

FBM MARINE HOLDINGS (UK) LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED 31 MARCH 1998

Registered Number 2530482



FBM MARINE HOLDINGS (UK) LIMITED

Annual Report for the year ended 31 March 1998

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FBM MARINE HOLDINGS (UK) LIMITED

Directors and advisers

Executive Directors

**E J Warbey
T W M Liu
L Baum**

Registered Auditors

Deloitte & Touche
Mountbatten House
1 Grosvenor Square
Southampton
SO15 2BZ

Solicitors

Watson Farley & Williams
15, Appold Street
London
EC2A 2HB

Secretary and Registered Office

T T Bushell
Cowes Shipyard
Cowes
Isle of Wight
PO31 7DL

Bankers

Barclays Bank PLC
Fleet Street Business Centre
Strand Corporate Banking Centre
Burleigh House
P. O. Box 90
357 Strand
London WC2R 0NX

FBM MARINE HOLDINGS (UK) LIMITED

Directors' report for the year ended 31 March 1998

The Directors present their report and the audited financial statements for the year ended 31 March 1998.

Principal activities

The principal activities of the Group are shipbuilding, design, repairs and marine engineering.

Review of business and future developments

The consolidated profit and loss account for the year is set out on Page 7. Turnover has increased by over 65% in the 1997/8 year reflecting the successful completion of major contracts for both European and Far Eastern customers. Correspondingly the Group has seen a significant return to profitability which underlies a trend established in 1995 and 1996.

Total value of craft on order or under construction at 31 March 1998 is £25 million.

The Group is well positioned to take advantage of the current buoyancy in the European and American marketplaces although growth potential is restricted by financial uncertainty in the Far East.

The Directors remain confident that the Group's growing reputation in the fast ferry sector of the shipbuilding industry and its flexible approach will continue, notwithstanding the continued strength of sterling, to form a steady base for profitability over the coming years.

Results and Dividends

The profit for the year, after taxation, amounted to £1,628,000 (1997: Loss £2,009,000). It is recommended that this amount be transferred to reserves. Other movements in reserves are set out in note 18. The directors recommend that no dividend is paid (1997: £Nil).

FBM MARINE HOLDINGS (UK) LIMITED

Directors' report for the year ended 31 March 1998

Directors and their interests

The directors of the company are listed on page 2. All served on the Board throughout the year.

None of the directors had any interest, directly or indirectly, in the shares of the company, its ultimate holding company or any subsidiary thereof.

Employees

The Group's policy is to consult and discuss with employees matters likely to affect employees' interests, through unions, staff councils and at meetings.

Information on matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the Group's performance.

The Group's policy is to recruit disabled workers for those vacancies that they are able to fill. All necessary assistance with initial training courses is given. Once employed, a career plan is developed so as to ensure suitable opportunities for each disabled person. Arrangements are made, wherever possible, for retraining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities.

Insurance of directors

The Group maintains insurance for FBM Marine Holdings (UK) Limited's directors in respect of their duties as directors of the company.

Research and Development

The Group continues its development programme in new hull forms and manufacturing techniques and ongoing projects are expected to make significant contributions towards future sales and profitability.

Year 2000

A year 2000 working group has been established to review the impact of the millennium bug on the Group's business and operations. Appropriate steps have already been taken to upgrade internal systems and consultations with business partners are now in hand to address future continuity of supply.

Current assessments of costs with the Year 2000 problem indicate a minimal financial impact on the Group's business resources.

FBM MARINE HOLDINGS (UK) LIMITED

Directors' report for the year ended 31 March 1998

Directors' responsibilities

The directors are required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and the group as at the end of the financial year and of the profit or loss of the group for that year.

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 March 1998. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

Deloitte & Touche were appointed auditors during the year and a resolution to confirm their appointment will be proposed at the forthcoming Annual General Meeting.

By order of the Board



**T T Bushell
Company Secretary**

31 July 1998

**Report of the auditors to the members of
FBM MARINE HOLDINGS (UK) LIMITED**

We have audited the financial statements on pages 7 to 31 in accordance with Accounting Standards which have been prepared under the accounting policies set out on pages 11 to 14.

