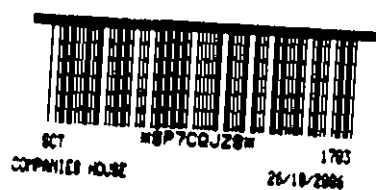


Harrisons Marine Holdings Limited

Report and Financial Statements

31 December 2005



Harrisons Marine Holdings Limited

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Harrisons Marine Holdings Limited

COMPANY INFORMATION

DIRECTORS

J A F Cowderoy Chairman
I V R Harrison
P C I Harrison
D J C Harrison
D G Baird

SECRETARY

D G Baird

AUDITORS

Ernst & Young LLP

BANKERS

Bank of Scotland

SOLICITORS

McGrigors, Glasgow
Watson Farley & Williams, London

REGISTERED OFFICE

16 Woodside Crescent
Glasgow, G3 7UT

REGISTERED NUMBER

Scotland, 212854

 ERNST & YOUNG

Harrisons Marine Holdings Limited

DIRECTORS' REPORT

The directors submit their report and group accounts for the year ended 31st December 2005

RESULTS AND DIVIDEND

The profit on ordinary activities after taxation, is £10,964,000. No interim dividends were paid or proposed during the year and the directors do not recommend the payment of a final dividend. The retained profit of £10,964,000 is therefore taken to reserves.

PRINCIPAL ACTIVITY

The Group traded as ship owners and ship managers during the year. Following the disposal of two supply vessels operated by a subsidiary company the Group has been actively pursuing other shipping investment opportunities. On 30th September 2005 a subsidiary company ceased trading as a ship management company but continues to provide corporate management services to other group companies and to related parties.

OPERATIONS

The Group's two platform supply vessels which operated on the spot market, performed well during the period prior to their sale.

FIXED ASSETS

Changes in fixed assets during the year are shown in Note 8 to the accounts.

DONATIONS

Charitable donations during the year amounted to £61,000 (2004: £nil).

DIRECTORS

Details of directors who served during the year are shown in Note 17 to the accounts.

AUDITORS

A resolution as to the re-appointment of auditors will be put to the members at the Annual General Meeting.

FINANCIAL RISK MANAGEMENT

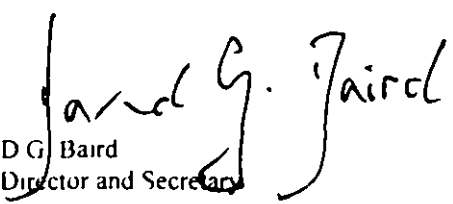
The Group's policy does not permit trading in any financial instruments. The Group's principal financial instruments comprise cash and borrowings the main purpose of which is to provide finance for its normal trading operations.

The Group has various other financial instruments such as trade debtors and creditors that arise directly from its trading operations. The main risks from the Group's financial instruments are interest rate risks. The Group has clear policies for managing these risks as summarised below.

Interest rate risks

The Group holds cash balances on with a mix of fixed and floating rate short term deposit and maintains borrowings, where this is considered to be commercially appropriate. The Group's policy is to monitor the level of these balances to ensure that funds are available as required, recognising that interest earnings will be subject to interest rate fluctuations.

On behalf of the Board


D G Baird
Director and Secretary

24th October 2006

Harrisons Marine Holdings Limited

GROUP PROFIT & LOSS ACCOUNT

for the year ended 31st December 2005

	Notes	2005 £000	Restated 2004 £000
TURNOVER	1	1 991	6 163
Cost of sales		(1,193)	(3,143)
Gain on disposal of vessels		9,601	
GROSS PROFIT		10,399	3 020
Net operating expenses		(627)	(604)
OPERATING PROFIT	2	9,772	2 416
Exceptional item	3		(469)
Net interest receivable / (payable) and similar charges	4	490	(527)
Other finance income		117	101
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		10,379	1,521
Taxation credit	5	585	136
PROFIT ATTRIBUTABLE TO MEMBERS OF THE HOLDING COMPANY	6	10,964	1 657

