

Tarvail Limited

Directors' Report and Financial Statements

for the Year Ended 31 March 2008

Registration number 01506327

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Tarvail Limited

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Tarvail Limited
Officers and Advisers

Directors	C W Dalton S J Ede N G McGowan J P Pither J C Parsons (appointed 24 January 2008)
Secretary	XL Secretaries Limited
Registered office	Radbourne 56 Kenilworth Road Leamington Spa Warwickshire CV32 6JW
Solicitors	Beachcroft LLP 100 Fetter Lane London EC4A 1BN
Bankers	Clydesdale Bank West End Fsc 35 Regent Street London SW1Y 4ND
Auditors	RSM Bentley Jennison Chartered Accountants & Registered Auditors Charterhouse Legge Street Birmingham B4 7EU

Tarvail Limited

Directors' Report for the Year Ended 31 March 2008

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

Directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice

Directors are required by company law to prepare financial statements which give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss of the company for the period ending on that date. In preparing those financial statements, directors are required to

- select suitable accounting policies and apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on a 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 company and enable them to ensure the 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.

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and which they know the auditors are unaware of.

Principal activity

The principal activity of the company is that of pipeline design, installation and general engineering.

Business review

The directors consider that the results for the year and the financial position at the end of the year were satisfactory.

Results and dividend

The results for the company are set out in the financial statements.

The directors do not recommend the payment of a dividend.

Directors

The directors who held office during the year were as follows:

- C W Dalton
- S J Ede
- N G McGowan
- J P Pither
- J C Parsons (appointed 24 January 2008)

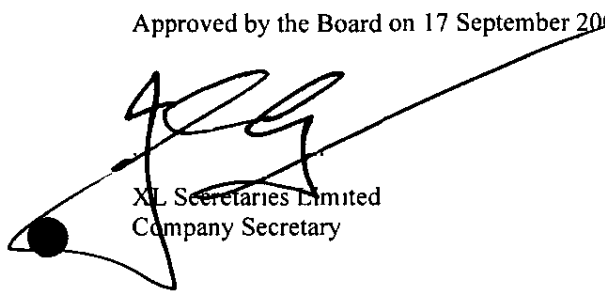
Tarvail Limited
Directors' Report for the Year Ended 31 March 2008

continued

Auditors

The auditors, RSM Bentley Jennison, will be proposed for re-appointment in accordance with section 385 of the Companies Act 1985

Approved by the Board on 17 September 2008 and signed on its behalf by



XL Secretaries Limited
Company Secretary

Independent Auditors' Report to the Members of Tarvail Limited

We have audited the financial statements of Tarvail Limited for the year ended 31 March 2008 set out on pages 5 to 16. These financial statements have been prepared in accordance with 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 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 on page 2, the company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). 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 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

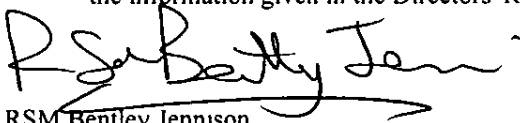
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of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


RSM Bentley Jennison
Chartered Accountants & Registered Auditors

Charterhouse
Legge Street
Birmingham
B4 7EU

17 September 2008

Tarvail Limited
Profit and Loss Account for the Year Ended 31 March 2008

	Note	2008 £	2007 <i>as restated</i> £
Turnover		3,668,445	6,932,876
Cost of sales		(2,348,555)	(4,449,760)
Gross profit		<u>1,319,890</u>	<u>2,483,116</u>
Administrative expenses		(1,013,584)	(1,355,758)
Operating profit	2	<u>306,306</u>	<u>1,127,358</u>
Interest receivable and similar income		2,197	11,347
Interest payable and similar charges	5	(7,726)	(1,382)
Profit on ordinary activities before taxation		<u>300,777</u>	<u>1,137,323</u>
Tax on profit on ordinary activities	6	(44,614)	(334,000)
Profit for the financial year	15	<u><u>256,163</u></u>	<u><u>803,323</u></u>

Turnover and operating profit derive wholly from continuing operations

The notes on pages 8 to 16 form an integral part of these financial statements

Tarvail Limited

Statement of Total Recognised Gains and Losses for the Year Ended 31 March 2008

	2008	2007 <i>as restated</i>
	£	£
Net profit for the year	256,163	803,323
Total gains for the year	256,163	803,323
Prior year adjustment	(154,000)	
Total recognised gains since the last annual report	102,163	