Respective responsibilities of directors and auditors

As described on page 5, the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

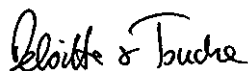
Basis of opinion

We conducted our audit in accordance with 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 affairs of the company and the group as at 31 March 1998 and of the profit and cash flows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche

Chartered Accountants and Registered Auditors
Mountbatten House
1 Grosvenor Square
Southampton SO15 2BE

21 July 1998

FBM MARINE HOLDINGS (UK) LIMITED

Consolidated profit and loss account for the year ended 31 March 1998.

	<u>Notes</u>	<u>1998</u> <u>£000</u>	<u>1997</u> <u>£000</u>
Turnover	2	29,167	17,568
Cost of sales		<u>(25,970)</u>	<u>(17,858)</u>
Gross profit/(loss)		3,197	(290)
Administrative expenses		<u>(1,280)</u>	<u>(1,939)</u>
Operating profit/(loss)		1,917	(2,229)
Interest receivable and similar income	5	2	460
Interest payable and similar charges	6	<u>(288)</u>	<u>(240)</u>
Profit/(loss) on ordinary activities before taxation	7	1,631	(2,009)
Tax on profit/(loss) on ordinary activities	8	3	-
Profit/(loss) for the financial year	9, 18	1,628 =====	(2,009) =====

All the group's activities relate to continuing operations.

The group has no recognised gains and losses other than the results above and therefore no separate statement of total recognised gains and losses has been presented.

	<u>1998</u> <u>£000</u>	<u>1997</u> <u>£000</u>
Note of historical cost profits and losses:		
Reported profit/(loss) on ordinary activities before taxation	1,631	(2,009)
Difference between a historical depreciation charge and the actual depreciation charge of the year calculated on the revalued amount	21	21
Historical cost profit/(loss) on ordinary activities before taxation	<u>1,652</u> =====	<u>(1,988)</u> =====
Historical cost profit/(loss) for the year retained after taxation and dividends	1,652 =====	(1,988) =====

FBM MARINE HOLDINGS (UK) LIMITED AND SUBSIDIARY COMPANIES

Consolidated balance sheet at 31 March 1998

	<u>Notes</u>	31 March 1998 £000	31 March 1997 £000
Fixed assets			
Intangible assets	10	855	990
Tangible assets	11	1,946	2,149
Investments	12	68	68
		<u>2,869</u>	<u>3,207</u>
Current assets			
Stock	13	3,140	1,950
Debtors	14	9,051	10,884
Cash at bank and in hand		3	3
		<u>12,194</u>	<u>12,837</u>
Current liabilities			
Creditors: amounts falling due within one year	15	(15,267)	(12,440)
Net current (liabilities)/ assets		<u>(3,073)</u>	<u>397</u>
Total assets less current liabilities		<u>(204)</u>	<u>3,604</u>
Creditors: Amounts falling due after more than one year	15	(104)	(5,641)
Provisions for liabilities and charges	16	(215)	(114)
		<u>(523)</u>	<u>(2,151)</u>
		=====	=====
Capital and reserves			
Called up share capital	17	1,255	1,255
Capital reserve	18	538	538
Share premium account	18	49	49
Revaluation reserve	18	702	733
Profit and loss account	18	(3,067)	(4,726)
Equity shareholders' funds	18	<u>(523)</u>	<u>(2,151)</u>
		=====	=====

These financial statements were approved by the Board of Directors on 31 July 1998 and were signed on its behalf by:


John Warbey
Director

FBM MARINE HOLDINGS (UK) LIMITED

Balance sheet at 31 March 1998

	<u>Notes</u>	31 March 1998 £000	31 March 1997 £000
Fixed assets			
Investments	12	30	30
Current assets			
Debtors: Amounts falling due within one year	14	1,504	5,219
Current liabilities			
Creditors: Amounts falling due within one year	15	(1,314)	(35)
Net current assets		190	5,184
Total assets less current liabilities		220	5,214
Creditors: Amounts falling due after more than one year	15	(39)	(5,033)
		181	181
Capital and reserves			
Called up share capital	17	1,255	1,255
Share premium account	18	49	49
Profit and Loss account	18	(1,123)	(1,123)
Equity shareholders' funds		181	181

