Company Registration No. 4094541

FELIXARC MARINE LIMITED

DIRECTORS' REPORT AND ACCOUNTS

31 DECEMBER 2007

FELIXARC MARINE LIMITED

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FELIXARC MARINE LIMITED

DIRECTORS AND OTHER INFORMATION

BOARD OF DIRECTORS

J C M Curry
J Readman

SECRETARY

J Readman

REGISTERED OFFICE

Tees Wharf
Dockside Road
Middlesbrough
TS3 6AB

Registration No 4094541

BANKERS

Danske Bank
King William Street
London
EC4N 7DT

AUDITORS

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Gainsborough House
34-40 Grey Street
Newcastle Upon Tyne
Tyne & Wear
NE1 6AE

FELIXARC MARINE LIMITED

DIRECTORS' REPORT

The directors submit their annual report and accounts for the 18 months ended 31 December 2007

Results

	18 months to 31 December 2007 £'000	12 months to 30 June 2006 £'000
Loss for the financial period	(226)	(533)

The directors do not recommend the payment of a final dividend (2006 nil)

Principal activity and business review

The principal activity of Felixarc Marine Limited (the "Company") is that of marine contracting

On the 15th March 2007 Adsteam Marine Limited, the ultimate parent company, was acquired by Svitzer A/S Following the acquisition the accounting reference date was changed from 30th June to 31st December in line with the Svitzer A/S group of companies

At the point of acquisition the vessels of the company underwent a valuation by a marine valuation company The directors chose to adopt this valuation as being the fair value of the assets at this point, changing the accounting policy for the vessels from a historic cost basis to a revaluation basis Asset lives were re-assessed

Post the acquisition a six month study was undertaken to assess the opportunities available to the Company in the marine contracting area Subsequent to this the directors now believe that with the correct marketing and investment the company will be able to grow the business in this area and profit from these opportunities

The company is a member of the Svitzer A/S group of companies (the Group) A review of the state of affairs of the Group is contained in the report and accounts of Svitzer A/S

Risks and Uncertainties

The principal risks and uncertainties facing the Company are competition, legislation, health & safety and financial

Competition

The towage market in the UK is competitive and the company operates in areas where revenue is achieved through competitive tendering In order to maintain and expand its market position the company must commit to ongoing capital expenditure, monitor potential competitor activity and improve its skills base through continuous training

Legislation

Legislation in UK waters is governed and monitored by Maritime and Coastguard Agency (MCA) In addition to this each vessel is required to meet survey classification and local port authority requirements which could affect the manner in which a tug can operate in certain conditions

Health & Safety

Health & Safety plays a major role in Felixarc Marine Limited, where our adage is "Do it safely or not at all" To ensure we maintain a safe working environment, to avoid personal injury and damage to property, the company has effective Health & Safety procedures in place which are regularly reviewed and monitored

Financial

The Group has an established financial risk management policy in order to achieve its objectives targeting rates of return on capital - preserving cash flows for continued investment and improving shareholder return in the long term

FELIXARC MARINE LIMITED

DIRECTORS' REPORT (continued)

Directors and their Interests

The directors who held office during the period and since are given below

M Bucktin	Resigned 4th April 2007
S J Eastwood	Resigned 30th May 2007
J C M Curry	Appointed 4th April 2007
J Readman	Appointed 4th April 2007

Directors' Responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with the applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) 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 those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, 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 to enable them to ensure that the financial statements comply with the Companies Act 1985 They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

The directors' are responsible for the maintenance and integrity of the corporate and financial information included on the company's website Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Auditors

Each of the persons who is a director at the date of approval of this report confirms that

- so far as the director is 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

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985

Deloitte and Touche LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming annual general meeting

By order of the Board

J Readman

J Readman
Secretary
24 October 2008

FELIXARC MARINE LIMITED

PROFIT AND LOSS ACCOUNT
For the 18 months ended 31 December 2007

	Notes	18 months to 31 December 2007 £	12 months to 30 June 2006 £
Turnover	2	2,261,207	2,774,413
Cost of sales		(1,849,728)	(3,383,906)
Gross profit / (loss)		**411,479**	**(609,493)**
Administrative expenses		(404,744)	(240,798)
Operating profit / (loss)	3	**6,735**	**(850,291)**
Interest receivable		4,428	-
Profit / (loss) on ordinary activities before tax		**11,163**	**(850,291)**
Tax on profit / (loss) on ordinary activities	4	(237,367)	317,190
Loss for the financial period	12	**(226,204)**	**(533,101)**

