31 December 2007	21,574
Net Book Value	
At 31 December 2007	15,507
At 31 December 2006	17,722

Dry docking

Dry docking costs have been capitalised and are written off over the period of the dry docking cycle or included in any impairment adjustment There were £275,000 (2006 £1,680,000) dry docking additions during the year The previous dry docking costs and accumulated depreciation have been treated as a disposal from fixed assets

Depreciation of £606,000 (2006 £524,000) has been charged in the year and the net book value of dry docking costs at the Balance Sheet date is £838,000 (2006 £1,169,000)

10. FIXED ASSET INVESTMENTS

Group	Joint Venture Equity £'000	Joint Venture Loans £'000	Associated Undertakings Equity £'000	Associated Undertakings Loan £'000	Other Investments £'000
At 1 January 2007	2,892	2,722	500	946	2
Currency adjustments		33	38	(35)	
Additions in year	5	1,967		109	
Repaid in year		(151)			
Share of profit for the year	1,761		359		
Dividend	(1,200)		(311)		
At 31 December 2007	3,458	4,571	586	1,020	2

The book value of the interests in the associated undertakings represents the Group's share of its net assets The other investments are unlisted The directors' valuation of other investments is £2,000

	Foreland	Sovereign	2007 Total	2006 Foreland
Share of assets				
Tangible fixed assets	12,026	6,394	**18,420**	12,186
Non current assets – finance lease receivables	28,683		**28,683**	29,805
Current assets	4,874	611	**5,485**	3,883
	45,583	7,005	**52,588**	45,874
Share of liabilities				
Creditors falling due within one year	(2,193)	(767)	**(2,960)**	(2,149)
Creditors falling due after one year	(39,923)	(6,247)	**(46,170)**	(40,833)
	(42,116)	(7,014)	**(49,130)**	(42,982)
Share of net assets	3,467	(9)	**3,458**	2,892
Share of forward foreign currency contracts	6,025		**6,025**	3,690
Share of results				
Turnover	8,841	189	**9,030**	8,533
Operating profit	3,956	36	**3,992**	4,135
Net interest	(2,173)	(50)	**(2,223)**	(2,329)
	1,783	(14)	**1,769**	1,806
Taxation (provision) release	8		**(8)**	142
Share of profit after tax	1,775	(14)	**1,761**	1,948

The audited financial statements of Foreland Holdings Limited have been prepared in accordance with International Financial Reporting Standards for the year ended 31st December 2007 The amounts above have been restated to conform with Generally Accepted Accounting Policies within the United Kingdom

The borrowings of Foreland Holdings Limited and Sovereign Shipping Limited are without recourse to Andrew Weir & Company Limited or its subsidiaries

10 FIXED ASSET INVESTMENTS (continued)

Company

	Subsidiary Undertakings	Joint Ventures		Associated Undertakings		Other Investments
		Equity	Loans	Equity	Loans	
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2007	8,036	25	2,722	3	838	2
Additions in year		5	1,967			
Repaid in year			(151)			
Exchange gain/(loss)			33		(38)	
	8,036	30	4,571	3	800	2

The other investments are unlisted The directors' valuation of other investments is £2,000

Subsidiary, joint ventures and associated undertakings

The following are the principal subsidiary, joint venture and associated undertakings at 31 December 2007 Unless otherwise stated all are wholly owned by the Company and incorporated in Great Britain All are engaged in shipping and ancillary industries either as ship owners or shipping agents, except for United Baltic Corporation Limited, which is a holding company for an overseas investment, United Canal Agency GmbH

• **Subsidiary Undertakings**

Teignbank Shipping Limited
United Baltic Corporation Limited
Andrew Weir Shipping (SA) Pty Limited (incorporated in South Africa)

• **Associated Undertakings**

United Canal Agency GmbH (incorporated in Germany)	40% (Ordinary Shares)
Moor Maritime Limited	25% (Ordinary Shares)

• **Joint Ventures**

Foreland Holdings Limited	25% (Ordinary Shares)
Sovereign Shipping Limited	50% (Ordinary Shares)

During the year, the Company purchased 50% of the ordinary share capital of Sovereign Shipping Limited A non interest bearing loan of US$4 million was also provided in order for Sovereign Shipping Limited to pursue investment opportunities within shipping

11. DEBTORS falling due within one year

	2007 £'000	2006 £'000
Group		
Trade debtors	373	625
Parent company	481	1,164
Other debtors	1,117	1,274
Prepayments and accrued income	462	453
	2,433	3,516
Company		
Trade debtors	373	625
Parent company	481	1,164
Subsidiary undertakings	1,873	2,550
Other debtors	1,070	1,255
Prepayments and accrued income	427	408
	4,224	6,002

12. STOCKS

	2007 £'000	2006 £'000
Group and Company		
Raw materials and consumables	72	109

13 CREDITORS

Group

	2007 Amounts falling due within one year £'000	2007 Amounts falling due after one year £'000	2006 Amounts falling due within one year £'000	2006 Amounts falling due after one year £'000
Trade creditors	1,112		636	
Ship financing loans	1,076	3,229	1,098	4,394
Finance leases	969	2,671	917	3,640
Taxation and social security	76		80	
Other creditors	1,091		1,675	
Accruals and deferred income	2,142		2,338	
	6,466	5,900	6,744	8,034

Company

	2007 within one year £'000	2007 after one year £'000	2006 within one year £'000	2006 after one year £'000
Trade creditors	1,112		636	
Ship financing loans	1,076	3,229	1,098	4,394
Subsidiary undertakings	8,861		8,675	
Taxation and social security	76		80	
Other creditors	979		1,538	
Accruals and deferred income	2,142		2,338	
	14,246	3,229	14,365	4,394