FBM MARINE HOLDINGS (UK) LIMITED AND SUBSIDIARY COMPANIES

Consolidated cash flow statement for the year ended 31 March 1998

	<u>Notes</u>	<u>1998</u> <u>£000</u>	<u>1997</u> <u>£000</u>
Cash flow from operating activities	19a	7,105	(373)
Returns on investments and servicing of finance	19b	(286)	(234)
Capital expenditure and financial investment	19c	(217)	(170)
Cash inflow/(outflow) before use of liquid resources and financing		<u>6,602</u>	<u>(777)</u>
Financing	19d		
(Decrease)/Increase in debt		(7,074)	(6)
(Decrease) in cash in the period		<u>(472)</u> =====	<u>(783)</u> =====
Reconciliation of net cash flow to movement in net debt (note 19)			
Decrease in cash in the period		(472)	(783)
Cash inflow from decrease in debt and lease financing		7,074	6
Movement in net debt in the period		<u>6,602</u>	<u>(777)</u>
Net debt at 1 April 1997		(7,547)	(6,770)
Net debt at 31 March 1998		<u>(945)</u> =====	<u>(7,547)</u> =====

FBM Marine Holdings (UK) Limited

Notes to the financial statements for the year ended 31 March 1998

1. Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important group accounting policies, which have been applied consistently, is set out below.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention modified by the revaluation of certain fixed assets. The Hong Kong Parkview Group Limited has undertaken to give such financial assistance as is necessary to the FBM group of companies. On the strength of such assurances, the financial statements have been prepared on the basis of a going concern.

Basis of consolidation

The consolidated financial statements include the company and all its subsidiary undertakings. The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the date of their acquisition or up to the date of their disposal. Intra-group sales and profits are eliminated on consolidation.

As permitted by section 230 of the Companies Act 1985, the parent's profit and loss account has not been included in these financial statements.

Associated undertakings

The group's share of profits less losses of associated undertakings is included in the consolidated profit and loss account, and the group's share of their net assets is included in the balance sheet. These amounts are derived from the latest audited financial statements of the undertakings concerned.

Development expenditure

Development expenditure relating to designs of a specific class of vessel intended for commercial exploitation is capitalised as an intangible asset. In 1996 the directors re-appraised the useful economic lives of certain assets and formed the view that the life of certain classes of vessel is ten years. Accordingly, the period of amortisation for these assets was extended from four years to ten years. Other design assets continue to be amortised over four years. Expenditure on pure and applied research is written off as incurred.

FBM Marine Holdings (UK) Limited

Notes to the financial statements for the year ended 31 March 1998

Tangible fixed assets

The cost of fixed assets is their purchase cost, together with any incidental costs of acquisition. Depreciation is calculated so as to write off the cost, or valuation of tangible fixed assets, less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:-

Freehold buildings	5%
Leasehold interest and improvements	Over the life of the lease
Plant and equipment	5-20% per annum
Tooling	20 - 33 1/3% per annum
Motor vehicles	25% per annum

Freehold land is not depreciated.

Finance and operating leases

Costs in respect of operating leases are charged on a straight line basis over the term of the lease. Leasing agreements, which transfer to the group substantially all the benefits and risks of ownership of an asset, are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitments are shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease terms and the useful lives of equivalent owned assets.

Stocks and work in progress, excluding long-term contracts

Stocks and work in progress are stated at the lower of cost and net realisable value. In general, cost is determined on a first in first out basis and includes transport and handling costs. In the case of manufactured products, cost includes all direct expenditure and production overheads based on the normal level of activity. Where necessary, provision is made for obsolete, slow moving and defective stocks.

FBM Marine Holdings (UK) Limited

Notes to the financial statements for the year ended 31 March 1998

Long-term contracts

Turnover on long-term contracts is recognised according to the stage reached in the contract by reference to the value of work done. A prudent estimate of the profit attributable to work completed is recognised once the outcome of the contract can be assessed with reasonable certainty. The amount by which the turnover exceeds payments on account is shown under debtors as amounts recoverable on contracts. The costs on long-term contracts not yet taken to the profit and loss account less related foreseeable losses and payments on account are shown in stocks as long-term contract balances.

Foreign currencies

Income and expenditure are recognised in the profit and loss account at the exchange rate ruling at the transaction dates unless the transaction is subject to contract rates. Assets and liabilities in overseas currencies are translated into sterling at the rates ruling at the balance sheet date. Foreign exchange differences are taken to the profit and loss account in the period in which they arise.

Turnover

Turnover, which excludes value added tax, sales between group companies and trade discounts, represents the invoiced value of goods and services supplied and the value of long-term contract work done, including licence fees.

Investment income

Income from investments, other than from associated undertakings, is included, together with the related tax credit, in the consolidated profit and loss account on an accruals basis.

