

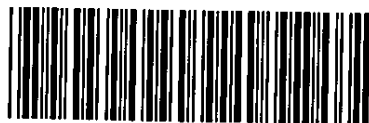
Clarence Marine Engineering Limited

**Directors' report and financial
statements**

Registered number - 02139067

31 March 2008

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Company information

Directors

JL Foster
JB Ivins
PJ Fuller
CM Waters

Company Secretary

JB Ivins

Bankers

HSBC plc
18 North Street
Bishop's Stortford
Hertfordshire
CM23 2LP

Auditor

KPMG Audit Plc
St Nicholas House
Park Row
Nottingham
NG1 6FQ

Registered office

South Street
Gosport
Hampshire
PO12 1EP

Solicitors

Blake Lapthorn Tarlo Lyons
New Court
1 Barnes Wallis Road
Segensworth
Hampshire
PO15 5OA

Directors' report

The directors present their report and the audited financial statements for the year ended 31 March 2008.

Activities

The principal activity of the company is marine engineering and maintenance, operating from Clarence Wharf, Gosport.

Results

The trading results for the year and the company's financial position at the end of the year are shown in the attached financial statements.

On 31 March 2008 the company purchased Clarence Wharf from its parent company, Portsmouth Harbour Ferry Company, for a consideration of £812,000 being equal to the carrying value of the asset at the date of the transaction.

Policy on payment of creditors

The company operates a creditors payment policy designed to settle invoices within six weeks of the suppliers' invoice date.

Directors

The directors who served the company during the year are shown on page 1.

Disclosure of information to auditors

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

Auditors

In accordance with section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditor of the group will be put to the shareholders at the Annual General Meeting of the ultimate parent company.

On behalf of the board



JB Ivins
Company Secretary

27 January 2009

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

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

ABCD

KPMG Audit Plc

St Nicholas House
Park Row
Nottingham NG1 6FQ
United Kingdom

Report of the independent auditors to the members of Clarence Marine Engineering Limited

We have audited the financial statements of Clarence Marine Engineering Limited for the year ended 31 March 2008 which comprise the profit and loss account, the balance sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities on page 3.

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 is not disclosed.

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

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and 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.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2008 and of its profit 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.



Chartered Accountants
Registered Auditor

27 January 2009

Profit and loss account
for the year ended 31 March 2008

	<i>Note</i>	2008 £000	2007 £000
Turnover	2	-	-
Cost of sales		-	-
		<hr/>	<hr/>
Gross profit		-	-
Other operating charges	3	(11)	(14)
Other operating income		17	16
		<hr/>	<hr/>
Profit on ordinary activities before taxation	4	6	2
Tax on profit on ordinary activities	6	7	(2)
		<hr/>	<hr/>
Profit for the financial year	13	13	-
		<hr/> <hr/>	<hr/> <hr/>

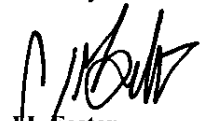
In both the current year and preceding period, the company made no material acquisitions and had no discontinued operations.

There were no recognised gains or losses in either the current year or preceding period other than those disclosed in the profit and loss account.

Balance sheet
as at 31 March 2008

	<i>Note</i>	£000	2008 £000	£000	2007 £000
Fixed assets					
Tangible assets	8		899		95
Current assets					
Debtors	9	934		894	
Creditors: amounts falling due within one year	10	(1,740)		(922)	
Net current liabilities			(806)		(28)
Total assets less current liabilities			93		67
Provisions for liabilities and charges	11		(20)		(7)
Net assets			73		60
Capital and reserves					
Called up share capital	12		2		2
Profit and loss account	13		71		58
Shareholder's funds	14		73		60

These financial statements were approved by the board of directors on 27 January 2009 and were signed on its behalf by:


J L Foster
Director

Notes

(forming part of the financial statements)

1 Accounting policies

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

Basis of preparation

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

Under FRS 1 'Cash flow statements (revised 1996)' the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

As the company is a wholly owned subsidiary of Falkland Island Holdings plc, the company has taken advantage of the exemption contained in FRS 8 'Related party disclosures' and has therefore not disclosed transactions or balances with entities which form part of the group. The consolidated financial statements of Falkland Island Holdings plc, within which this company is included, can be obtained from the address given in note 17.

Depreciation

Depreciation is provided by equal annual instalments to reduce the cost or valuation of fixed assets, other than freehold land on which no depreciation is charged, to residual value over their estimated useful working lives. The principal annual rates are:

Freehold buildings	25 years
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Taxation

The charge for taxation is based on the profit for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Classification of financial instruments issued by the company

Following the adoption of FRS 25, financial instruments issued by the company are treated as equity (i.e. forming part of shareholder's funds) only to the extent that they meet the following two conditions:

- a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and
- b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges. Finance payments associated with financial instruments that are classified as part of shareholder's funds (see dividends policy), are dealt with as appropriations in the reconciliation of movements in shareholder's funds.

Notes (continued)

1 Accounting policies (continued)

Dividends on shares presented within shareholder's funds

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Turnover

Turnover represents the amounts charged to customers in the ordinary course of business for goods and services provided, including fellow subsidiaries of Falkland Islands Holdings plc, exclusive of value added tax.

Post retirement benefits

The company contributes to a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The amounts charged to the profit and loss account represent the contributions payable to the scheme in respect of the accounting period.

