

# **Harrisons Marine Holdings Limited**

## **Report and Accounts**

**Year Ended 31<sup>st</sup> December 2003**



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COMPANIES HOUSE 13/10/04

# Harrisons Marine Holdings Limited

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## CONTENTS

Company Information	2
Directors' Report	3
Group Profit and Loss Account	4
Group Statement of Total Recognised Gains and Losses	4
Group Balance Sheet	5
Balance Sheet	6
Group Cash Flow Statement	7
Notes to the Accounts	8 – 22
Statement of Directors' Responsibilities	22
Auditors' Report	23

# Harrisons Marine Holdings Limited

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## COMPANY INFORMATION

### DIRECTORS

J.A.F. Cowderoy - Chairman  
I.V.R. Harrison  
P.C.L. Harrison  
D.J.C. Harrison  
D.G. Baird  
K.M. MacDonald (resigned 26<sup>th</sup> August 2003)

### SECRETARY

D.G. Baird

### AUDITORS

Ernst & Young LLP

### BANKERS

Bank of Scotland

### SOLICITORS

McGrigor Donald, 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

# Harrisons Marine Holdings Limited

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## DIRECTORS' REPORT

The directors submit their report and group accounts for the year ended 31st December 2003.

### RESULTS AND DIVIDEND

The profit on ordinary activities, after taxation, is £955,000. Interim dividends paid and proposed during the year totalled £173,000. The directors do not recommend the payment of a final dividend and the retained profit of £782,000 is therefore taken to reserves.

### PRINCIPAL ACTIVITY

The Group traded as ship owners and ship managers during the year.

### OPERATIONS

The Group's two platform supply vessels, both of which are fixed on term contracts, performed well during the year.

### FIXED ASSETS

Changes in fixed assets during the year are shown in Note 7 to the accounts.

### POST BALANCE SHEET EVENT

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

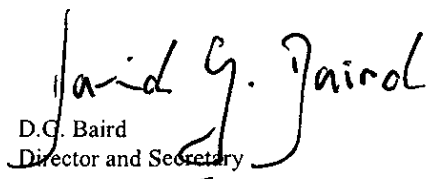
### DIRECTORS

Details of directors who served during the year are shown in Note 16 to the accounts. In addition Mr K.M. MacDonald served as a director until 26<sup>th</sup> August 2003.

### 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

28<sup>th</sup> April 2004

# Harrisons Marine Holdings Limited

## GROUP PROFIT & LOSS ACCOUNT

for the year ended 31<sup>st</sup> December 2003

	<i>Notes</i>	<i>2003 £000</i>	<i>2002 £000</i>
<b>TURNOVER</b>	1	4,922	4,712
Cost of sales		<u>(3,027)</u>	<u>(2,884)</u>
<b>GROSS PROFIT</b>		1,895	1,828
Net operating expenses		<u>(468)</u>	<u>(248)</u>
<b>OPERATING PROFIT</b>	2	1427	1,580
Net interest payable and similar charges	3	<u>(608)</u>	<u>(729)</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		819	851
Taxation credit	4	<u>136</u>	<u>136</u>
<b>PROFIT ATTRIBUTABLE TO MEMBERS OF THE HOLDING COMPANY</b>	5	955	987
Dividend	6	<u>(173)</u>	<u>(310)</u>
<b>RETAINED PROFIT FOR THE YEAR</b>		782	677
<b>RETAINED PROFIT BROUGHT FORWARD</b>		<u>1,040</u>	<u>363</u>
<b>RETAINED PROFIT CARRIED FORWARD</b>		<u>1,822</u>	<u>1040</u>

## GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 31<sup>st</sup> December 2003

There are no recognised gains or losses for the year other than the profit attributable to members of the holding company of £955,000 (2002: £987,000).