Deferred taxation

Provision is made for deferred taxation, using the liability method, on all material timing differences to the extent that it is probable that a liability or asset will crystallise.

Pension scheme arrangements

The group operates a defined benefit pension scheme which is contracted out of the state scheme. The fund is valued every three years by a professionally qualified independent actuary, the rates of contribution payable being determined by the actuary. In the intervening years the actuary reviews the continuing appropriateness of the rates. Pension costs are accounted for on the basis of charging the expected

FBM Marine Holdings (UK) Limited

Notes to the financial statements for the year ended 31 March 1998

Pension scheme arrangements (continued)

cost of providing pensions over the year during which the company benefits from the employees' services.

The group does not provide any other post retirement benefits.

Government grants

Grants that relate to specific long term contracts are treated as deferred credits, which are then taken to the profit and loss account according to the stage reached in the contract by reference to the value of the work done.

2. Turnover

- a. The Group carries out one class of business, being specialised ship design, licensing, building and related marine engineering.

Turnover may be analysed as follows:-

	<u>1998</u> £000	<u>1997</u> £000
Sales of marine craft and associated licence fees	29,167	18,602
Less: Exceptional charge	-	(1,034)
	<u>29,167</u> =====	<u>17,568</u> =====
b. Geographical market supplied:		
	<u>1998</u> £000	<u>1997</u> £000
Europe (excl. the UK)	18,631	2,658
Asia/Middle East	3,985	7,808
Other	1,288	1,344
Total overseas	<u>23,904</u>	<u>11,810</u>
United Kingdom	5,263	5,758
Total	<u>29,167</u> =====	<u>17,568</u> =====

FBM Marine Holdings (UK) Limited

Notes to the financial statements for the year ended 31 March 1998

2. Turnover (continued)

Sales to the Americas included £560,000 (1997: Nil) subcontract design work from another Hong Kong Parkview group Company. Sales to Asia/Middle East included sales of £3,868,213 (1997: £6,858,725) to group joint venture companies.

In 1997 an exceptional charge of £1,034,080 against turnover and profits was incurred in the year due to the amendment of contract terms in respect of ferries supplied in previous years to companies in the Far East in which the parent company has a 50% non controlling interest.

	<u>1998</u> £000	<u>1997</u> £000
3. Directors' emoluments		
Remuneration in aggregate:		
Emoluments (including benefits in kind)	4	44
Pension contributions	11	11
Other fees	-	-
	<u>15</u>	<u>55</u>
	=====	=====

Two of the Company's directors are members of the defined benefit pension scheme referred to in Note 23.

4. Employee information

The average weekly number of persons (including executive directors) employed by the group during the year was:-

	<u>1998</u> Number	<u>1997</u> Number
By activity		
Direct	166	149
Indirect	89	104
	<u>255</u>	<u>253</u>
	=====	=====
	£000	£000
Staff costs (for above persons)		
Wages and salaries	4,684	4,555
Social security costs	408	389
Other pension costs (see note 23)	272	224
	<u>5,364</u>	<u>5,168</u>
	=====	=====

FBM Marine Holdings (UK) Limited

**Notes to the financial statements for the
year ended 31 March 1998**

5.	Interest receivable and similar income	<u>1998</u> £000	<u>1997</u> £000
	Interest on cash deposit	2	6
	Interest receivable from group company	-	454
		<u>2</u>	<u>460</u>
		=====	=====
6.	Interest payable and similar charges	<u>1998</u> £000	<u>1997</u> £000
	Bank loans and overdrafts	285	159
	Other loans	20	36
	On finance leases	(17)	45
		<u>288</u>	<u>240</u>
		=====	=====
7.	Profit/(loss) on ordinary activities before taxation	<u>1998</u> £000	<u>1997</u> £000
	Profit/(loss) on ordinary activities before taxation is stated after charging/(crediting):-		
	Amortisation of Government grants	(305)	(226)
	Depreciation charge for the year		
	- tangible owned fixed assets	308	300
	- tangible fixed assets held under finance leases	112	104
	Amortisation of intangible assets	135	147
	Operating leases		
	- hire of plant and machinery	36	57
	- other operating leases	34	119
	Foreign exchange (gain)/loss	(130)	34
	Auditors' remuneration:		
	- Audit	24	24
	- Non audit	23	46
		=====	=====

FBM Marine Holdings (UK) Limited

Notes to the financial statements for the year ended 31 March 1998

8.	Tax on profit on ordinary activities	<u>1998</u> £000	<u>1997</u> £000
	United Kingdom corporation tax at 31% (1997 - 33%)		
	Current	3	-
		=====	=====

The Group has tax losses to carry forward against future years of approximately £4,400,000, which have yet to be agreed by the Inland Revenue (1997: £6,500,000).