ERNST & YOUNG

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 31 December 2005

	Notes	2005 £000	Restated 2004 £000
Profit for the financial year		10,964	1 657
Actuarial loss		(1 750)	(51)
Total recognised gains and losses relating to the year		9 214	1,606
Prior year adjustment	1	1 750	
Total gains and losses recognised since last annual report		10 964	

Harrisons Marine Holdings Limited

GROUP BALANCE SHEET

at 31st December 2005

	Notes	2005 £000	Restated 2004 £000
FIXED ASSETS			
Tangible assets	8(a)	9	15,628
CURRENT ASSETS			
Stock			135
Debtors	9	111	2,185
Cash at bank and in hand		18,694	1,040
		<u>18,805</u>	<u>3,360</u>
CREDITORS amounts falling due within one year	10	1,458	2,685
NET CURRENT ASSETS		<u>17,347</u>	<u>675</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		17,356	16,303
PENSIONS ASSET	19		1,750
CREDITORS amounts falling due after more than one year	11	(440)	(8,380)
PROVISION FOR LIABILITIES AND CHARGES			
Deferred taxation	12		(1,971)
		<u>16,916</u>	<u>7,702</u>
CAPITAL AND RESERVES			
Called up share capital	13	585	585
Capital redemption reserve		236	236
Other reserve account		2,357	2,357
Profit and loss account	15	<u>13,738</u>	<u>4,524</u>
Shareholders' funds including non equity interests		<u>16,916</u>	<u>7,702</u>

P C L Harrison

D G Baird

} Directors

24th October 2006

ERNST & YOUNG

Harrisons Marine Holdings Limited

BALANCE SHEET at 31st December 2005

	Notes	2005 £000	2004 £000
FIXED ASSETS			
Investments	8(b)	<u>1,512</u>	<u>1,771</u>
CURRENT ASSETS			
Debtors	9	70	665
Cash at bank and in hand		<u>13,000</u>	<u>1</u>
		13 070	666
CREDITORS amounts falling due within one year	10	<u>13 519</u>	<u>358</u>
NET CURRENT (LIABILITIES)/ASSETS		<u>(449)</u>	<u>308</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		1 063	2,079
CREDITORS amounts falling due after more than one year	11	<u>440</u>	<u>1,140</u>
		<u>623</u>	<u>939</u>
CAPITAL AND RESERVES			
Called up share capital	13	585	585
Capital redemption reserve		236	236
Profit and loss account		<u>(198)</u>	<u>118</u>
Shareholders' funds including non equity interests		<u>623</u>	<u>939</u>

ERNST & YOUNG

Paul Harrison

P. C. Harrison

D. G. Baird

David G Baird } Directors

24th October 2006

Harrisons Marine Holdings Limited

GROUP CASH FLOW STATEMENT

for the year ended 31st December 2005

	Notes	2005 £000	Restated 2004 £000
NET CASH INFLOW FROM OPERATING ACTIVITIES	16(a)	<u>1,797</u>	<u>2 654</u>
RETURNS ON INVESTMENT AND SERVICING OF FINANCE			
Interest received		594	38
Interest paid		(140)	(252)
Interest element of finance lease		(65)	(298)
Dividends paid to non equity shareholders			<u>(285)</u>
		<u>389</u>	<u>(797)</u>
TAXATION			
U K corporation tax paid		<u>(1)</u>	<u>(1)</u>
CAPITAL EXPENDITURE			
Payments to acquire tangible fixed assets		(2)	(88)
Proceeds from disposal of tangible fixed assets		<u>25 070</u>	
		<u>25,068</u>	<u>(88)</u>
NET CASH INFLOW BEFORE FINANCING		<u>27 253</u>	<u>1 768</u>
FINANCING			
Long term loan repayments		(3,974)	(398)
Repayment of capital element of finance lease		(4,796)	(1,120)
Lease termination costs		(179)	
Purchase of own shares			(471)
Shareholder loans (repaid)/raised		<u>(700)</u>	<u>700</u>
		<u>(9 599)</u>	<u>(1,289)</u>
INCREASE IN CASH	16(c)	<u>17,654</u>	<u>479</u>

Harrisons Marine Holdings Limited

NOTES TO THE ACCOUNTS

at 31st December 2005

1 ACCOUNTING POLICIES

Basis of preparation

The group accounts are prepared under the historical cost convention and in accordance with applicable accounting standards

In preparing the financial statements for the current year, the group has adopted FRS 17 'Retirement Benefits'. The adoption of FRS 17 has resulted in a prior year adjustment for the group. The shareholders' funds at 1 January 2004 have been increased by £1,801,000. There has been no impact on the profit before tax for the year ended 31 December 2004 although an actuarial loss of £51,000 has been recognised in the statement of total recognised gains and losses for the year ended 31 December 2004.

