



**CLARENCE MARINE
ENGINEERING LIMITED**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2000

CLARENCE MARINE ENGINEERING LIMITED

FINANCIAL STATEMENTS

For the year ended 31 December 2000

Company registration number: 2139067

Registered office: South Street
Gosport
Hampshire
PO12 1EP

Directors: Non executive M R Wright, ARICS
J E Macmillan

Executive G D Phillips
C R P Withinshaw

Secretary: J E Macmillan

Bankers: Barclays Bank Plc
43/44 High Street
Gosport
Hampshire
PO12 1DN

National Westminster Bank Plc
PO Box 25
130 Commercial Road
Portsmouth
PO1 1ES

Lloyds Bank Plc
23/29 Albion Place
Maidstone
Kent
ME14 5DY

Solicitors: Churchers
28 High Street
Gosport
Hampshire
PO12 1DQ

Auditors: Grant Thornton
Registered auditors
Chartered accountants
Enterprise House
Isambard Brunel Road
Portsmouth
PO1 2RZ

CLARENCE MARINE ENGINEERING LIMITED

FINANCIAL STATEMENTS

For the year ended 31 December 2000

INDEX

PAGE

Report of the directors	1 - 2
Report of the auditors	3
Principal accounting policies	4
Profit and loss account	5
Balance sheet	6
Notes to the financial statements	7 - 11

CLARENCE MARINE ENGINEERING LIMITED

REPORT OF THE DIRECTORS

The directors present their report together with financial statements for the year ended 31 December 2000.

Principal activities

The company is principally engaged in marine engineering and maintenance, operating from Clarence Wharf, Gosport, where it continues to maintain the group's launches and ferry vessels, private craft and fishing boats.

Business review

There was a profit for the year after taxation amounting to £13,071 (1999: profit £53,958). The directors do not recommend payment of a dividend (1999: £nil).

The company will continue to maintain the group's ferries, pontoons and equipment while offering comprehensive boatyard services to yachtsmen and commercial fishermen.

Directors

The present membership of the Board is set out below. All directors served throughout the year. In accordance with the Articles of Association, J E Macmillan retires by rotation and being eligible offers himself for re-election.

The interests of the directors and their families in the shares of the company as at 31 December 2000 and 1 January 2000, were as follows:

	Ordinary shares	
	31 December 2000	1 January 2000
M R Wright, ARICS	-	-
J E Macmillan	-	-
G D Phillips	-	-
C R P Withinshaw	-	-

The interests of the directors in the shares of the holding company, The Portsmouth Harbour Ferry Company plc, and of other subsidiaries of the holding company, namely Portsea Harbour Company Limited, Gosport Ferry Limited, and Cobham Travel Services Limited are shown in those companies' accounts.

Directors' responsibilities for the financial statements

Company law requires the directors to prepare financial statements for each financial year which 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; 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 maintaining proper accounting records, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

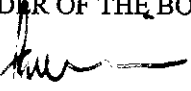
CLARENCE MARINE ENGINEERING LIMITED

REPORT OF THE DIRECTORS

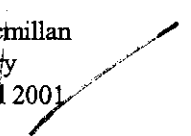
Auditors

Grant Thornton offer themselves for reappointment as auditors in accordance with section 385 of the Companies Act 1985.

BY ORDER OF THE BOARD



J E Macmillan
Secretary
12 April 2001



**REPORT OF THE AUDITORS TO THE MEMBERS OF
CLARENCE MARINE ENGINEERING LIMITED**

We have audited the financial statements on pages 4 to 11 which have been prepared under the accounting policies set out on page 4.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

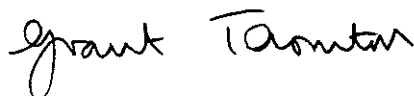
Basis of opinion

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 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 of the state of the company's affairs as at 31 December 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**GRANT THORNTON
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
12 April 2001**

CLARENCE MARINE ENGINEERING LIMITED

PRINCIPAL ACCOUNTING POLICIES

BASIS OF PREPARATION

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

The principal accounting policies of the company have remained unchanged from the previous year and are set out below.

TURNOVER

Turnover is the total amount receivable by the company for services provided, excluding VAT.

TANGIBLE FIXED ASSETS AND DEPRECIATION

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets by equal annual instalments over their expected useful lives. The rates generally applicable are:

Plant and machinery	2% - 20%
Motor vehicles	25%
Fixtures and fittings	10% - 20%

STOCKS

Stocks are stated at the lower of cost and net realisable value.