The notes on pages 8 to 16 form an integral part of these financial statements

Tarvail Limited
Balance Sheet as at 31 March 2008

		2008		2007 <i>as restated</i>	
	Note	£	£	£	£
Fixed assets					
Tangible assets	8		25,356		63,226
Current assets					
Stocks	9	129,504		51,936	
Debtors	10	2,446,170		2,380,989	
Cash at bank and in hand		69,336		165,973	
		<u>2,645,010</u>		<u>2,598,898</u>	
Creditors: Amounts falling due within one year	11	<u>(1,503,203)</u>		<u>(1,886,319)</u>	
Net current assets			<u>1,141,807</u>		<u>712,579</u>
Total assets less current liabilities			1,167,163		775,805
Creditors: Amounts falling due after more than one year	12		<u>(15,577)</u>		<u>(10,382)</u>
Net assets			<u>1,151,586</u>		<u>765,423</u>
Capital and reserves					
Called up share capital	14		2,200		2,200
Capital contribution from parent	15		130,000		-
Profit and loss account	15		<u>1,019,386</u>		<u>763,223</u>
Equity shareholders' funds	17		<u>1,151,586</u>		<u>765,423</u>

Approved by the Board on 17 September 2008 and signed on its behalf by


J.C. Parsons
Director

The notes on pages 8 to 16 form an integral part of these financial statements

Tarvail Limited

Notes to the Financial Statements for the Year Ended 31 March 2008

1 Accounting policies

Basis of preparation

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

Cash flow statement

The company is a wholly owned subsidiary of Southern Bear Trading Limited. The ultimate parent of the Group is Southern Bear plc who prepares consolidated financial statements which includes a consolidated cash flow statement. These are available from Companies House and as a result, Tarvail Limited is exempt from the requirement to present a cash flow statement.

Turnover

The turnover shown in the profit and loss account represents amounts receivable for the year, exclusive of value added tax.

In respect of long term contracts and contracts for on-going services, turnover represents the value of work done in the year, including estimates of amounts not received. Turnover in respect of long term contracts for on-going services is recognised by reference to the stage of completion.

Depreciation

Depreciation is provided on tangible fixed assets so as to write off the cost, less any estimated residual value, over their expected useful economic life as follows:

Leasehold property	Over the term of the lease
Plant and machinery	20% straight line basis
Fixtures and fittings	15% and 20% straight line basis
Motor vehicles	25% straight line basis

Stock

Stock is valued at the lower of cost and net realisable value, after due regard for obsolete and slow moving stocks. Net realisable value is based on selling price less anticipated costs to completion and selling costs. Provision is made for any foreseeable losses where appropriate.

Hire purchase and finance lease contracts

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the company, are capitalised in the balance sheet and are depreciated over their useful lives. The capital elements of future obligations under the leases are included as liabilities in the balance sheet. The interest element of the rental obligation is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Assets acquired under instalment finance agreements are treated as tangible fixed assets and depreciation is provided accordingly. The capital element of future finance payments is included within creditors. Finance charges are allocated to accounting periods over the length of the contract.

Operating leases

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

Pensions

The company operates a defined contribution pension scheme. Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme.

Tarvail Limited

Notes to the Financial Statements for the Year Ended 31 March 2008

continued

Share based payment

The company has applied the requirements of FRS 20 "Share-based Payment" In accordance with the transitional provisions, FRS 20 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 1 May 2005

The parent company, Southern Bear plc, issues equity-settled share-based payments to certain employees of the company, Tarvail Limited Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions

Fair value is measured by use of the intrinsic method The adoption of FRS 20 "Share-based payments" has resulted in a charge to the profit and loss account of £nil (2007 £130,000) in respect of bonuses paid in the form of shares in the parent company

The company is a wholly owned subsidiary of Southern Bear plc and full disclosures of share options subject to FRS 20 is disclosed in the consolidated group financial statements of Southern Bear plc

Classification of financial instruments issued by the company

Financial instruments issued by the Company are treated as equity (i.e. forming part of shareholders' funds) only to the extent that 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

2 Operating profit

Operating profit is stated after charging/(crediting)

	2008	2007
	£	£
Hire of plant and machinery (Operating Leases)	22,668	147,721
Auditors' remuneration - audit services	9,000	6,500
Auditors' remuneration - non audit services	1,500	3,500
Profit on sale of tangible fixed assets	-	(12,763)
Depreciation of tangible fixed assets	37,870	33,626

Tarvail Limited

Notes to the Financial Statements for the Year Ended 31 March 2008

continued

3 Particulars of employees

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows

	2008 No.	2007 No.
Production	33	35
Administration	10	10
Management	2	3
	<u>45</u>	<u>48</u>

The aggregate payroll costs of these persons were as follows

	2008 £	2007 <i>as restated</i> £
Wages and salaries	1,265,856	1,674,948
Social security	157,347	128,633
Other pension costs	9,700	4,200
	<u>1,432,903</u>	<u>1,807,781</u>