Basis of consolidation

The group accounts consolidate the accounts of the Company and of subsidiary undertakings made up to the same date as the financial year end of the Company.

No profit and loss account is presented for Harrisons Marine Holdings Limited as permitted by Section 230 of the Companies Act 1985.

Fixed assets and depreciation

Vessels and equipment are stated at cost.

The depreciation rates used are calculated to write off the cost over the estimated useful lives of the ships being 25 years, on a straight line basis.

Finance costs in respect of the period before a vessel is delivered are capitalised as part of the cost of the vessel.

Repair costs are written off to revenue in the year in which they arise.

The docking element of the cost of new vessels is written off over the estimated docking cycle, being 2 1/2 years. Subsequent docking expenditure is capitalised and written off over the same period.

Stock

Stock is stated at the lower of cost and net realisable value. Cost is invoice price on a first in, first out basis. Net realisable value is estimated selling price less costs of disposal.

Finance leases

Assets obtained under finance leases are capitalised in the balance sheet and are depreciated over their useful lives. The interest element of the rental obligations is charged to profit and loss account over the period of the contract and represents a constant proportion of the balance of capital repayments outstanding.

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events result in an obligation to pay more or a right to pay less tax in the future.

Deferred taxation is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Harrisons Marine Holdings Limited

NOTES TO THE ACCOUNTS

at 31st December 2005

1 ACCOUNTING POLICIES (continued)

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities are translated into sterling at the rates ruling at the balance sheet date. Exchange gains and losses are included within operating results.

Capital instruments

Shares are included in shareholders' funds. Other instruments are classified as liabilities if they contain any obligation to transfer economic benefits and if not they are included in shareholders' funds. The finance cost recognised in the profit and loss account in respect of capital instruments other than equity shares is allocated to periods over the term of the instrument at a constant rate on the carrying amount.

Turnover

Turnover represents hire and freight receivable (less commission and brokerage) and management income, all arising from shipping, stated net of value added tax.

2 OPERATING PROFIT

(a) This is stated after charging

		2005 £000	2004 £000
Auditors' remuneration	Audit	7	6
	Tax	18	2
Gain on sale	Owned vessel	(5,216)	
	Leased vessel	(4,385)	
Depreciation	Owned assets	149	457
	Leased asset	116	472
	Docking costs	16	55
		<u> </u>	<u> </u>

(b) Directors' remuneration

Fees	8	8
Emoluments	137	125
	<u>145</u>	<u>133</u>

The remuneration of the chairman was £36,000 (2004: £41,000) and the highest paid director received £67,000 (2004: £56,000). The accrued pension of the highest paid director at 31st December 2005 was £3,000 (2004: £2,000). At that date there were no retirement benefits under the Company's defined benefit pension scheme accruing in respect of directors (2004: Nil).

Harrisons Marine Holdings Limited

NOTES TO THE ACCOUNTS

at 31st December 2005

2 OPERATING PROFIT (continued)

(c) Staff costs

	2005 £000	2004 £000
Wages and salaries	253	254
Social security costs	22	22
Other pension costs	117	101
	<u>392</u>	<u>377</u>

The average number of employees during the year was made up as follows

	No	No
Directors	5	5
Office and management staff	<u>3</u>	<u>4</u>
	<u>8</u>	<u>9</u>

3 EXCEPTIONAL ITEM

Certain former employees of a subsidiary company, Harrisons (Clyde) Limited, were members of the Merchant Navy Officers Pension Fund and the subsidiary is liable for a proportion of the deficit which exists within the Fund. Harrisons (Clyde) Limited's share of the deficit as presently calculated which was paid during the year, is £689,000. The owner of a number of vessels on which certain of the former employees served met their share of the deficit in the sum of £220,000. The net effect of the above is an exceptional charge of £469,000, which was provided for in the 2004 accounts.