# Harrisons Marine Holdings Limited

## GROUP BALANCE SHEET

at 31<sup>st</sup> December 2003

	Notes	2003 £000	2002 £000
<b>FIXED ASSETS</b>			
Tangible assets	7(a)	<u>16,541</u>	<u>17,535</u>
<b>CURRENT ASSETS</b>			
Debtors	8	1,135	1,218
Cash at bank and in hand		<u>561</u>	<u>232</u>
		1,696	1,450
<b>CREDITORS: amounts falling due within one year</b>	9	<u>1,954</u>	<u>1,942</u>
<b>NET CURRENT LIABILITIES</b>		<u>(258)</u>	<u>(492)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		16,283	17,043
<b>CREDITORS: amounts falling due after more than one year</b>	10	9,175	10,580
<b>PROVISION FOR LIABILITIES AND CHARGES</b>			
Deferred taxation	11	<u>2,108</u>	<u>2,245</u>
		<u>5,000</u>	<u>4,218</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	12	821	821
Other reserve account		2,357	2,357
Profit and loss account		<u>1,822</u>	<u>1,040</u>
Shareholders' funds including non equity interests		<u>5,000</u>	<u>4,218</u>

J.A.F. Cowderoy

D.G. Baird

Directors

28th April 2004

# Harrisons Marine Holdings Limited

## BALANCE SHEET

at 31<sup>st</sup> December 2003

	Notes	2003 £000	2002 £000
<b>FIXED ASSETS</b>			
Investments	7(b)	<u>1,771</u>	<u>1,771</u>
<b>CURRENT ASSETS</b>			
Debtors	8	-	517
Cash at bank and in hand		<u>-</u>	<u>2</u>
		-	519
<b>CREDITORS: amounts falling due within one year</b>	9	<u>355</u>	<u>1,076</u>
<b>NET CURRENT LIABILITIES</b>		<u>(355)</u>	<u>(557)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		1,416	1,214
<b>CREDITORS: amounts falling due after more than one year</b>	10	<u>440</u>	<u>338</u>
		<u>976</u>	<u>876</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	12	821	821
Profit and loss account		<u>155</u>	<u>55</u>
Shareholders' funds including non equity interests		<u>976</u>	<u>876</u>

J.A.F. Cowderoy

D.G. Baird

Directors

28<sup>th</sup> April 2004

# Harrisons Marine Holdings Limited

## GROUP CASH FLOW STATEMENT

for the year ended 31<sup>st</sup> December 2003

	<i>Notes</i>	<i>2003</i> <i>£000</i>	<i>2002</i> <i>£000</i>
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	14(a)	<u>2,552</u>	<u>2,234</u>
<b>RETURNS ON INVESTMENT AND SERVICING OF FINANCE</b>			
Interest received		15	14
Interest paid		(181)	(378)
Interest element of finance lease		(359)	(432)
Dividends paid to non equity shareholders		<u>(89)</u>	<u>(57)</u>
		<u>(614)</u>	<u>(853)</u>
<b>TAXATION</b>			
U.K. corporation tax paid		<u>(2)</u>	<u>(1)</u>
<b>CAPITAL EXPENDITURE</b>			
Payments to acquire tangible fixed assets		(74)	(46)
Recovery of deferred docking costs		<u>-</u>	<u>77</u>
		<u>(74)</u>	<u>31</u>
<b>NET CASH INFLOW BEFORE FINANCING</b>		<u>1,862</u>	<u>1,411</u>
<b>FINANCING</b>			
Long term loan repayments		(474)	(545)
Repayment of capital element of finance lease		<u>(1,059)</u>	<u>(995)</u>
		<u>(1,533)</u>	<u>(1,540)</u>
<b>INCREASE/(DECREASE) IN CASH</b>	14(c)	<u><u>329</u></u>	<u><u>(129)</u></u>



# Harrisons Marine Holdings Limited

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## NOTES TO THE ACCOUNTS

at 31<sup>st</sup> December 2003

### 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.

#### *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

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## NOTES TO THE ACCOUNTS

at 31<sup>st</sup> December 2003

### 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:

	2003 £000	2002 £000
Auditors' remuneration:		
- Audit	6	5
- Tax	2	4
Depreciation:		
- Owned assets	473	461
- Leased asset	471	472
- Docking costs	124	98
	<u>122</u>	<u>98</u>

(b) Directors' remuneration:

Fees	16	8
Emoluments	106	58
	<u>122</u>	<u>66</u>

The remuneration of the chairman was £13,000 (2002: £11,000) and the highest paid director received £52,000 (2002: £36,000). The accrued pension of the highest paid director at 31<sup>st</sup> December 2003 was £2,000 (2002: £1,000). At that date retirement benefits under the Company's defined benefit pension scheme were accruing in respect of three directors.