9. Profit/(loss) for the financial year

As permitted by Section 230 of the Companies Act 1985, the holding company's profit and loss account has not been included in these statements. Of the profit for the financial year, £Nil is dealt with in the financial statements of the company, (1997: £NIL).

10. Intangible fixed assets

Class Designs and Deferred
Development Costs
£000

GROUP

Cost

At 1 April 1997 and 31 March 1998	2,197
	=====

Amortisation

At 1 April 1997	1,207
Charge for the year	135

At 31 March 1998	1,342
	=====

Net book value

At 31 March 1998	855
	=====

At 31 March 1997	990
	=====

FBM Marine Holdings (UK) Limited

Notes to the financial statements for the year ended 31 March 1998

11. Tangible fixed assets

	Land and buildings	Lease- hold improve- ments	Plant, equipment, tooling & vehicles	Total
	£000	£000	£000	£000
GROUP				
Cost or valuation				
At 1 April 1997	1,845	265	2,930	5,040
Additions	-	-	217	217
At 31 March 1998	1,845	265	3,147	5,257
Depreciation				
At 1 April 1997	637	215	2,039	2,891
Charge for the year	80	8	332	420
At 31 March 1998	717	223	2,371	3,311
Net book value				
At 31 March 1998	1,128	42	776	1,946
	=====	=====	=====	=====
At 31 March 1997	1,208	50	891	2,149
	=====	=====	=====	=====

The net book value of plant, equipment, tooling and vehicles includes an amount of £274,091 (1997: £265,350) in respect of assets held under finance leases.

FBM Marine Holdings (UK) Limited

Notes to the financial statements for the year ended 31 March 1998

11. Tangible fixed assets (continued)

Cost or valuation at 31 March 1998 is represented by:-

	Land and buildings	Lease- hold improve- ments	Plant, equipment, tooling & vehicles	Total
	£000	£000	£000	£000
Valuation in 1988				
- Freehold	1,450	-	-	1,450
- Short leasehold	50	-	-	50
Cost	345	265	3,147	3,757
	<u>1,845</u>	<u>265</u>	<u>3,147</u>	<u>5,257</u>
	=====	=====	=====	=====

Land and buildings were revalued on the basis of an open market valuation for existing use at 31 December 1988 by Druce & Company, Surveyors. No valuation of land and buildings has been carried out since 31 December 1988, but the directors are of the opinion that there has been no permanent diminution in the value of the assets to the FBM group since that date.

If certain freehold land and buildings had not been revalued they would have been included at the following amounts:-

	31 March <u>1998</u> £000	31 March <u>1997</u> £000
Cost	1,014	1,014
Depreciation	(588)	(452)
Net book value based on cost	<u>426</u>	<u>562</u>
	=====	=====

FBM Marine Holdings (UK) Limited

**Notes to the financial statements for the
year ended 31 March 1998**

12. Investments

Group	Associated undertakings	Trade investments	Total
	<u>£000</u>	<u>£000</u>	<u>£000</u>
Cost or valuation			
At 1 April 1997 and 31 March 1998	<u>250</u>	<u>68</u>	<u>318</u>
Amounts written off			
At 1 April 1997 and 31 March 1998	<u>250</u>	<u>-</u>	<u>250</u>
Net book value			
At 31 March 1997 and 31 March 1998	<u>-</u>	<u>68</u>	<u>68</u>
	=====	=====	=====
Company			
	Subsidiaries	Associated Undertakings	Total
	<u>£000</u>	<u>£000</u>	<u>£000</u>
Cost or valuation			
At 1 April 1997 and 31 March 1998	<u>3,241</u>	<u>250</u>	<u>3,491</u>
Amounts written off			
At 1 April 1997 and 31 March 1998	<u>3,211</u>	<u>250</u>	<u>3,461</u>
Net book value			
At 31 March 1997 and 31 March 1998	<u>30</u>	<u>-</u>	<u>30</u>
	=====	=====	=====

