

Harrisons Marine Holdings Limited

Report and Financial Statements

31 December 2004



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COMPANIES HOUSE 31/10/05

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.L. 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

Telephone: 0141 352 6880
Fax: 0141 352 6881

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 2004.

RESULTS AND DIVIDEND

The profit on ordinary activities, after taxation, is £1,657,000. Interim dividends paid and proposed during the year totalled £234,000. The directors do not recommend the payment of a final dividend and the retained profit of £1,423,000 is therefore taken to reserves.

PRINCIPAL ACTIVITY

The Group traded as ship owners and ship managers during the year. 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 term contracts and the spot market, performed well during the year.

FIXED ASSETS

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

SHARE MOVEMENTS

On 19th February 2004 all of the issued 'A' ordinary shares were purchased by the company for £471,000.

POST BALANCE SHEET EVENTS

As detailed in Note 8 to the accounts the Groups two platform supply vessels were sold subsequent to the year end.

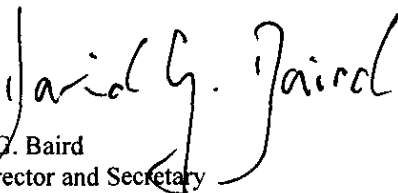
DIRECTORS

Details of directors who served during the year are shown in Note 16 to the accounts.

AUDITORS

A resolution to re-appoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

On behalf of the Board


D.G. Baird
Director and Secretary
26th October 2005

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Harrisons Marine Holdings Limited

GROUP PROFIT & LOSS ACCOUNT

for the year ended 31st December 2004

	Notes	2004 £000	2003 £000
TURNOVER	1	6,163	4,922
Cost of sales		<u>(3,143)</u>	<u>(3,027)</u>
GROSS PROFIT		3,020	1,895
Net operating expenses		<u>(503)</u>	<u>(468)</u>
OPERATING PROFIT	2	2,517	1,427
Exceptional item	3	(469)	-
Net interest payable and similar charges	4	<u>(527)</u>	<u>(608)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,521	819
Taxation credit	5	<u>136</u>	<u>136</u>
PROFIT ATTRIBUTABLE TO MEMBERS OF THE HOLDING COMPANY	6	1,657	955
Dividend	7	<u>(234)</u>	<u>(173)</u>
RETAINED PROFIT FOR THE YEAR		1,423	782
RESERVE TRANSFER		(471)	-
RETAINED PROFIT BROUGHT FORWARD		<u>1,822</u>	<u>1,040</u>
RETAINED PROFIT CARRIED FORWARD		<u>2,774</u>	<u>1,822</u>

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 31st December 2004

There are no recognised gains or losses for the year other than the profit attributable to members of the holding company of £1,657,000 (2003: £955,000).

Harrisons Marine Holdings Limited

GROUP BALANCE SHEET

at 31st December 2004

	Notes	2004 £000	2003 £000
FIXED ASSETS			
Tangible assets	8(a)	15,628	16,541
CURRENT ASSETS			
Stock		135	-
Debtors	9	2,185	1,135
Cash at bank and in hand		1,040	561
		3,360	1,696
CREDITORS: amounts falling due within one year	10	2,685	1,954
NET CURRENT ASSETS/(LIABILITIES)		675	(258)
TOTAL ASSETS LESS CURRENT LIABILITIES		16,303	16,283
CREDITORS: amounts falling due after more than one year	11	8,380	9,175
PROVISION FOR LIABILITIES AND CHARGES			
Deferred taxation	12	1,971	2,108
		5,952	5,000
CAPITAL AND RESERVES			
Called up share capital	13	585	821
Capital redemption reserve		236	-
Other reserve account		2,357	2,357
Profit and loss account		2,774	1,822
Shareholders' funds including non equity interests		5,952	5,000