# Harrisons Marine Holdings Limited

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## NOTES TO THE ACCOUNTS at 31<sup>st</sup> December 2003

### 2. OPERATING PROFIT (continued)

(c) Staff costs:

	2003 £000	2002 £000
Wages and salaries	244	118
Social security costs	20	8
Other pension costs	19	9
	<u>283</u>	<u>135</u>

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

	No.	No.
Directors	6	5
Office and management staff	4	2
	<u>10</u>	<u>7</u>

### 3. NET INTEREST PAYABLE AND SIMILAR CHARGES

	2003 £000	2002 £000
Bank loans	249	306
Finance charges payable under finance lease	359	432
Interest on deferred dividend	15	5
	<u>623</u>	<u>743</u>
Bank interest receivable	<u>(15)</u>	<u>(14)</u>
	<u>608</u>	<u>729</u>

# Harrisons Marine Holdings Limited

## NOTES TO THE ACCOUNTS

at 31<sup>st</sup> December 2003

### 4. TAXATION

(a) Analysis of credit in year:

	2003 £000	2002 £000
Current tax:		
Corporation tax under the tonnage tax regulations	1	2
Deferred tax:		
Origination and reversal of timing differences	(137)	(138)
Tax on profit on ordinary activities	<u>(136)</u>	<u>(136)</u>
(b) Factors affecting tax charge for year:		
Profit on ordinary activities before tax	<u>819</u>	<u>851</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the U.K. of 30%	246	255
Effect of:		
Profits subject to tonnage tax regulations	(245)	(253)
	<u>1</u>	<u>2</u>

(c) Factors that may affect future tax charges:

Based upon current plans, the group expects to continue to operate under the tonnage tax regulations.

### 5. PROFIT ATTRIBUTABLE TO MEMBERS OF THE HOLDING COMPANY

	2003 £000	2002 £000
Dealt with in the accounts of the holding company	273	341
Retained in subsidiaries	<u>682</u>	<u>646</u>
	<u>955</u>	<u>987</u>

# Harrisons Marine Holdings Limited

## NOTES TO THE ACCOUNTS

at 31<sup>st</sup> December 2003

### 6. DIVIDEND

	2003 £000	2002 £000
Equity dividends on ordinary shares		
Interim deferred dividend proposed	87	221
Non equity dividends on 'A' ordinary shares		
Paid	35	35
Proposed	51	54
	86	89
	173	310

Rights to equity dividends on ordinary shares for 2003, amounting to £126,000, have been waived by the ordinary shareholders.

### 7. (a) TANGIBLE ASSETS

Group	Vessels			Office Equipment £000	Total £000
	Owned £000	Leased £000	Docking Costs £000		
Cost:					
At 1 <sup>st</sup> January 2003	9,279	9,613	272	70	19,234
Additions	-	-	64	10	74
Disposal	-	-	(155)	-	(155)
At 31 <sup>st</sup> December 2003	9,279	9,613	181	80	19,153
Depreciation:					
At 1 <sup>st</sup> January 2003	761	786	148	4	1,699
Provided during year	457	471	124	16	1,068
Disposal	-	-	(155)	-	(155)
At 31 <sup>st</sup> December 2003	1,218	1,257	117	20	2,612
Net book amounts:					
At 31 <sup>st</sup> December 2003	8,061	8,356	64	60	16,541
At 1 <sup>st</sup> January 2003	8,518	8,827	124	66	17,535