All amounts derive from continuing activities

FELIXARC MARINE LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
For the 18 months ended 31 December 2007

	Notes	18 months to 31 December 2007 £	12 months to 30 June 2006 £
Loss for the financial period		(226,204)	(533,101)
Surplus arising on revaluation of fixed assets	12	352,937	-
Total recognised gains and (losses) relating to the period		**126,733**	**(533,101)**

Note of Historical Cost Profits and Losses For the 18 months ended 31 December 2007	Notes	18 months to 31 December 2007 £	12 months to 30 June 2006 £
Profit / (loss) on ordinary activities before tax		11,163	(850,291)
Difference between the historical cost depreciation charge and the actual depreciation charge for the period calculated on the revalued amount	12	62,000	-
Historical cost profit / (loss) on ordinary activities before tax		73,163	(850,291)
Historical cost loss for the period retained after tax		(164,204)	(533,101)

FELIXARC MARINE LIMITED

BALANCE SHEET
31 December 2007

	Notes	31 December 2007 £	30 June 2006 £
Fixed assets			
Tangible assets	*5*	1,984,891	1,890,879
Current assets			
Stock	*6*	18,964	42,618
Debtors	*7*	584,084	595,800
Cash at bank and in hand		26,222	16,612
		629,270	655,030
Current liabilities			
Creditors amounts falling due within one year	*8*	(2,101,540)	(1,560,022)
Net current liabilities		(1,472,270)	(904,992)
Total assets less current liabilities		1,112,621	985,887
Creditors due after more than one year	*9*	-	(600,000)
Total net assets		512,621	385,887
Capital and reserves			
Called up share capital	*11*	85,000	85,000
Share premium account	*12*	1,275,000	1,275,000
Revaluation reserve	*12*	290,938	-
Profit and loss account	*12*	(1,138,317)	(974,113)
Total shareholder's funds	*12*	512,621	385,887

These financial statements were approved on behalf of the Board of directors on 24 October 2008
They were signed on its behalf by

J Curry
Director

24 October 2008

FELIXARC MARINE LIMITED

NOTES TO THE ACCOUNTS
For the 18 months ended 31 December 2007

1 **Statement of accounting policies**

The accounting policies adopted by the company are set out below, and have been applied consistently in the current period and preceding financial year

(a) **Accounting convention**

The accounts are prepared under the historical cost and going concern conventions and in accordance with applicable United Kingdom accounting standards

(b) **Fixed assets**

Fixed assets are stated at cost or, in the case of tugs, revalued amount less accumulated depreciation

Tugs are considered for revaluation each year, with the surplus or deficit on book value being transferred to the revaluation reserve, except that a deficit which is in excess of any previously recognised surplus over depreciated cost relating to the same asset, or the reversal of such a deficit, is charged (or credited) to the profit and loss account A deficit which represents a clear consumption of economic benefits is charged to the profit and loss account regardless of any such previous surplus

Where depreciation charges are increased / decreased following a revaluation, an amount equal to the increase/decrease is transferred annually from/to the revaluation reserve to/from the profit and loss account as a movement on reserves On the disposal or recognition of a provision for impairment of a revalued fixed asset, any related balance remaining in the revaluation reserve is also transferred to the profit and loss account as a movement on reserves

Depreciation of fixed assets, calculated on cost or revalued amount less estimated residual value, is provided evenly over their estimated useful lives The following periods have been used in determining the amount of depreciation charged -

Category	up to 31 March 2007	from 1 April 2007
Tugs	30 years	20 years
Operational equipment	5 years	5 years
Land & buildings	25 years	25 years

The changes in estimates were due to a reassessment by the Directors made during the period

(c) **Survey costs**

Tugs are maintained generally on a continuous survey basis Survey costs are capitalised and depreciated over the period until the next survey, which is normally two and a half or five years

(d) **Stock**

Stocks, which principally comprise bunker oils, foam and tug stores are stated at the lower of cost and net realisable value