P.C.L. Harrison

D.G. Baird

26th October 2005

Directors

Harrisons Marine Holdings Limited

BALANCE SHEET

at 31st December 2004

	Notes	2004 £000	2003 £000
FIXED ASSETS			
Investments	8(b)	<u>1,771</u>	<u>1,771</u>
CURRENT ASSETS			
Debtors	9	665	-
Cash at bank and in hand		<u>1</u>	<u>-</u>
		666	-
CREDITORS: amounts falling due within one year	10	<u>358</u>	<u>355</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>308</u>	<u>(355)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		2,079	1,416
CREDITORS: amounts falling due after more than one year	11	<u>1,140</u>	<u>440</u>
		<u>939</u>	<u>976</u>
CAPITAL AND RESERVES			
Called up share capital	13	585	821
Capital redemption reserve		236	-
Profit and loss account		<u>118</u>	<u>155</u>
Shareholders' funds including non equity interests		<u>939</u>	<u>976</u>

P.C.L. Harrison

D.G. Baird

26th October 2005

} Directors

Harrisons Marine Holdings Limited

GROUP CASH FLOW STATEMENT for the year ended 31st December 2004

	<i>Notes</i>	<i>2004 £000</i>	<i>2003 £000</i>
NET CASH INFLOW FROM OPERATING ACTIVITIES	15(a)	<u>2,654</u>	<u>2,552</u>
RETURNS ON INVESTMENT AND SERVICING OF FINANCE			
Interest received		38	15
Interest paid		(252)	(181)
Interest element of finance lease		(298)	(359)
Dividends paid to non equity shareholders		<u>(285)</u>	<u>(89)</u>
		<u>(797)</u>	<u>(614)</u>
TAXATION			
U.K. corporation tax paid		<u>(1)</u>	<u>(2)</u>
CAPITAL EXPENDITURE			
Payments to acquire tangible fixed assets		<u>(88)</u>	<u>(74)</u>
NET CASH INFLOW BEFORE FINANCING		<u>1,768</u>	<u>1,862</u>
FINANCING			
Long term loan repayments		(398)	(474)
Repayment of capital element of finance lease		(1,120)	(1,059)
Purchase of own shares		(471)	-
Shareholder loans		<u>700</u>	<u>-</u>
		<u>(1,289)</u>	<u>(1,533)</u>
INCREASE IN CASH	15(c)	<u>479</u>	<u>329</u>

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Harrisons Marine Holdings Limited

NOTES TO THE ACCOUNTS

at 31st December 2004

1. ACCOUNTING POLICIES

Basis of preparation

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

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 2½ 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.

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.

Harrisons Marine Holdings Limited

NOTES TO THE ACCOUNTS

at 31st December 2004

1. ACCOUNTING POLICIES (continued)

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:

	2004 £000	2003 £000
Auditors' remuneration:		
- Audit	6	6
- Tax	2	2
Depreciation:		
- Owned assets	457	473
- Leased asset	472	471
- Docking costs	55	124
	<u>985</u>	<u>1076</u>

(b) Directors' remuneration:

Fees	8	16
Emoluments	125	106
	<u>133</u>	<u>122</u>

The remuneration of the chairman was £41,000 (2003: £13,000) and the highest paid director received £56,000 (2003: £52,000). The accrued pension of the highest paid director at 31st December 2004 was £2,000 (2003: £2,000). At that date retirement benefits under the Company's defined benefit pension scheme were accruing in respect of three directors.

Harrisons Marine Holdings Limited

NOTES TO THE ACCOUNTS

at 31st December 2004

2. OPERATING PROFIT (continued)

(c) Staff costs:

	2004 £000	2003 £000
Wages and salaries	254	244
Social security costs	22	20
Other pension costs	20	19
	<u>296</u>	<u>283</u>

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

	No.	No.
Directors	5	6
Office and management staff	<u>4</u>	<u>4</u>
	<u>9</u>	<u>10</u>

3. EXCEPTIONAL ITEM

Certain former employees of a subsidiary company were members of the Merchant Navy Officers Pension Fund and the Trustees of the Fund have advised the subsidiary that it is liable for a proportion of the deficit which exists within the Fund. The subsidiary's share of the deficit is currently calculated at £689,000. As this will be paid during 2005 it is included as a current liability within Other Creditors. The owner of a number of vessels on which certain of the former employees served has agreed to meet their share of the deficit and £220,000 in respect of this anticipated recovery is included within Other Debtors. The net effect of the above is an exceptional charge of £469,000.