FBM Marine Holdings (UK) Limited

Notes to the financial statements for the year ended 31 March 1998

12. Investments (continued)

Interest in group undertakings

Interest in group undertakings			Proportion of nominal value of issued shares held by	
Name of Undertaking	Country of incorporation or registration and operation	Description of Shares held	Group %	Company %
Subsidiaries				
FBM Marine Limited	England and Wales	Ordinary £1 Shares	100	100
FBM Support Services Limited	England and Wales	Ordinary £1 Shares	100	100
Brooke Marine Shipbuilders Limited	England and Wales	Ordinary £1 Shares	100	-

And the following dormant companies

FBM Shipbuilders Limited	England and Wales	Ordinary £1 Shares	100	100
FBM Commercial Limited	England and Wales	Ordinary £1 Shares	100	100
FBM Workboats Limited	England and Wales	Ordinary £1 Shares	100	100
FBM Marine Group Limited	England and Wales	Ordinary £1 Shares	100	100
FBM Design Limited	England and Wales	Ordinary £1 Shares	100	100
FBM International Limited	England and Wales	Ordinary £1 Shares	100	100
FBM Allday Marine Limited	England and Wales	Ordinary £1 Shares	100	-
Cheverton Marine Limited	England and Wales	Ordinary £1 Shares	100	-

Associated Undertakings:

FBV Designs Limited	England and Wales	Ordinary £1 Shares	50	50
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FBM Marine Holdings (UK) Limited

Notes to the financial statements for the year ended 31 March 1998

12. Investments (continued)

FBM Marine Limited, FBM Support Services Limited and Brooke Marine Shipbuilders Limited all carry on business within the scope of activities referred to in Note 2a.

13. Stock	Group		Company	
	31 March 1998 £000	31 March 1997 £000	31 March 1998 £000	31 March 1997 £000
Raw materials and consumables	799	209	-	-
Work in progress	52	399	-	-
Less: applicable payments on account	(33)	(239)	-	-
Finished goods	<u>-</u>	<u>2</u>	<u>-</u>	<u>-</u>
	818	371	-	-
Long-term contract work in progress (Net cost less foreseeable losses)	2,322	1,579	-	-
	<u>3,140</u>	<u>1,950</u>	<u>-</u>	<u>-</u>
	=====	=====	=====	=====

14. Debtors	Group		Company	
	31 March 1998 £000	31 March 1997 £000	31 March 1998 £000	31 March 1997 £000
Trade debtors	3,551	1,800	-	-
Amounts recoverable on contracts	963	1,584	-	-
Amounts owed by holding companies	2,010	6,273	1,504	-
Amounts owed by fellow subsidiary undertakings	747	-	-	-
Amounts owed by subsidiary undertakings	-	-	-	5,219
Other debtors	621	892	-	-
Prepayments and accrued income	1,159	335	-	-
	<u>9,051</u>	<u>10,884</u>	<u>1,504</u>	<u>5,219</u>
	=====	=====	=====	=====

FBM Marine Holdings (UK) Limited

Notes to the financial statements for the year ended 31 March 1998

14. Debtors (continued)

Amounts recoverable on contracts includes gross incremental costs of £733,562 incurred by the group in a prior year as a result of the failure of certain components being supplied to FBM Marine Limited. The Company is continuing to vigorously pursue claims to recover these costs and other consequential losses against the suppliers of the components. Until such time as the claims are finalised and agreed by the suppliers, the precise outcome of the claims cannot be determined. However, the directors are confident that the net amounts included in the accounts will be recovered in full.

Included in prepayments and accrued income is an amount of £101,250 (1997: £116,250) which falls due after more than one year. The amounts owed by the subsidiary undertakings to the Company fall due after more than one year.

FBM Marine Holdings (UK) Limited

Notes to the financial statements for the year ended 31 March 1998

15 Creditors

	Group		Company	
	31 March	31 March	31 March	31 March
	<u>1998</u>	<u>1997</u>	<u>1998</u>	<u>1997</u>
	£000	£000	£000	£000
Amounts falling due within one year				
Bank overdraft (secured)	1,738	1,266	-	-
Bank loan (secured)	500	500	-	-
Obligations under finance leases	110	143	-	-
Payments received on account	3,578	4,594	-	-
Trade creditors	4,256	3,462	-	-
Amounts owed to subsidiary undertakings	-	-	1,314	35
Amounts owed to fellow subsidiary undertakings	-	17	-	-
Amounts owed to related undertakings	48	67	-	-
Other taxation and social security	135	121	-	-
Other creditors	280	783	-	-
Accruals and deferred income	4,622	1,487	-	-
	<u>15,267</u>	<u>12,440</u>	<u>1,314</u>	<u>35</u>
	=====	=====	=====	=====