Ship financing loans

Group and Company

	2007 £'000	2006 £'000
Repayable in half yearly instalments at 1% over US$ LIBOR	4,305	5,492

The £4,305,000 loan is secured on the relevant vessel, and by a guarantee from Andrew Weir & Company Limited

Ship financing loans and finance leases

	Loans Group and Company £'000	Finance Leases Group £'000
Amounts payable in		
2008	1,076	969
2009 to 2012	3,229	2,671
	4,305	3,640

14 DEFERRED TAXATION

Assets not recognised	Group		Company	
	2007	2006	2007	2006
	£'000	£'000	£'000	£'000
Postponed capital allowances	17,100	18,000	15,900	16,000
Tax losses	2,300	2,000	1,950	1,300
Capital losses	3,000	3,200	3,000	3,200
Advance corporation tax	2,700	2,700	2,700	2,700
Pension schemes	2,300	3,100	2,300	3,100
At 31 December	27,400	29,000	25,850	26,900

Deferred tax assets not recognised have been calculated at 28% Relief may be obtained against any future UK corporation tax liability at the corporation tax rates then prevailing

15. RECONCILIATION OF RESERVES

	Group		Company	
	2007	2006	2007	2006
	£'000	£'000	£'000	£'000
At 1 January	(3,375)	(873)	(2,035)	1,575
Retained profit/(loss) for year	682	3,099	(1,589)	1,986
Currency translation differences on foreign currency net investments	(45)	(812)	(90)	(807)
Actuarial gain/(loss) in current year (note 5)	358	(4,789)	358	(4,789)
At 31 December	(2,380)	(3,375)	(3,356)	(2,035)

16 SHARE CAPITAL

	Authorised		Allotted, called up and fully paid	
	Number	£	Number	£
Ordinary Share Capital				
Ordinary shares of £1 each				
At 31 December 2007	5,340,000	5,340,000	4,000,000	4,000,000
At 31 December 2006	5,340,000	5,340,000	4,000,000	4,000,000
Ordinary "B" non voting shares of £1 each (see note below)				
At 31 December 2007	10,000,000	10,000,000	8,100,000	8,100,000
Preference Share Capital				
10,000,000 cumulative 6% preference shares of £1 each (see note below)				
At 31 December 2006	10,000,000	10,000,000	8,100,000	8,100,000

On 19 January 2004, the authorised share capital was increased by the creation of 10,000,000 6% cumulative redeemable preference shares of £1 each Of these, 8,100,000 were issued and allotted at the time as fully paid to Andrew Weir & Company Limited, in consideration of the discharge of the same amount of its inter company debt

The preference shares have been regarded as equity share capital since they were first issued in 2004, and it was the Directors intention that they would be treated as equity share capital, as opposed to being treated as a financial liability in accordance with Financial Reporting Standard 25 – "Financial Instruments presentation and disclosure"

The directors believe that the treatment required by FRS25 (which would require the reclassification of the preference shares as a financial liability at 31 December 2007) would create an inconsistency of accounting treatment over the years 2005 – 2008 As a result, on 30 June 2008, before the financial statements were approved by the Board, the company amended the terms of the rights attached to the preference shares, and reclassified them as Ordinary "B" non voting shares of £1 each

In light of these changes, the directors consider the presentation of the share capital at 31 December 2007 and 2006 reflects the nature and intention of both the company and Andrew Weir & Company Limited when the shares were first allotted

The parent company, Andrew Weir & Company Limited, has waived its rights to all outstanding dividends payable on the original Preference Shares

17 RECONCILIATION OF SHAREHOLDER'S FUNDS

	Group		Company	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
At 1 January	8,725	11,227	10,065	13,675
Retained profit/(loss) for the year	682	3,099	(1,589)	1,986
Currency translation differences on foreign currency net investments	(45)	(812)	(90)	(807)
Actuarial loss in current year (note 5)	358	(4,789)	358	(4,789)
At 31 December	9,720	8,725	8,744	10,065

The parent company has taken advantage of the exemption available under the Companies Act 1985 (s 230) not to show its individual profit and loss account

18. CAPITAL AND OTHER FINANCIAL COMMITMENTS

Group and Company

Capital Expenditure

At 31 December 2007 there were no capital commitments for which no provision has been made within these accounts (2006 nil)

Other financial commitments

Payments due during the next year under non-cancellable operating leases, which expire as indicated below

	2007 £'000	2006 £'000
Plant and equipment		
Within one year		2

As at 31 December 2007, the Company had entered into forward exchange contracts to convert US$ to Sterling throughout 2008 totalling £1 1 million and to convert Sterling to Euros throughout 2008 totalling £0 2 million

19. CONTINGENT LIABILITIES AND GUARANTEES

	2007 £'000	2006 £'000
Company		
Guarantee of finance lease in a subsidiary undertaking	3,640	4,557

20. RELATED PARTY TRANSACTIONS

	2007 £'000	2006 £'000
Ship management and technical services provided to joint ventures and associated undertakings	6,021	4,184

21 POST BALANCE SHEET EVENTS

In April 2008, a new bank loan at 1% above US$ LIBOR, secured on a vessel and repayable in half yearly instalments by 2015, was partially drawn down and utilised in repaying the bank loan referred to in note 13

On the 30th June 2008 the terms of the rights attached to the Preference Shares were amended and the shares reclassified as Ordinary "B" non voting shares of £1 each as detailed in Note 16 to the Accounts

22 ULTIMATE PARENT COMPANY

The ultimate and immediate parent company is Andrew Weir & Company Limited, incorporated in Great Britain and registered in England and Wales

Copies of the Andrew Weir & Company Limited Group Accounts are available from Dexter House, 2 Royal Mint Court, London EC3N 4XX