4. NET INTEREST PAYABLE AND SIMILAR CHARGES

	2004 £000	2003 £000
Bank loans	267	249
Finance charges payable under finance lease	298	359
Interest on deferred dividend	<u>-</u>	<u>15</u>
	565	623
Bank interest receivable	<u>(38)</u>	<u>(15)</u>
	<u>527</u>	<u>608</u>

Harrisons Marine Holdings Limited

NOTES TO THE ACCOUNTS

at 31st December 2004

5. TAXATION

(a) Analysis of credit in year:

	2004 £000	2003 £000
Current tax:		
Corporation tax under the tonnage tax regulations	1	1
Deferred tax:		
Origination and reversal of timing differences	(137)	(137)
Tax credit on profit on ordinary activities	(136)	(136)

(b) Factors affecting tax charge for year:

Profit on ordinary activities before tax	1,521	819
Profit on ordinary activities multiplied by standard rate of corporation tax in the U.K. of 30%	456	246
Effect of:		
Profits subject to tonnage tax regulations	(455)	(245)
	1	1

(c) Factors that may affect future tax charges:

Based upon current plans, and notwithstanding the post year end sale of vessels, the group expects to continue to operate under the tonnage tax regulations.

6. PROFIT ATTRIBUTABLE TO MEMBERS OF THE HOLDING COMPANY

	2004 £000	2003 £000
Dealt with in the accounts of the holding company	197	273
Retained in subsidiaries	1,460	682
	1,657	955

Harrisons Marine Holdings Limited

NOTES TO THE ACCOUNTS

at 31st December 2004

7. DIVIDEND

	2004 £000	2003 £000
Equity dividends on ordinary shares		
Interim deferred dividend proposed	-	87
Non equity dividends on 'A' ordinary shares		
Paid	234	35
Proposed	-	51
	234	86
	234	173

Rights to equity dividends on ordinary shares for 2004, amounting to £579,000, have been waived by the ordinary shareholders.

8. (a) TANGIBLE ASSETS

Group	Vessels			Office Equipment £000	Total £000
	Owned £000	Leased £000	Docking Costs £000		
Cost:					
At 1 st January 2004	9,279	9,613	181	80	19,153
Additions	-	-	88	-	88
Disposal	-	-	(117)	-	(117)
At 31 st December 2004	9,279	9,613	152	80	19,124
Depreciation:					
At 1 st January 2004	1,218	1,257	117	20	2,612
Provided during year	457	472	55	17	1,001
Disposal	-	-	(117)	-	(117)
At 31 st December 2004	1,675	1,729	55	37	3,496
Net book amounts:					
At 31 st December 2004	7,604	7,884	97	43	15,628
At 1 st January 2004	8,061	8,356	64	60	16,541

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 2004

8. (b) INVESTMENTS

Subsidiaries
£000

Company

At 31st December 2004 and 31st December 2003

1,771

<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

	<i>2004</i>		<i>2003</i>	
	<i>Group</i>	<i>Company</i>	<i>Group</i>	<i>Company</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Trade debtors	1,765	-	948	-
Amount due from subsidiary	-	665	-	-
Other debtors	261	-	37	-
Prepayments and accrued income	<u>159</u>	<u>-</u>	<u>150</u>	<u>-</u>
	<u>2,185</u>	<u>665</u>	<u>1,135</u>	<u>-</u>

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Harrisons Marine Holdings Limited