(e) **Interest receivable and payable**

Interest, receivable and payable, is accounted for on an accruals basis

(f) **Tax**

Current tax, including UK Corporation Tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at rates expected to apply when they crystallise based on current tax rates and law Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered Deferred tax assets and liabilities are not discounted

NOTES TO THE ACCOUNTS
For the 18 months ended 31 December 2007

(g) Turnover

Turnover represents the total amount receivable from marine contract services supplied to third parties and is stated net of discounts granted and VAT Turnover is recognised at the point of providing the service

The directors consider that the whole of the activities of the Company constitute a single class of business conducted in the United Kingdom

(h) Pensions

The company participates in a funded group defined benefit pension scheme The pension cost is charged to the profit and loss account and is based on the expected pension costs over the service lives of the employees in the scheme Contributions to the pension scheme are paid according to the advice of independent actuaries

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the period Differences between contributions payable in the period and contributions paid in the period are shown either as accruals or prepayments in the balance sheet

2 Turnover from continuing operations by geographical market

	18 months ended 31 December 2007	12 months ended 30 June 2006
	£	£
United Kingdom	2,261,207	2,774,413

3 Operating profit/(loss)

The following amounts have been charged in arriving at operating profit / (loss)

	18 months ended 31 December 2007	12 months ended 30 June 2006
	£	£
Depreciation of tangible fixed assets	486,167	181,484
Audit fees		
Fees payable to the Company's auditors for the audit of the Company's annual accounts	3,600	4,000

	18 months ended 31 December 2007	12 months ended 30 June 2006
	£	£
Employee costs		
Wages and salaries	651,026	94,875
Social security costs	55,496	9,705
Pension costs	29,881	23,205
	736,403	127,785

The directors received no remuneration in respect of their services to the company during the period (2006 nil)

NOTES TO THE ACCOUNTS
For the 18 months ended 31 December 2007

3. Operating profit/(loss) (continued)

The average number of persons employed by the company during the period was

	18 months ended 31 December 2007 Number	12 months ended 30 June 2006 Number
Staff	2	3
Crew	8	-
	10	3

During the 12 months ended 30 June 2006 the company's vessels were manned by employees of a fellow subsidiary company In February 2007 the employment contracts of the crew were transferred into Felixarc Marine Limited

4 Tax on profit/(loss) on ordinary activities

	18 months ended 31 December 2007 £	12 months ended 30 June 2006 £
Group Relief	-	(110,894)
Prior period adjustment	-	31,071
Total current tax charge / (credit)	-	(79,823)
Total deferred tax charge / (credit)	237,367	(237,367)
Tax charge / (credit) on loss on ordinary activities	237,367	(317,190)

The tax assessed for the period is different than that resulting from applying the standard rate of corporation tax in the UK of 30% (2006 – 30%) The differences are explained below

	18 months ended 31 December 2007 £	12 months ended 30 June 2006 £
Profit / (loss) on ordinary activities before tax	11,163	(850,291)
Tax at 30% thereon	3,349	(255,087)
Tax effect of permanent timing differences	(16,696)	-
Expenses not deductible for tax purposes	300	103,847
Capital allowances in excess of depreciation	24,880	40,346
Prior year losses	(11,833)	31,071
Current tax charge / (credit)	-	(79,823)

FELIXARC MARINE LIMITED

NOTES TO THE ACCOUNTS
For the 18 months ended 31 December 2007

5 **Tangible fixed assets**

	Plant, machinery and vehicles £	Vessels £	Total £
Cost or valuation			
At 1 July 2006	134,430	2,441,034	2,575,464
Additions	-	144,116	144,116
Reclassified on acquisition	(28,743)	28,743	-
Revaluation	(52,095)	(417,824)	(469,919)
At 31 December 2007	53,592	2,196,069	2,249 661
Accumulated depreciation			
At 1 July 2006	51,600	632,985	684,585
Charge for the period pre-revaluation	495	137,777	138,272
Charge for the period post-revaluation	14,570	333,325	347,895
Eliminated on revaluation	(52,095)	(770,762)	(822,857)
At 31 December 2007	14,570	333,325	347,895
Net book value			
At 31 December 2007	39,022	1,945,869	1,984,891
At 30 June 2006	82,830	1,808,049	1,890,879