4 Directors' emoluments

The directors' emoluments for the year are as follows

	2008 £	2007 <i>as restated</i> £
Directors' emoluments (including benefits in kind)	270,985	404,746
Directors' pension contributions	9,700	4,200
	<u>280,685</u>	<u>408,946</u>

N G McGowan and J P Pither received emoluments from Southern Bear plc, details of which are disclosed in the financial statements of that company

During the year the number of directors who were accruing benefits under company pension schemes was as follows

	2008 No.	2007 No.
Money purchase	<u>1</u>	<u>1</u>

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £140,235 (2007 - £206,000 as restated)

Tarvail Limited

Notes to the Financial Statements for the Year Ended 31 March 2008

continued

5 Interest payable and similar charges

	2008 £	2007 £
Other interest payable	4,226	-
Hire purchase interest	3,500	1,382
	<u>7,726</u>	<u>1,382</u>

6 Taxation

Analysis of current period tax charge

	2008 £	2007 <i>as restated</i> £
Current tax		
Corporation tax charge	46,000	334,000
(Over)/under provision in previous year	(1,386)	-
UK Corporation tax	<u>44,614</u>	<u>334,000</u>

Factors affecting current period tax charge

The tax assessed on the profit on ordinary activities for the year is lower than (2007 - lower than) the standard rate of corporation tax in the UK of 30.00% (2007 - 30.00%)

The differences are reconciled below

	2008 £	2007 <i>as restated</i> £
Profit on ordinary activities before taxation	<u>300,777</u>	<u>1,137,323</u>
Standard rate corporation tax charge	90,233	341,197
Expenses not deductible for tax purposes	1,311	1,462
Accelerated capital allowances	7,592	(997)
Charity giving	-	(240)
Group relief	(50,136)	(8,808)
Prior year adjustment	(1,386)	-
Other adjustment	(3,000)	1,386
Total current tax for the year	<u>44,614</u>	<u>334,000</u>

Factors which may affect future tax charges

A deferred tax asset of £15,000 (2007 £8,000) in respect of deferred capital allowances has not been recognised

Tarvail Limited

Notes to the Financial Statements for the Year Ended 31 March 2008

continued

7 Dividends

	2008 £	2007 £
Equity dividends		
Paid	<u>-</u>	<u>578,000</u>

8 Tangible fixed assets

	Leasehold property £	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Total £
Cost					
As at 1 April 2007 and 31 March 2008	<u>22,905</u>	<u>41,434</u>	<u>55,018</u>	<u>143,700</u>	<u>263,057</u>
Depreciation					
As at 1 April 2007	22,905	41,434	52,700	82,792	199,831
Charge for the year	<u>-</u>	<u>-</u>	<u>1,945</u>	<u>35,925</u>	<u>37,870</u>
As at 31 March 2008	<u>22,905</u>	<u>41,434</u>	<u>54,645</u>	<u>118,717</u>	<u>237,701</u>
Net book value					
As at 31 March 2008	<u>-</u>	<u>-</u>	<u>373</u>	<u>24,983</u>	<u>25,356</u>
As at 31 March 2007	<u>-</u>	<u>-</u>	<u>2,318</u>	<u>60,908</u>	<u>63,226</u>

Hire purchase agreements

Included within the total net book value of tangible fixed assets is £24,348 (2007 - £23,287) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets was £24,481 (2007 - £13,192).

9 Stocks and work in progress

	2008 £	2007 £
Stocks	<u>129,504</u>	<u>51,936</u>

Tarvail Limited

Notes to the Financial Statements for the Year Ended 31 March 2008

continued

10 Debtors

	2008	2007
	£	£
Trade debtors	649,502	1,716,153
Amounts owed by group undertakings	1,768,092	516,000
Other debtors	139	-
Prepayments and accrued income	28,437	148,836
	<u>2,446,170</u>	<u>2,380,989</u>

11 Creditors: Amounts falling due within one year

	2008	2007
	£	<i>as restated</i> £
Obligations under finance leases and hire purchase contracts	16,051	41,744
Trade creditors	235,508	791,344
Amounts owed to group undertakings	671,213	37,165
Corporation tax	103,614	492,243
Social security and other taxes	312,736	244,869
Other creditors	7,771	48,954
Accruals and deferred income	156,310	230,000
	<u>1,503,203</u>	<u>1,886,319</u>