NOTES TO THE ACCOUNTS

at 31st December 2004

10. CREDITORS: amounts falling due within one year

	2004		2003	
	Group £000	Company £000	Group £000	Company £000
Current instalments due on bank loans (Note 11(a))	308	-	390	-
Obligations under finance lease (Note 11(b))	1,184	-	1,120	-
Trade creditors	110	-	112	-
Amount due to subsidiary	-	352	-	303
Proposed dividend	-	-	51	51
Corporation tax	1	-	1	-
Other taxes	6	-	6	-
Other creditors and accrued income	855	-	107	-
Accruals	221	6	167	1
	<u>2,685</u>	<u>358</u>	<u>1,954</u>	<u>355</u>

11. CREDITORS: amounts falling due after more than one year

	2004		2003	
	Group £000	Company £000	Group £000	Company £000
(a) Bank loan	3,628	-	3,939	-
(b) Obligation under finance lease	3,612	-	4,796	-
(c) Deferred dividend	440	440	440	440
(d) Shareholder loans	700	700	-	-
	<u>8,380</u>	<u>1,140</u>	<u>9,175</u>	<u>440</u>

Harrisons Marine Holdings Limited

NOTES TO THE ACCOUNTS

at 31st December 2004

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

	<i>Group</i>	
	<i>2004</i>	<i>2003</i>
	<i>£000</i>	<i>£000</i>
(a) Bank loan		
Wholly repayable within five years	3,974	4,372
Less: issue costs	(38)	(43)
	<u>3,936</u>	<u>4,329</u>
Less: amounts due within one year	(308)	(390)
	<u>3,628</u>	<u>3,939</u>
Amounts due after more than one year		
Amounts falling due:		
In one year or less	316	398
Between one and two years	226	542
Between two and five years	1,253	1,253
In more than five years	2,179	2,179
	<u>3,974</u>	<u>4,372</u>
Less: issue costs	(38)	(43)
	<u>3,936</u>	<u>4,329</u>

The bank loan is repayable by 13 six monthly instalments with the final instalment falling due in March 2011. Interest is charged at between 1.125% and 1.625% over LIBOR. The loan is secured by a fixed charge over one of the Group's vessels. The bank loan was repaid in full on 31st March 2005.

(b) Obligations under finance lease

	<i>Group</i>	
	<i>2004</i>	<i>2003</i>
	<i>£000</i>	<i>£000</i>
Amounts payable:		
Within one year	1,184	1,120
In the second to fifth years inclusive	3,612	4,796
	<u>4,796</u>	<u>5,916</u>
Included in current liabilities	(1,184)	(1,120)
	<u>3,612</u>	<u>4,796</u>

The finance lease is secured by a fixed charge over one of the Group's vessels. The finance lease was terminated on 12th April 2005.

Harrisons Marine Holdings Limited

NOTES TO THE ACCOUNTS

at 31st December 2004

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

(c) Deferred dividend

The deferred dividend is payable to the ordinary shareholders. The dividend will not be paid prior to 31st December 2005.

(d) Shareholder loans

The loans were made on 19th February 2004, are interest free and were due to be repaid on 19th February 2006. Taking account of its improved cash position the group elected to prepay the loans on 10th February 2005.

12. DEFERRED TAXATION

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

	<i>Group</i>	
	<i>2004</i>	<i>2003</i>
	<i>£000</i>	<i>£000</i>
Accelerated capital allowances	1,901	2,034
Other timing differences	70	74
	<u>1,971</u>	<u>2,108</u>

	<i>Group</i>	
	<i>2004</i>	<i>2003</i>
	<i>£000</i>	<i>£000</i>
At 1 st January	2,108	2,245
Arising during year	<u>(137)</u>	<u>(137)</u>
At 31 st December	<u>1,971</u>	<u>2,108</u>

Harrisons Marine Holdings Limited

NOTES TO THE ACCOUNTS

at 31st December 2004

13. CALLED UP SHARE CAPITAL

	2004		2003	
	No.	£000	No.	£000
Authorised				
Ordinary shares of £1 each	2,000,000	2,000	584,521	585
'A' Ordinary shares of £1 each	-	-	236,162	236
	<u>2,000,000</u>	<u>2,000</u>	<u>820,683</u>	<u>821</u>
Allotted issued and fully paid				
Ordinary shares of £1 each	584,521	585	584,521	585
'A' Ordinary shares of £1 each	-	-	236,162	236
	<u>584,521</u>	<u>585</u>	<u>820,683</u>	<u>821</u>

The 'A' ordinary shares were purchased by the company on 19th February 2004.