Leases

Assets held under finance leases are capitalised and the outstanding future lease obligations are shown in creditors.

2 Segmental information

	2008 £000	2007 £000
<i>Geographical analysis of turnover:</i>		
United Kingdom	-	-

3 Other operating charges

	2008 £000	2007 £000
Administrative expenses	11	14

4 Profit on ordinary activities before taxation

	2008 £000	2007 £000
<i>Profit on ordinary activities before taxation is stated after charging:</i>		
Depreciation - owned assets	8	7
Loss on transfer of fixed assets	-	3

Auditors' remuneration relating to this company has been charged to Gosport Ferry Limited.

Notes (continued)

5 Directors and employees

The company had no employees other than the directors in either the current or the preceding year. The directors did not receive any remuneration in the year (2007: *£nil*).

6 Tax on profit on ordinary activities

(a) Analysis of charge in the period

	2008 £000	2007 £000
<i>The taxation charge based on the profit for the year comprises:</i>		
UK corporation tax at 19% (2007: 19%)	2	2
	<u>2</u>	<u>2</u>
Total current tax charges	2	2
Deferred taxation - origination and reversal of timing differences (note 11)	(9)	-
	<u>(7)</u>	<u>2</u>
Tax on profit on ordinary activities	(7)	2

(b) Factors affecting the tax charge for the current period

The current tax charge for the year is lower (2007: *higher*) than the small companies rate of corporation tax in the UK of 19% (2007: 19%). The differences are explained below:

	2008 £000	2007 £000
<i>Current tax reconciliation:</i>		
Profit on ordinary activities before tax	6	2
	<u>6</u>	<u>2</u>
Current tax at 19% (2007: 19%)	1	1
<i>Effects of:</i>		
Depreciation in the period in excess of capital allowances	1	1
	<u>1</u>	<u>1</u>
Total current tax charge	2	2

7 Dividends

	2008 £000	2007 £000
<i>Equity dividends:</i>		
Dividends paid in the financial year	-	150

Notes (continued)

8 Tangible assets

	Freehold property £000
<i>Cost or valuation:</i>	
At 1 April 2007	188
Additions	812
	<hr/>
At 31 March 2008	1,000
	<hr/>
<i>Accumulated depreciation:</i>	
At 1 April 2007	93
Charge for the year	8
	<hr/>
At 31 March 2008	101
	<hr/>
<i>Net book value:</i>	
At 31 March 2008	899
	<hr/>
At 31 March 2007	95
	<hr/>

9 Debtors

	2008 £000	2007 £000
Amounts owed by group undertakings	934	894
	<hr/>	<hr/>

10 Creditors: amounts falling due within one year

	2008 £000	2007 £000
Bank loans and overdrafts	11	5
Amounts owed to group undertakings	1,727	915
Corporation tax	2	2
	<hr/>	<hr/>
	1,740	922
	<hr/>	<hr/>

Notes (continued)

11 Provisions for liabilities and charges

Deferred taxation

The movement in the deferred taxation account during the year was:

	2008 £000	2006 £000
Balance brought forward	7	4
Profit and loss account movement arising during the year (note 6)	(9)	-
Transferred to group undertakings	22	3
	<hr/>	<hr/>
Balance carried forward	20	7
	<hr/>	<hr/>

The balance of the deferred taxation account consists of the tax effect of timing differences in respect of:

	2008 £000	2007 £000
Excess of taxation allowances over depreciation on fixed assets	20	7
	<hr/>	<hr/>

12 Called up share capital

	2008 £000	2007 £000
<i>Authorised:</i>		
2,000 ordinary shares of £1 each	2	2
	<hr/>	<hr/>
<i>Allotted, called up and fully paid:</i>		
2,000 ordinary shares of £1 each	2	2
	<hr/>	<hr/>

13 Profit and loss account

	2008 £000	2007 £000
Balance brought forward	58	208
Profit for the year	13	-
Dividend paid	-	(150)
	<hr/>	<hr/>
Balance carried forward	71	58
	<hr/>	<hr/>

Notes (continued)

14 Reconciliation of movements in shareholder's funds

	2008 £000	2007 £000
Profit for the year	13	-
Dividend paid	-	(150)
	<hr/>	<hr/>
Net addition to/(reduction in) shareholder's funds	13	(150)
Opening shareholder's funds	60	210
	<hr/>	<hr/>
Closing shareholder's funds	73	60
	<hr/>	<hr/>

15 Contingent liabilities

The company is party to a cross guarantee of the secured bank loans of the Falkland Islands Holdings plc group along with other group companies. The total amount guaranteed at the year end was £6,099,000 (2007: £nil) of which £11,000 is included within the accounts of the company.

16 Capital commitments

As at 31 March 2008 the company had no capital commitments authorised but not contracted for (2007: £nil).

17 Ultimate and immediate parent company

The directors consider that the parent undertaking of this company is The Portsmouth Harbour Ferry Company Limited, and that the ultimate parent company is Falkland Islands Holdings plc, both companies are incorporated in Great Britain.

A copy of the financial statements of Falkland Islands Holdings plc, in which the results of Clarence Marine Engineering Limited are consolidated, can be obtained from Falkland Islands Holdings plc, Kenburgh Court, 133-137 South Street, Bishop's Stortford, Hertfordshire, CM23 3HX.