4 NET INTEREST RECEIVABLE / (PAYABLE) AND SIMILAR CHARGES

	2005 £000	2004 £000
Bank loans	(112)	(267)
Finance charges payable under finance lease	(65)	(298)
	<u>(177)</u>	<u>(565)</u>
Bank interest receivable	<u>667</u>	<u>38</u>
	<u>490</u>	<u>(527)</u>

Harrisons Marine Holdings Limited

NOTES TO THE ACCOUNTS

at 31st December 2005

5 TAXATION

(a) Analysis of credit in year

	2005 £000	2004 £000
Current tax		
Corporation tax	1,385	
Corporation tax under the tonnage tax regulations	1	1
Deferred tax		
Origination and reversal of timing differences	(1,971)	(137)
Tax credit on profit on ordinary activities	(585)	(136)
(b) Factors affecting tax charge for year		
Profit on ordinary activities before tax	10,379	1,521
Profit on ordinary activities multiplied by standard rate of corporation tax in the U.K. of 30%	3,114	456
Effect of		
Profits subject to tonnage tax regulations	(1,728)	(455)
	1,386	1

(b) Factors that may affect future tax charges

Following the disposal of its two vessels the Group has been actively pursuing other qualifying shipping investment opportunities and consequently expects to continue to operate under the Tonnage Tax regulations

6. PROFIT ATTRIBUTABLE TO MEMBERS OF THE HOLDING COMPANY

	2005 £000	2004 £000
Dealt with in the accounts of the holding company	(316)	197
Retained in subsidiaries	11,280	1,460
	10,964	1,657

Harrisons Marine Holdings Limited

NOTES TO THE ACCOUNTS

at 31st December 2005

7. DIVIDEND

	2005 £000	2004 £000
Non equity dividends on A' ordinary shares		
Paid		234

8 (a) TANGIBLE ASSETS

Group	Vessels			Office Equipment £000	Total £000
	Owned £000	Leased £000	Docking Costs £000		
Cost					
At 1 st January 2005	9 279	9,613	152	80	19,124
Additions				2	2
Disposal	(9,279)	(9 613)	(152)	(15)	(19,059)
At 31 st December 2005				67	67
Cost					
At 1 st January 2005	1,675	1,729	55	37	3,496
Additions	128	116	16	21	281
Disposal	(1,803)	(1 845)	(71)		(3 719)
At 31 st December 2005				58	58
Net book amounts					
At 31 st December 2005				9	9
At 1 st January 2005	7,604	7 884	97	43	15,628

The leased vessel was sold on 31st March 2005 and the owned vessel was sold on 12th April 2005 generating a combined gain on disposal in the order of £9.6 million

Harrisons Marine Holdings Limited

NOTES TO THE ACCOUNTS

at 31st December 2005

8 (b) INVESTMENTS

	2005 £000	2004 £000
<i>Company</i>		
At 1 January	1,771	1,771
Provision for diminution	(259)	
At 31 December	<u>1,512</u>	<u>1,771</u>

<i>Subsidiaries</i>	<i>Percentage of equity owned</i>	<i>Nature of business</i>	<i>Country of incorporation</i>
Harrisons (Offshore) Limited	100%	Ship owning	Scotland
Harrisons (Clyde) Limited	100%	Ship management	Scotland

9 DEBTORS

	2005		2004	
	<i>Group</i>	<i>Company</i>	<i>Group</i>	<i>Company</i>
	£000	£000	£000	£000
Trade debtors	2		1,765	
Amount due from subsidiary		28		665
Other debtors	29		261	
Prepayments and accrued income	<u>80</u>	<u>42</u>	<u>159</u>	
	<u>111</u>	<u>70</u>	<u>2,185</u>	<u>665</u>