On 7th April 2004 the unissued 236,162 'A' Ordinary shares were reclassified as Ordinary shares and the authorised share capital was increased to £2,000,000 by the creation of an additional 1,179,137 Ordinary shares of £1 each.

14. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Group	
	2004	2003
	£000	£000
Total recognised gains and losses	1,657	955
Share buy back	(471)	-
Dividend	<u>(234)</u>	<u>(173)</u>
	952	782
Opening shareholders' funds	<u>5,000</u>	<u>4,218</u>
Closing shareholders' funds	<u>5,952</u>	<u>5,000</u>

	2004		2003	
	Group	Company	Group	Company
	£000	£000	£000	£000
Shareholders' funds are represented by:				
Equity	5,952	939	4,764	740
Non equity	<u>-</u>	<u>-</u>	<u>236</u>	<u>236</u>
	<u>5,952</u>	<u>939</u>	<u>5,000</u>	<u>976</u>

Harrisons Marine Holdings Limited

NOTES TO THE ACCOUNTS

at 31st December 2004

15. CASH FLOW STATEMENT

	<i>Note</i>	2004 £000	2003 £000
(a) Reconciliation of operating profit to net cash flow from operating activities:			
Operating profit		2,517	1,427
Depreciation		1,001	1,068
Funds generated by operations		<u>3,518</u>	<u>2,495</u>
Increase in stock		(135)	-
(Increase)/decrease in debtors		(830)	83
Increase/(decrease) in creditors		101	(26)
		<u>(864)</u>	<u>57</u>
Net cash inflow from operating activities		<u>2,654</u>	<u>2,552</u>
(b) Reconciliation of net cash flow to movement in net debt:			
Increase in cash in the period		479	329
Repayment of long term loans		398	474
Repayment of capital element of finance lease		1,120	1059
Shareholder loans		<u>(700)</u>	<u>-</u>
Change in net debt resulting from cash flows	15(c)	1,297	1,862
Non cash movements	15(c)	<u>(5)</u>	<u>(11)</u>
		1,292	1,851
Net debt at 1 st January	15(c)	<u>(9,684)</u>	<u>(11,535)</u>
Net debt at 31 st December	15(c)	<u>(8,392)</u>	<u>(9,684)</u>

Harrisons Marine Holdings Limited

NOTES TO THE ACCOUNTS

at 31st December 2004

15. CASH FLOW STATEMENT (continued)

(c) Analysis of net debt	<i>At 1st January 2004 £000</i>	<i>Cash flow £000</i>	<i>Non cash movements £000</i>	<i>At 31st December 2004 £000</i>
Cash at bank and in hand	561	479	-	1,040
Loans	(4,329)	398	(5)	(3,936)
Finance lease	(5,916)	1,120	-	(4,796)
Shareholder loans	-	(700)	-	(700)
	<u>(9,684)</u>	<u>1,297</u>	<u>(5)</u>	<u>(8,392)</u>

16. DIRECTORS' SHARE INTERESTS

The directors' interests in the share capital of the Company at 31st December 2004 and 2003 were as follows:

	<i>Ordinary Shares 2004</i>	<i>Ordinary Shares 2003</i>
J.A.F. Cowderoy	129,166	123,392
P.C.L. Harrison	105,301	100,594
D.J.C. Harrison	93,656	89,470
I.V.R. Harrison	51,453	49,153
D.G. Baird	17,472	16,691

No director had an interest in any other group company.