Amounts falling due after more than one year

	Group		Company	
	31 March	31 March	31 March	31 March
	<u>1998</u>	<u>1997</u>	<u>1998</u>	<u>1997</u>
	£000	£000	£000	£000
Bank loan (secured)	-	500	-	-
Other loan (unsecured)	39	88	39	88
Owed to holding company	-	4,945	-	4,945
Obligations under finance leases:				
Due between 2 and 5 years	65	108	-	-
	<u>104</u>	<u>5,641</u>	<u>39</u>	<u>5,033</u>
	=====	=====	=====	=====

FBM Marine Holdings (UK) Limited

Notes to the financial statements for the year ended 31 March 1998

15. Creditors (continued)

Amounts owed both on other loan (unsecured) and to holding company are interest free with no fixed date for repayment. However, no repayment falls due within one year. The bank loan and overdraft are secured by a fixed charge over the freehold property at Cowes Shipyard and by a floating charge over the assets of the group, together with a corporate guarantee given by the ultimate holding company.

Finance leases are secured on the assets to which they relate.

Loans

	Bank Loans £000	Other Loans £000	Total £000
Repayable:			
In one year or less	500	-	500
Between 2 and 5 years	-	39	39
	<u>500</u>	<u>39</u>	<u>539</u>
	=====	=====	=====

Finance leases:

	<u>1998</u> £000	<u>1997</u> £000
Expiring within one year	110	143
Expiring between two and five years inclusive	65	108
	<u>175</u>	<u>251</u>
	=====	=====

16. Provisions for liabilities and charges

Group

£000

Provision for warranty costs:

At 1 April 1997	114
Utilised	(119)
Provided in the year	220
At 31 March 1998	<u>215</u>
	=====

FBM Marine Holdings (UK) Limited

**Notes to the financial statements for the
year ended 31 March 1998**

16. Provision for liabilities and charges (continued)

Deferred taxation

Deferred taxation provided in the financial statements and the total potential liability including the amounts for which provision has been made, are as follows:-

Group	Amount provided		Total potential liability	
	31 March	31 March	31 March	31 March
	<u>1998</u>	<u>1997</u>	<u>1998</u>	<u>1997</u>
	£000	£000	£000	£000
Tax effect of timing differences because of excess of tax allowances over depreciation	365	338	365	338
Less trading losses available	(365)	(338)	(365)	(338)
	—	—	—	—
	=====	=====	=====	=====

No provision is made for deferred taxation in respect of the revalued properties since they are not expected to give rise to any chargeable gains on disposal.

17. Called up share capital

	31 March	31 March
	<u>1998</u>	<u>1997</u>
	£000	£000
Authorised		
Ordinary shares of £1 each	5,000	5,000
	=====	=====
Allotted, called up and fully paid		
Ordinary shares of £1 each	1,255	1,255
	=====	=====

FBM Marine Holdings (UK) Limited

**Notes to the financial statements for the
year ended 31 March 1998**

18. Share premium account and reserves

	Capital Reserve	Share Premium	Revalu- ation Reserve	Profit & Loss Account
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Group				
At 1 April 1997	538	49	733	(4,726)
Transfer from revaluation reserve to profit and loss account	-	-	(31)	31
Profit for the financial year	-	-	-	1,628
At 31 March 1998	<u>538</u>	<u>49</u>	<u>702</u>	<u>(3,067)</u>
	=====	=====	=====	=====
Company				
At 1 April 1997 and 31 March 1998	-	49	-	(1,123)
	=====	=====	=====	=====
Reconciliation of movements in equity shareholders' funds		<u>1998</u> <u>£000</u>		<u>1997</u> <u>£000</u>
Opening equity shareholders' funds		(2,151)		(142)
Profit/(loss) for the financial year		1,628		(2,009)
Closing equity shareholders' funds		<u>(523)</u>		<u>(2,151)</u>
		=====		=====