Harrisons Marine Holdings Limited

NOTES TO THE ACCOUNTS

at 31st December 2005

10. CREDITORS amounts falling due within one year

	2005		2004	
	Group £000	Company £000	Group £000	Company £000
Current instalments due on bank loans (Note 11(a))			308	
Obligations under finance lease (Note 11(b))			1,184	
Trade creditors	4	1	110	
Amount due to subsidiary		13,516		352
Corporation tax	1,386		1	
Other taxes	3		6	
Other creditors and accrued income	15		855	
Accruals	50	2	221	6
	<u>1,458</u>	<u>13,519</u>	<u>2,685</u>	<u>358</u>

11. CREDITORS amounts falling due after more than one year

	2005		2004	
	Group £000	Company £000	Group £000	Company £000
(a) Bank loan			3,628	
(b) Obligation under finance lease			3,612	
(c) Deferred dividend	440	440	440	440
(d) Shareholder loans			700	700
	<u>440</u>	<u>440</u>	<u>8,380</u>	<u>1,140</u>

Harrisons Marine Holdings Limited

NOTES TO THE ACCOUNTS

at 31st December 2005

11 CREDITORS: amounts falling due after more than one year (continued)

	<i>Group</i>	
	<i>2005</i>	<i>2004</i>
	<i>£000</i>	<i>£000</i>
(a) Bank loan		
Wholly repayable within five years		3,974
Less issue costs		(38)
		<u>3,936</u>
Less amounts due within one year		<u>(308)</u>
Amounts due after more than one year		<u>3,628</u>
Amounts falling due		
In one year or less		316
Between one and two years		226
Between two and five years		1,253
In more than five years		<u>2,179</u>
		<u>3,974</u>
Less issue costs		<u>(38)</u>
		<u>3,936</u>

The bank loan was repaid in full on 31st March 2005

(b) Obligations under finance lease

	<i>Group</i>	
	<i>2005</i>	<i>2004</i>
	<i>£000</i>	<i>£000</i>
Amounts payable		
Within one year		1,184
In the second to fifth years inclusive		<u>3,612</u>
		<u>4,796</u>
Included in current liabilities		<u>(1,184)</u>
		<u>3,612</u>

The finance lease was terminated on 12th April 2005

(c) Deferred dividend

The deferred dividend is payable to the ordinary shareholders. The dividend will not be paid prior to 31st December 2006

(d) Shareholder loans

The loans were interest free and were repaid on 10th February 2005

Harrisons Marine Holdings Limited

NOTES TO THE ACCOUNTS

at 31st December 2005

12. DEFERRED TAXATION

The potential deferred tax liability for which full provision has been made is as follows

	<i>Group</i>	
	2005	2004
	£000	£000
Accelerated capital allowances		1,901
Other timing differences		70
		<u>1,971</u>

	<i>Group</i>	
	2005	2004
	£000	£000
At 1 st January	1,971	2,108
Arising during year	<u>(1,971)</u>	<u>(137)</u>
At 31 st December		<u>1,971</u>

13. CALLED UP SHARE CAPITAL

	2005		2004	
	No	£000	No	£000
Authorised				
Ordinary shares of £1 each	<u>2,000,000</u>	<u>2,000</u>	<u>2,000,000</u>	<u>2,000</u>
Allotted issued and fully paid				
Ordinary shares of £1 each	<u>584,521</u>	<u>585</u>	<u>584,521</u>	<u>585</u>

Harrisons Marine Holdings Limited

NOTES TO THE ACCOUNTS

at 31st December 2005

14. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<i>Group</i>	
	<i>2005</i>	<i>2004</i>
	<i>£000</i>	<i>£000</i>
<i>Equity shareholders funds</i>		
At 1 January		
As previously reported	5,952	5,000
Prior year adjustment	1,750	1,801
	<u>7,702</u>	<u>6,801</u>
As restated	7,702	6,801
Profit for year	10,964	1,657
Dividend paid		(234)
Reserve transfer		(471)
Actuarial loss	(1,750)	(51)
	<u>16,916</u>	<u>7,702</u>
At 31 December	16,916	7,702

15. PROFIT & LOSS RESERVE

	<i>Group</i>	
	<i>2005</i>	<i>2004</i>
	<i>£000</i>	<i>£000</i>
At 1 January		
As previously reported	2,774	1,822
Prior year adjustment	1,750	1,801
	<u>4,524</u>	<u>3,623</u>
As restated	4,524	3,623
Profit for year	10,964	1,657
Dividend paid		(234)
Reserve transfer		(471)
Actuarial loss	(1,750)	(51)
	<u>13,738</u>	<u>4,524</u>
At 31 December	13,738	4,524

During the year the Group implemented FRS 17, resulting in the creation of a Pensions Asset. As detailed in note 19, the asset has been restricted to the value of future service benefits as calculated at 31 December 2005 and 2004. The effect on reserves has been accounted for as a prior year adjustment.