17. 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 £60,000 and £10,000 respectively (2003: £57,000 and £9,000).

Harrisons Marine Holdings Limited

NOTES TO THE ACCOUNTS

at 31st December 2004

18. PENSIONS

The group operates a defined benefit pension arrangement. The pension costs are determined with the advice of an independent qualified actuary on the basis of triennial valuations using the projected unit method. The latest triennial valuation of the scheme was carried out as at 1st January 2002. At that date the market value of the assets was £10,795,000 and their actuarial value was sufficient to cover 208% of the benefits that had accrued to members. The principal assumptions made by the actuary were the annual rate of return earned by the scheme's assets and the rate of inflation, being 7.2% and 2.4% respectively. At 1st January 2002 the scheme had no active members and the company was not required to make any contributions. At 31st December 2004, an independent qualified actuary completed a review of the scheme for FRS 17 disclosure purposes. The weighted averages of the major assumptions used by the actuary were:

	2004	2003
	%	%
Deferred pension revaluation	2.8	2.7
Discount rate	5.1	5.1
Inflation	2.8	2.7
Salary increase rate	4.8	4.7

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

		2004		2003
	%	£000	%	£000
Equities	7.1	8,929	7.3	8,225
Bonds	4.9	1,835	5.1	1,669
Insured Pensions in payment	4.9	10,378	5.1	10,706
Other	4.9	14	5.1	31
Total market value of assets		21,156		20,631
Actuarial value of scheme liabilities		(17,830)		(16,837)
Surplus in the scheme		3,326		3,794
Related deferred tax liability		(998)		(1,138)
		<u>2,328</u>		<u>2,656</u>

Harrisons Marine Holdings Limited

NOTES TO THE ACCOUNTS

at 31st December 2004

18. PENSIONS (continued)

The impact of implementing FRS 17 would be as follows:

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

	2004 £000	2003 £000
Current service cost	(101)	(120)
Past service cost	-	(631)
Total operating charge	(101)	(751)
Expected return on pension fund assets	1,212	1,158
Interest on pension liabilities	(859)	(783)
Net return	353	375
Net profit and loss credit/(charge)	252	(376)

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

	£000	£000
Actual return less expected return on assets	26	590
Experience gains/losses on liabilities	244	272
Change in assumptions	(990)	(342)
Actuarial (loss)/gain recognised in statement of total recognised gains and losses	(720)	520

Movement in surplus during the year

	£000	£000
Net pension asset at beginning of the year	3,794	3,650
Movement in year:		
Current service cost	(101)	(120)
Past service costs	-	(631)
Net return from other finance income	353	375
Actuarial gain or loss in statement of total recognised gains and losses	(720)	520
Surplus at end of the year	3,326	3,794

Harrisons Marine Holdings Limited

NOTES TO THE ACCOUNTS

at 31st December 2004

18. PENSIONS (continued)

History of experience gains and losses

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

Reconciliations of net assets and reserves under FRS 17 are as follows:

	2004 £000	2003 £000
Net assets as stated in the balance sheet	5,952	5,000
Retirement benefit asset – net pension asset	<u>2,328</u>	<u>2,656</u>
Net assets including retirement benefits asset	<u>8,280</u>	<u>7,656</u>
Profit and loss reserve as stated in the balance sheet	2,774	1,822
Retirement benefit asset – net pension asset	<u>2,328</u>	<u>2,656</u>
Net assets including retirement benefits asset	<u>5,102</u>	<u>4,478</u>

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 accounts for the year ended 31 December 2004 which comprise the Consolidated Profit and Loss Account, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Cash Flow Statement, Consolidated Statement of Total Recognised Gains and Losses and the related notes 1 to 18. These accounts have been prepared on the basis of 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

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the accounts in accordance with United Kingdom law and accounting standards.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the accounts, if 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 transactions with the group 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 United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the group'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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company and of the group as at 31 December 2004 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP
Registered Auditor
Glasgow
26th October 2005

Ernst & Young LLP