DEFERRED TAXATION

Deferred tax is provided for under the liability method using the tax rates estimated to arise when the timing differences reverse and is accounted for to the extent that it is probable that a liability or asset will crystallise.

CONTRIBUTIONS TO PENSION FUNDS

Defined contribution scheme

The pension costs charged against profits represent the amount of the contributions payable to the scheme in respect of the accounting period.

LEASED ASSETS

All leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight-line basis over the lease term.

CLARENCE MARINE ENGINEERING LIMITED**PROFIT AND LOSS ACCOUNT**

For the year ended 31 December 2000

	Note	2000 £	1999 £
Turnover		419,606	498,979
Cost of sales		<u>(257,155)</u>	<u>(261,734)</u>
Gross profit		162,451	237,245
Administrative expenses		<u>(161,321)</u>	<u>(177,514)</u>
Operating profit		1,130	59,731
Interest receivable/(payable) and similar charges	2	<u>4</u>	<u>(106)</u>
Profit on ordinary activities before taxation	1	1,134	59,625
Tax on profit on ordinary activities	4	<u>11,937</u>	<u>(5,667)</u>
Profit transferred to reserves	12	<u>13,071</u>	<u>53,958</u>

There were no recognised gains or losses other than the profit for the financial year.

The above relates entirely to continuing activities.

The accompanying accounting policies and notes form an integral part of these financial statements.

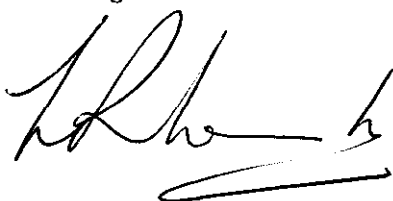
CLARENCE MARINE ENGINEERING LIMITED**BALANCE SHEET AT 31 DECEMBER 2000**

	Note	2000 £	1999 £
Fixed assets			
Tangible assets	5	167,967	186,161
Current assets			
Stocks	6	24,548	45,636
Debtors	7	221,993	451,637
Cash at bank and in hand		425	425
		<u>246,966</u>	<u>497,698</u>
Creditors: amounts falling due within one year	8	<u>(354,579)</u>	<u>(623,983)</u>
Net current liabilities		<u>(107,613)</u>	<u>(126,285)</u>
Total assets less current liabilities		<u>60,354</u>	<u>59,876</u>
Provisions for liabilities and charges	9	<u>(10,577)</u>	<u>(23,170)</u>
		<u>49,777</u>	<u>36,706</u>
Capital and reserves			
Called up share capital	11	2,000	2,000
Profit and loss account	12	47,777	34,706
Shareholders' funds	13	<u>49,777</u>	<u>36,706</u>

The financial statements were approved by the Board of Directors on 12 April 2001

M R Wright

Director



The accompanying accounting policies and notes form an integral part of these financial statements.

CLARENCE MARINE ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2000

1 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The profit on ordinary activities is stated after:	2000	1999
	£	£
Depreciation:		
Tangible fixed assets, owned	18,703	17,342
Hire of plant and machinery	(84)	938
Other operating lease rentals	31,465	30,105

Auditors' remuneration of £1,500 (1999:£1,500), which relates to this company, has been charged in the Portsmouth Harbour Ferry Company plc.

2 INTEREST (RECEIVABLE)/ PAYABLE AND SIMILAR CHARGES

	2000	1999
	£	£
Other interest (receivable)/payable	(4)	106

3 DIRECTORS AND EMPLOYEES

Staff costs during the year were as follows:	2000	1999
	£	£
Wages and salaries	172,907	183,541
Social security costs	17,665	18,368
Other pension costs	6,964	3,171
	197,536	205,080

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

	2000	1999
	Number	Number
Maintenance	8	9
Management	1	1
	9	10

The directors did not receive any remuneration (1999: £nil).