# Harrisons Marine Holdings Limited

## NOTES TO THE ACCOUNTS

at 31<sup>st</sup> December 2003

### 7. (b) INVESTMENTS

*Subsidiaries*  
£000

Company

At 31<sup>st</sup> December 2003 and 31<sup>st</sup> December 2002

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

### 8. DEBTORS

	<i>2003</i>		<i>2002</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	948	-	896	-
Amount due from subsidiary	-	-	-	517
Other debtors	37	-	174	-
Prepayments and accrued income	150	-	148	-
	<u>1,135</u>	<u>-</u>	<u>1,218</u>	<u>517</u>

# Harrisons Marine Holdings Limited

## NOTES TO THE ACCOUNTS

at 31<sup>st</sup> December 2003

### 9. CREDITORS: amounts falling due within one year

	2003		2002	
	Group £000	Company £000	Group £000	Company £000
Current instalments due on bank loans (Note 10(a))	390	-	465	-
Obligations under finance lease (Note 10(b))	1,120	-	1,060	-
Trade creditors	112	-	186	1
Amount due to subsidiary	-	303	-	1,020
Proposed dividend	51	51	54	54
Corporation tax	1	-	2	-
Other taxes	6	-	10	-
Other creditors and accrued income	107	-	74	-
Accruals	167	1	91	1
	<u>1,954</u>	<u>355</u>	<u>1,942</u>	<u>1,076</u>

### 10. CREDITORS: amounts falling due after more than one year

	2003		2002	
	Group £000	Company £000	Group £000	Company £000
(a) Bank loan	3,939	-	4,327	-
(b) Obligation under finance lease	4,796	-	5,915	-
(c) Deferred dividend	440	440	338	338
	<u>9,175</u>	<u>440</u>	<u>10,580</u>	<u>338</u>

# Harrisons Marine Holdings Limited

## NOTES TO THE ACCOUNTS

at 31<sup>st</sup> December 2003

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

	<i>Group</i>	
	<i>2003</i>	<i>2002</i>
	<i>£000</i>	<i>£000</i>
(a) Bank loan		
Wholly repayable within five years	4,372	4,846
Less: issue costs	(43)	(54)
	<u>4,329</u>	<u>4,792</u>
Less: amounts due within one year	(390)	(465)
	<u>3,939</u>	<u>4,327</u>
Amounts due after more than one year		
Amounts falling due:		
In one year or less	398	474
Between one and two years	542	398
Between two and five years	1,253	674
In five years or more	2,179	3,300
	<u>4,372</u>	<u>4,846</u>
Less: issue costs	(43)	(54)
	<u>4,329</u>	<u>4,792</u>

The bank loan is repayable by 15 six monthly instalments with the final instalment falling due in March 2011. Interest is charged at between 1.125% and 1.5% over LIBOR.

The loan is secured by a fixed charge over one of the Group's vessels.

### (b) Obligations under finance lease

	<i>Group</i>	
	<i>2003</i>	<i>2002</i>
	<i>£000</i>	<i>£000</i>
Amounts payable:		
Within one year	1,120	1,060
In the second to fifth years inclusive	4,796	4,876
Outwith five years	-	1,039
	<u>5,916</u>	<u>6,975</u>
Included in current liabilities	(1,120)	(1,060)
	<u>4,796</u>	<u>5,915</u>

The finance lease is secured by a fixed charge over one of the Group's vessels.



# Harrisons Marine Holdings Limited

## NOTES TO THE ACCOUNTS

at 31<sup>st</sup> December 2003

### 10. 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 31<sup>st</sup> December 2004. Interest accrues on the deferred dividend at Base Rate plus 1% and is payable at the same time as the dividend. Interest accrued at 31<sup>st</sup> December 2003 amounts to £21,000.

### 11. DEFERRED TAXATION

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

	<i>Group</i>	
	<i>2003</i>	<i>2002</i>
	<i>£000</i>	<i>£000</i>
Accelerated capital allowances	2,034	2,167
Other timing differences	74	78
	<u>2,108</u>	<u>2,245</u>

	<i>Group</i>	
	<i>2003</i>	<i>2002</i>
	<i>£000</i>	<i>£000</i>
At 1 <sup>st</sup> January	2,245	2,383
Arising during year	(137)	(138)
At 31 <sup>st</sup> December	<u>2,108</u>	<u>2,245</u>

### 12. CALLED UP SHARE CAPITAL

	<i>2003</i>		<i>2002</i>	
	<i>No.</i>	<i>£000</i>	<i>No.</i>	<i>£000</i>
Authorised 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	236,162	236
	<u>820,683</u>	<u>821</u>	<u>820,683</u>	<u>821</u>

The 'A' ordinary shares have a right to an annual fixed cumulative preferential dividend of £0.1486 per share together with a further cumulative preferential dividend which is dependent upon and variable with the after tax profit of the Group, excluding the effects of any fixed asset sales.