Harrisons Marine Holdings Limited

NOTES TO THE ACCOUNTS

at 31st December 2005

16. CASH FLOW STATEMENT

	Note	2005 £000	2004 £000
(a) Reconciliation of operating profit to net cash flow from operating activities.			
Operating profit		9 772	2 416
Depreciation		281	1,001
Gain on disposal of tangible fixed assets		(9,601)	
FRS 17 operating charges		117	101
Funds generated by operations		<u>569</u>	<u>3,518</u>
Decrease / (increase) in stock		135	(135)
Decrease / (increase) in debtors		1,926	(830)
(Decrease) / increase in creditors		<u>(364)</u>	<u>101</u>
		<u>1,697</u>	<u>(864)</u>
Payment to industry pension scheme		<u>(469)</u>	
Net cash inflow from operating activities		<u>1,797</u>	<u>2,654</u>
(b) Reconciliation of net cash flow to movement in Net debt			
Increase in cash in the period		17,654	479
Repayment of long term loans		3 974	398
Repayment of capital element of finance lease		4,796	1,120
Shareholder loans		<u>700</u>	<u>(700)</u>
Change in net debt resulting from cash flows	16(c)	27,124	1 297
Non cash movements	16(c)	<u>(38)</u>	<u>(5)</u>
		27,086	1,292
Net debt at 1 st January	16(c)	<u>(8,392)</u>	<u>(9,684)</u>
Net asset / (debt) at 31 st December	16(c)	<u>18 694</u>	<u>(8,392)</u>

Harrisons Marine Holdings Limited

NOTES TO THE ACCOUNTS

at 31st December 2005

16. CASH FLOW STATEMENT (continued)

(c) Analysis of net debt	At 1 st January 2005 £000	Cash flow £000	Non cash movements £000	At 31 st December 2005 £000
Cash at bank and in hand	1,040	17,654		18,694
Loans	(3,936)	3,974	(38)	
Finance lease	(4,796)	4,796		
Shareholder loans	(700)	700		
	<u>(8,392)</u>	<u>27,124</u>	<u>(38)</u>	<u>18,694</u>

17 DIRECTORS' SHARE INTERESTS

The directors' interests in the share capital of the Company at 31st December 2005 and 2004 were as follows

	Ordinary Shares 2005	Ordinary Shares 2004
J A F Cowderoy	129,166	129,166
P C L Harrison	105,301	105,301
D J C Harrison	93,656	93,656
I V R Harrison	51,453	51,453
D G Baird	17,472	17,472

No director had an interest in any other group company

18 RELATED PARTIES

The Company has taken advantage of the exemption in FRS 8 from disclosing transactions with related parties which are part of the Harrisons Marine Holdings Limited group

Harrisons (2002) Limited, Woodside Crescent Holdings Limited and Woodside Crescent Limited are related parties by virtue of common directors. During the year the Group provided management services to these companies and chartering services to Harrisons (2002) Limited, amounting to £46,000 and £10,000 respectively (2004: £60,000 and £10,000)

Harrisons Marine Holdings Limited

NOTES TO THE ACCOUNTS

at 31st December 2005

19. PENSIONS

The Group operates a defined benefit pension arrangement. At 1 January 2005 the scheme had seven active members but due to the scheme surplus neither the group nor the employees were required to make any contributions. By 31 December 2005 the scheme had no active members. At 31 December 2005, an independent qualified actuary completed a review of the scheme for IRS 17 disclosure purposes. The weighted averages of the major assumptions used by the actuary were:

	2005	2004	2003	2002
	%	%	%	%
Deferred pension revaluation	2.7	2.8	2.7	2.2
Discount rate	4.7	5.1	5.1	5.1
Inflation	2.7	2.8	2.7	2.2
Salary increase rate	n/a	4.8	4.7	4.2