The vessels accounting policy was changed to a policy of revaluation at 31st March 2007 No prior year adjustment has been made due to practical constraints in producing appropriate comparable data The company's vessels were fully revalued as at 31st March 2007 on the basis of fair market value At the time of the revaluation, vessels were carried at a net book value of £1,687,062 and were revalued to £2,040,000

As at the year end the valuation, with subsequent additions at cost, was as follows

	Vessels 31 December 2007 £
Valuation (31 March 2007)	2,040,000
Cost	156,069
Cost or revaluation at 31 December	2,196,069

6 **Stock**

	31 December 2007 £	30 June 2006 £
Raw materials and consumable stores	18,964	42,618

NOTES TO THE ACCOUNTS
For the 18 months ended 31 December 2007

7 Debtors

	31 December 2007 £	30 June 2006 £
Due within one year		
Trade debtors	275,588	158,368
Amounts due from group undertakings	296,909	94,444
Corporation tax	30	79,823
Other debtors	9,349	17,633
Prepayments and accrued income	2,208	8,165
Deferred tax (note 10)	-	237,367
	584,084	595,800

8 Creditors amounts falling due within one year

	31 December 2007 £	30 June 2006 £
Trade creditors	67,605	99,771
Amounts owed to group undertakings	1,937,441	1,313,688
Other creditors	75,357	56,848
Accruals and deferred income	21,437	89,715
	2,101,540	1,560,022

9 Creditors. amounts falling due after more than one year

	31 December 2007 £	30 June 2006 £
Amounts owed to group undertakings	-	600,000

10 Deferred tax asset

Movement on deferred taxation balance in the period	18 months ended 31 December 2007 £	12 months ended 30 June 2006 £
Opening balance	237,367	-
(Debit) / credit to profit and loss account	(237,367)	237,367
Closing balance	-	237,367

Due to the uncertainty over the future profitability of the company the deferred tax asset has been written back and a current deferred tax asset of £100,466 has not been recognised

11 Called up share capital

	Number of shares	31 December 2007 £	30 June 2006 £
Authorised			
Ordinary shares of £1 each	100,000	100,000	100,000
Allotted, called up and fully paid	85,000	85,000	85,000

12 Statement of movement on reserves and reconciliation of movements in shareholders' funds

	Profit & Loss Account £	Revaluation Reserve £	Share Premium £	Share Capital £	Total 2007 £	Total 2006 £
Shareholder's funds at start of period	(974,113)	-	1,275,000	85,000	385,887	918,988
Loss for the period	(226,204)	-	-	-	(226,204)	(533,101)
Revaluation of fixed assets	-	352,938	-	-	352,938	-
Transfer of amount equivalent to additional depreciation on revalued assets	62,000	(62,000)	-	-	-	-
Shareholders' funds at end of period	1,138,317	290,938	1,275,000	85,000	512,621	385,887

13 Ultimate parent undertaking and controlling party

The company's immediate parent undertaking and controlling party is Svitzer Eastlands Limited which is incorporated in Great Britain The company is a member of the A P Moller - Maersk Group and is ultimately controlled by A P Moller - Maersk A/S which is listed in Denmark and the financial statements are available to the general public from 50 Esplanaden, DK-1098, Copenhagen, Denmark

A P Moller-Maersk A/S is the largest group of undertakings for which group accounts are drawn up and which the company is a member, and Svitzer A/S is the smallest such group of undertakings

14 Statement of cash flows, related party disclosures

The Svitzer A/S accounts for the year ended 31 December 2007 contain a consolidated statement of cash flows The Company has taken advantage of the exemption granted by FRS 1 (Revised) whereby it is not required to publish its own statement of cash flows

The Company has taken advantage of the exemption available under the terms of FRS 8 from disclosing related party transactions with entities that are part of the A P Møller - Maersk A/S group The Company made no other related party transactions during 2007 (2006 £nil)

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FELIXARC MARINE LIMITED

We have audited the financial statements of Felixarc Marine Limited for the period ended 31 December 2007 which comprises the profit and loss account, the balance sheet and the related notes 1 to 14 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' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom 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 with the company 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 United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its loss for the period 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

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Newcastle upon Tyne
29 October **2008**