# Harrisons Marine Holdings Limited

## NOTES TO THE ACCOUNTS

at 31<sup>st</sup> December 2003

### 12. CALLED UP SHARE CAPITAL (continued)

The directors may declare an annual dividend in respect of the ordinary shares of an amount up to that paid on the 'A' ordinary shares as detailed above.

Each class of share has equivalent voting rights, being one vote per share, and on any return of assets the holders of each class of share participate in proportion to the amounts paid up, or credited as paid up, on their shareholding.

On 19<sup>th</sup> February 2004 all of the issued 'A' ordinary shares were purchased by the Company for £471,000.

### 13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<i>Group</i>	
	<i>2003</i>	<i>2002</i>
	<i>£000</i>	<i>£000</i>
Total recognised gains and losses	955	987
Dividend	(173)	(310)
	<u>782</u>	<u>677</u>
Opening shareholders' funds	4,218	3,541
	<u>5,000</u>	<u>4,218</u>
Closing shareholders' funds		

	<i>2003</i>		<i>2002</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>
Shareholders' funds are represented by:				
Equity	4,638	614	3,982	640
Non equity	236	236	236	236
	<u>4,874</u>	<u>850</u>	<u>4,218</u>	<u>876</u>

# Harrisons Marine Holdings Limited

## NOTES TO THE ACCOUNTS

at 31<sup>st</sup> December 2003

### 14. CASH FLOW STATEMENT

	<i>Note</i>	<i>2003</i> <i>£000</i>	<i>2002</i> <i>£000</i>
<b>(a) Reconciliation of operating profit to net cash flow from operating activities:</b>			
Operating profit		1,427	1,580
Depreciation		<u>1,068</u>	<u>1,031</u>
Funds generated by operations		<u>2,495</u>	<u>2,611</u>
Decrease/(increase) in debtors		83	(532)
(Decrease)/increase in creditors		<u>(26)</u>	<u>155</u>
		<u>57</u>	<u>(377)</u>
Net cash inflow from operating activities		<u><u>2,552</u></u>	<u><u>2,234</u></u>
<b>(b) Reconciliation of net cash flow to movement in net debt:</b>			
Increase/(decrease) in cash in the period		329	(129)
Repayment of long term loans		474	545
Repayment of capital element of finance lease		<u>1,059</u>	<u>995</u>
Change in net debt resulting from cash flows	14(c)	1,862	1,411
Non cash movements	14(c)	<u>(11)</u>	<u>(9)</u>
		1,851	1,402
Net debt at 1 <sup>st</sup> January	14(c)	<u>(11,535)</u>	<u>(12,937)</u>
Net debt at 31 <sup>st</sup> December	14(c)	<u><u>(9,684)</u></u>	<u><u>(11,535)</u></u>

# Harrisons Marine Holdings Limited

## NOTES TO THE ACCOUNTS

at 31<sup>st</sup> December 2003

### 14. CASH FLOW STATEMENT (continued)

(c) Analysis of net debt	<i>At 1<sup>st</sup></i>			<i>At 31<sup>st</sup></i>
	<i>January</i>	<i>Cash</i>	<i>Non cash</i>	<i>December</i>
	<i>2003</i>	<i>flow</i>	<i>movements</i>	<i>2003</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Cash at bank and in hand	232	329	-	561
Loans	(4,792)	474	(11)	(4,329)
Finance lease	(6,975)	1,059	-	(5,916)
	<u>(11,535)</u>	<u>1,862</u>	<u>(11)</u>	<u>(9,684)</u>

### 16. DIRECTORS' SHARE INTERESTS

The directors' interests in the share capital of the Company at 31<sup>st</sup> December 2003 and 2002 were as follows:

	<i>Ordinary Shares 2003</i>	<i>Ordinary Shares 2002</i>
J.A.F. Cowderoy	123,392	123,392
P.C.L. Harrison	100,594	100,594
D.J.C. Harrison	89,470	89,470
I.V.R. Harrison	49,153	49,153
D.G. Baird	16,691	16,691

No director had an interest in any other group company. Mr K.M. MacDonald served as a director until 26<sup>th</sup> August 2003.