The assets and liabilities of the scheme and the weighted average expected rates of return at the year end

		2005		2004		2003
	%	£000	%	£000	%	£000
Equities			7.1	8,929	7.3	8,225
Bonds	4.2	11,507	4.9	1,835	5.1	1,669
Insured pensions in payment	4.7	11,007	4.9	10,378	5.1	10,706
Other	4.2	1,092	4.9	14	5.1	31
Total market value of assets		23,606		21,156		20,631
Actuarial value of scheme liabilities		(19,534)		(17,830)		(16,837)
Surplus in the scheme		4,072		3,326		3,794
Restricted to future pension cost		(4,072)		(1,576)		(1,993)
Recoverable surplus				1,750		1,801

No deferred tax has been recognised against the asset as there will be no impact on future tax charges.

Analysis of the defined benefit cost for the year ended 31 December

	2005	2004	2003
	£000	£000	£000
Current service cost	(117)	(101)	(120)
Past service cost			(631)
Settlements or curtailments	75		
Effect of unrecognised surplus	(75)		
Total operating charge	(117)	(101)	(751)
Expected return on pension fund assets	1,026	960	1,158
Interest on pension liabilities	(909)	(859)	(783)
Net return	117	101	375
Net profit and loss credit			(376)

Harrisons Marine Holdings Limited

NOTES TO THE ACCOUNTS

at 31st December 2005

19. PENSIONS (continued)

Analysis of the amount recognised in statement of total recognised gains and losses

	2005 £000	2004 £000	2003 £000
Actual return less expected return on assets	2,177	26	590
Experience gains/losses on liabilities	(348)	244	272
Change in assumptions	(1,158)	(990)	(342)
	671	(720)	570
Impact of restriction on recoverability	(2,421)	771	(264)
	—	—	—
Actuarial gain/(loss) recognised in statement of total recognised gains and losses	(1,750)	(51)	256
	==	==	==

Movement in surplus during the year

	2005 £000	2004 £000	2003 £000
Surplus at beginning of the year	3,326	3,794	3,650
Movement in year			
Current service cost	(117)	(101)	(120)
Past service costs			(631)
Settlements / curtailments	75		
Net return from other finance income	117	353	375
Total actuarial gains or losses	671	(720)	520
	—	—	—
Surplus at end of the year	4,072	3,326	3,794
	==	==	==
Recoverable surplus		1,750	1,801
	==	==	==

Harrisons Marine Holdings Limited

NOTES TO THE ACCOUNTS

at 31st December 2005

19. PENSIONS (continued)

History of experience gains and losses

	2005	2004	2003	2002
	£000	£000	£000	£000
Difference between the actual and expected return on assets	2,177	26	590	(2,511)
– as % of scheme assets	9%		3%	13%
Experience gains / losses on liabilities	(348)	244	272	6,102
as % of liabilities	2%	1%	2%	40%
Total amount recognised in statement of total recognised gains and losses	(1,725)	(720)	520	3,292
as % of liabilities	9%	4%	3%	21%

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF 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 Group for that year. In preparing those accounts the directors are required to select suitable accounting policies and then apply them consistently, make judgements and estimates that are reasonable and prudent and 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 Group and to enable them to ensure that the accounts comply with the Companies Act. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Harrisons Marine Holdings Limited

INDEPENDENT AUDITORS' REPORT

to the members of Harrisons Marine Holdings Limited

We have audited the group and parent company financial statements (the 'financial statements') of Harrisons Marine Holdings Limited for the year ended 31 December 2005 which comprise the Group Profit and Loss Account, the Group and Company Balance Sheets, the Group Cash Flow Statement, the Group Statement of Total Recognised Gains and Losses and the related notes 1 to 19. 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 auditors' 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 are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as 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, are properly prepared in accordance with the Companies Act 1985 and whether 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 other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

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 judgments made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the group's and 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.

Opinion

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 group's and the parent company's affairs as at 31 December 2005 and of the group's profit for the year then ended, and the financial statements have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Ernst & Young LLP
Registered auditor
Glasgow

24 October, 2006.