12 Creditors: Amounts falling due after more than one year

	2008	2007
	£	£
Obligations under finance leases and hire purchase contracts	<u>15,577</u>	<u>10,382</u>

Tarvail Limited

Notes to the Financial Statements for the Year Ended 31 March 2008

continued

13 Maturity of borrowings

Amounts repayable

	Obligations under finance leases and HP contracts £
As at 31 March 2008	
In one year or less on demand	16,051
Between one and two years	15,577
	<u>31,628</u>
As at 31 March 2007	
In one year or less on demand	41,744
Between one and two years	10,382
	<u>52,126</u>

14 Share capital

	2008 £	2007 £
Authorised		
Equity		
2,000 Ordinary shares of £1 each	2,000	2,000
1,000 B Ordinary non-voting shares of £1 each	1,000	1,000
	<u>3,000</u>	<u>3,000</u>
Allotted, called up and fully paid		
Equity		
2,000 Ordinary shares of £1 each	2,000	2,000
200 B Ordinary non-voting shares of £1 each	200	200
	<u>2,200</u>	<u>2,200</u>

The 'B' ordinary non-voting shares are subject to the restrictions that the holders of the shares are not entitled to receive notice of, attend or vote at any general meeting save where a Resolution is to be proposed that affects the class rights of the 'B' ordinary non-voting shares, the winding up of the company, the issue of any 'B' ordinary non-voting shares, in respect of any surplus arising on the winding up of the company or the issue of any unissued shares of whatever class. The rights of the 'B' ordinary non-voting shareholders in respect of any surplus arising on the winding up of the company shall be limited to the right to receive a maximum of £1 per 'B' ordinary non-voting share.

Tarvail Limited

Notes to the Financial Statements for the Year Ended 31 March 2008

continued

15 Reserves

	Capital contribution from parent £	Profit and loss account £	Total £
Balance at 1 April 2007	-	917,223	917,223
Prior year adjustment	-	(154,000)	(154,000)
As at 1 April 2007 as restated	-	763,223	763,223
Other reserves movement	130,000	-	130,000
Transfer from profit and loss account for the year	-	256,163	256,163
Balance at 31 March 2008	<u>130,000</u>	<u>1,019,386</u>	<u>1,149,386</u>

16 Prior year adjustment

The prior year adjustment represents management bonuses not previously recognised. The impact is to reduce profit before tax for the year ended 31 March 2007 as previously reported by £220,000 and to reduce net assets as previously reported at 31 March 2007 by £154,000.

17 Reconciliation of movements in shareholders' funds

	2008 £	2007 <i>as restated</i> £
Profit attributable to members of the company	256,163	803,323
Dividends	-	(578,000)
	<u>256,163</u>	<u>225,323</u>
Other recognised gains for the year	130,000	-
New share capital subscribed	-	1,000
Net addition to shareholders' funds	<u>386,163</u>	<u>226,323</u>
Opening equity shareholders' funds (originally £919,423 before deducting prior year adjustment of £154,000)	<u>765,423</u>	<u>539,100</u>
Closing equity shareholders' funds	<u>1,151,586</u>	<u>765,423</u>

18 Contingent liabilities

A cross guarantee exists between the main banking facilities of Tarvail Limited, Southern Bear plc and its remaining subsidiaries. At 31 March 2008, net bank loans and overdrafts in the other group companies amounted to £3,124,000 (2007 £1,485,000). These facilities are secured by way of debenture over the assets of the group companies.

Tarvail Limited

Notes to the Financial Statements for the Year Ended 31 March 2008

continued

19 Operating lease commitments

As at 31 March 2008 the company had annual commitments under non-cancellable operating leases as follows

	Land and Buildings	
	2008 £	2007 £
Over five years	<u>17,880</u>	<u>17,880</u>

20 Pension schemes

Defined contribution pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the company to the scheme and amounted to £9,700 (2007 - £4,200)

There were no outstanding or prepaid contributions at either the beginning or end of the financial year

21 Related parties

Controlling entity

The company is a wholly owned subsidiary of Southern Bear Trading Limited which is a wholly owned subsidiary of Southern Bear plc, a company listed on the AIM market with no controlling interest. Copies of the group accounts can be obtained from the registered office Radbourne, 56 Kenilworth Road, Leamington Spa, Warwickshire, CV32 6JW

Southern Bear Plc is the ultimate parent undertaking. Southern Bear Trading Limited is the immediate parent undertaking.

Related party transactions

The company has taken advantage of the exemptions conferred by FRS 8 not to disclose details of transactions with group undertakings of which 90% or more of that company's voting rights are controlled within the group.