### 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 £57,000 and £9,000 respectively (2002: £21,000 and £2,000).

# Harrisons Marine Holdings Limited

## NOTES TO THE ACCOUNTS

at 31<sup>st</sup> December 2003

### 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 1<sup>st</sup> 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 1<sup>st</sup> January 2002 the scheme had no active members and the company was not required to make any contributions. At 31<sup>st</sup> December 2003, 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:

	2003	2002
	%	%
Deferred pension revaluation	2.7	2.2
Discount rate	5.1	5.1
Inflation	2.7	2.2
Salary increase rate	4.7	4.2

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

		2003		2002
	%	£000	%	£000
Equities	7.3	8,225	8.0	7,034
Bonds	5.1	1,669	5.0	1,463
Insured Pensions in payment	5.1	10,706	5.0	10,459
Other	5.1	31	5.0	45
Total market value of assets		20,631		19,001
Actuarial value of scheme liabilities		(16,837)		(15,351)
Surplus in the scheme		3,794		3,650
Related deferred tax liability		(1,138)		(1,095)
		<u>2,656</u>		<u>2,555</u>

# Harrisons Marine Holdings Limited

## NOTES TO THE ACCOUNTS

at 31<sup>st</sup> December 2003

### 18. PENSIONS (continued)

The impact of implementing FRS 17 would be as follows:

Analysis of the defined benefit cost for the year ended 31<sup>st</sup> December.

	2003 £000	2002 £000
Current service cost	(120)	(72)
Past service cost	<u>(631)</u>	<u>0</u>
Total operating charge	<u>(751)</u>	<u>(72)</u>
Expected return on pension fund assets	1,158	1,262
Interest on pension liabilities	<u>(783)</u>	<u>(832)</u>
Net return	<u>375</u>	<u>430</u>
Net profit and loss (charge)/credit	<u>(376)</u>	<u>358</u>

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

	£000	£000
Actual return less expected return on assets	590	(2,511)
Experience gains/losses on liabilities	272	6,102
Change in assumptions	<u>(342)</u>	<u>(299)</u>
Actuarial gain recognised in statement of total recognised gains and losses	<u>520</u>	<u>3,292</u>

Movement in surplus during the year

	£000	£000
Net pension asset at beginning of the year	3,650	-
Movement in year:		
Current service cost	(120)	(72)
Past service costs	<u>(631)</u>	<u>-</u>
Net return from other finance income	375	430
Actuarial gain or loss in statement of total recognised gains and losses	<u>520</u>	<u>3,292</u>
Surplus at end of the year	<u>3,794</u>	<u>3,650</u>

# Harrisons Marine Holdings Limited

## NOTES TO THE ACCOUNTS

at 31<sup>st</sup> December 2003

### 18. PENSIONS (continued)

History of experience gains and losses

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

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

	2003 £000	2002 £000
Net assets as stated in the balance sheet	5,000	4,218
Retirement benefit asset – net pension asset	<u>2,656</u>	<u>2,555</u>
Net assets including Retirement benefits asset	<u>7,656</u>	<u>6,773</u>
Profit and loss reserve as stated in the balance sheet	1,822	1,040
Retirement benefit asset – net pension asset	<u>2,656</u>	<u>2,555</u>
Net assets including Retirement benefits asset	<u>4,478</u>	<u>3,595</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

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## INDEPENDENT AUDITORS' REPORT

to the members of Harrisons Marine Holdings Limited

We have audited the group accounts for the year ended 31 December 2003 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 2003 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



28<sup>th</sup> April 2004