CLARENCE MARINE ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2000

4 TAX ON PROFIT ON ORDINARY ACTIVITIES

	2000 £	1999 £
UK Corporation tax at 20% (1999: 20%)	656	4,781
Deferred taxation	(12,593)	886
	<u>(11,937)</u>	<u>5,667</u>

5 TANGIBLE FIXED ASSETS

	Plant and machinery £	Motor vehicles £	Fixtures and fittings £	Total £
Cost				
At 1 January 2000	296,159	23,369	2,691	322,219
Additions	10	-	499	509
At 31 December 2000	<u>296,169</u>	<u>23,369</u>	<u>3,190</u>	<u>322,728</u>
Depreciation				
At 1 January 2000	110,156	23,368	2,534	136,058
Provided in the year	18,536	-	167	18,703
At 31 December 2000	<u>128,692</u>	<u>23,368</u>	<u>2,701</u>	<u>154,761</u>
Net book amount at 31 December 2000	<u>167,477</u>	<u>1</u>	<u>489</u>	<u>167,967</u>
Net book amount at 31 December 1999	<u>186,003</u>	<u>1</u>	<u>157</u>	<u>186,161</u>

6 STOCKS

	2000 £	1999 £
Engineering spares and materials	<u>24,548</u>	<u>45,636</u>

CLARENCE MARINE ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2000

7 DEBTORS

	2000 £	1999 £
Trade debtors	1,087	4,406
Amounts owed by fellow subsidiary undertakings	218,839	440,477
Other debtors	-	123
Prepayments and accrued income	2,067	6,631
	<u>221,993</u>	<u>451,637</u>

8 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2000 £	1999 £
Bank overdraft	9,086	6,344
Trade creditors	18,446	16,214
Amounts owed to parent undertaking	319,001	577,653
Corporation tax	656	4,781
Social security and other taxes	5,329	5,585
Other creditors	1,575	-
Accruals and deferred income	486	13,406
	<u>354,579</u>	<u>623,983</u>

9 PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred taxation £
At 1 January 2000	23,170
Provided during the year	(12,593)
At 31 December 2000	<u>10,577</u>

10 DEFERRED TAXATION

Deferred taxation provided for in the financial statements is set out below.

	Amount provided 2000 £	1999 £
Accelerated capital allowances	<u>10,577</u>	<u>23,170</u>

CLARENCE MARINE ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2000

11 SHARE CAPITAL

	2000 £	1999 £
Authorised 2,000 ordinary shares of £1 each	<u>2,000</u>	<u>2,000</u>
Allotted, called up and fully paid 2,000 ordinary shares of £1 each	<u>2,000</u>	<u>2,000</u>

12 RESERVES

	Profit and loss account £
At 1 January 2000	34,706
Retained profit for the year	<u>13,071</u>
At 31 December 2000	<u>47,777</u>

13 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2000 £	1999 £
Profit for the financial year	<u>13,071</u>	<u>53,958</u>
Net increase in shareholders' funds	<u>13,071</u>	<u>53,958</u>
Shareholders' funds at 31 January	<u>36,706</u>	<u>(17,252)</u>
Shareholders' funds at 31 December	<u>49,777</u>	<u>36,706</u>

14 PENSIONS

Defined Contribution Scheme

The company operates a defined contribution pension scheme for the benefit of the employees and directors. The assets of the scheme are administered by trustees in a fund independent from those of the company.

CLARENCE MARINE ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2000

15 LEASING COMMITMENTS

Operating lease payments amounting to £31,000 (1999: £30,105) are due within one year. The leases to which these amounts relate expire as follows:

	2000 Land and buildings £	1999 Land and buildings £
In one year or less	<u>31,000</u>	<u>30,105</u>

16 CAPITAL COMMITMENTS

The company had no capital commitments at 31 December 2000 or 31 December 1999.

17 CONTINGENT LIABILITIES

There were no contingent liabilities at 31 December 2000 or 31 December 1999.

18 RELATED PARTY TRANSACTIONS

As a wholly owned subsidiary of The Portsmouth Harbour Ferry Company plc, the company is exempt from the requirements of FRS 8 to disclose transactions with other members of the group.

The largest and smallest group of undertakings for which group accounts have been drawn up is that headed by The Portsmouth Harbour Ferry Company plc which is registered in England and Wales. Copies of the group accounts can be obtained from The Portsmouth Harbour Ferry Company plc, South Street, Gosport, Hampshire, PO12 1EP.

19 ULTIMATE PARENT UNDERTAKING

The directors consider that the ultimate parent undertaking of this company is The Portsmouth Harbour Ferry Company plc, registered in England and Wales.

The Portsmouth Harbour Ferry Company plc is this company's controlling and ultimate controlling related party by virtue of owning 100% of the issued share capital of the company.