FBM Marine Holdings (UK) Limited

**Notes to the financial statements for the
year ended 31 March 1998**

**19. Analysis of Cash Flows for Headings
Netted in the Cash Flow Statement**

a.Reconciliation of operating profit to net cash inflow from operating activities	<u>1998</u> £000	<u>1997</u> £000
Operating activities		
Operating profit/(loss)	1,917	(2,229)
Depreciation on tangible fixed assets	420	404
Amortisation on intangible fixed assets	135	147
(Increase) in stocks	(1,190)	(1,151)
(Increase) in non group trade debtors	(1,751)	(384)
Decrease in amounts recoverable on contracts.	621	2,107
Decrease in amounts due from group companies	4,988	57
Decrease/increase) in other debtors	271	(447)
(Increase)/decrease in prepayments and accrued income	(824)	495
Increase/(decrease) in trade creditors	794	(275)
(Decrease)/increase in payments received on account	(1,016)	545
Increase/(decrease) in other taxation and social security	11	(141)
(Decrease)/increase in other creditors	(507)	595
Increase/(decrease) in accruals and deferred income	3,135	(200)
Increase in warranty provisions	101	104
Net cash inflow/(outflow) from operating activities	<u>7,105</u> =====	<u>(373)</u> =====
b. Returns on investments and servicing of finance		
Interest received	2	6
Interest paid	(305)	(195)
Interest paid on finance leases	17	(45)
Net cash outflow for returns on investments and servicing of finance	<u>(286)</u>	<u>(234)</u>

FBM Marine Holdings (UK) Limited

Notes to the financial statements for the year ended 31 March 1998

19. Analysis of Cash Flows for Headings Netted in the Cash Flow Statement (continued)

c. Capital expenditure and financial investment	1998 £000	1997 £000
Purchase of tangible fixed assets	(217)	(124)
Development expenditure capitalised	-	(46)
Net cash outflow for capital expenditure and financial investment	(217)	(170)
d. Financing		
Debt due within a year;		
Repayment of secured loan	(500)	(513)
Debt due beyond a year		
(Decrease)/Increase in group loan	(6,449)	683
Repayment of unsecured loan	(49)	(48)
Capital element of finance lease rental payments	(197)	(128)
Inception of finance leases	121	-
Net cash (outflow)/inflow from financing	(7,074)	(6)

20. Analysis of Net Debt

Analysis of changes in financing during the year:-

	At 1 April 1997 £000	Cash Flow £000	Other Non Cash Changes £000	At 31 March 1998 £000
Cash in hand	3	-	-	3
Overdrafts	(1,266)	(472)	-	(1,738)
Debt due after 1 year	(500)	-	461	(39)
Debt due within 1 year	(588)	549	(461)	(500)
Finance leases	(251)	76	-	(175)
Holding company loan	(4,945)	6,449	-	1,504
TOTAL	(7,547)	6,602	-	(945)
	=====	=====	=====	=====

FBM Marine Holdings (UK) Limited

Notes to the financial statements for the year ended 31 March 1998

21. Financial commitments

At 31 March 1998 the company had annual commitments under non-cancellable operating leases as follows:-

	<u>1998</u> Land and Buildings	Other	<u>1997</u> Land and Buildings	Other
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Expiring within one year	5	5	-	2
Expiring between two and five years	23	23	30	19
Expiring over five years	10	-	6	1
	<u>38</u>	<u>28</u>	<u>36</u>	<u>22</u>
	=====	=====	=====	=====

22. Contingent liabilities

Group

At 31 March 1998 the group had performance bonds and advance payment guarantees of £4,606,956 (1997: £6,811,274).

Company

The company has a contingent liability with other group companies in respect of a group election for Value Added Tax.

The company has a contingent liability with other group companies in respect of group banking facilities where it guarantees the group overdraft.

23. Pension and similar obligations

The group operates a pension scheme (FBM Marine Pension Plan) providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the group, being invested with managed funds. Contributions to the Scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the group. The contributions are determined by a professionally qualified independent actuary on the basis of triennial valuations using the projected unit method.

FBM Marine Holdings (UK) Limited

Notes to the financial statements for the year ended 31 March 1998

23. Pension and similar obligations (continued)

The pension charge for the year was £271,670 (1997: £223,976) excluding additional contributions.

The most recent valuation was at 1 April 1996. This indicated an actuarial surplus of £142,000. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that the investment returns would be 9% per annum, that salary increases would average 7.5% per annum. No allowance was made for present and future pensions increase.

The most recent actuarial valuation showed that the market value of the Scheme's assets was £3,305,717, and that the actuarial value of those assets represented 105% of the benefits that had accrued to members, after allowing for expected future increases in earnings. The contributions of the group and employees will be 11.4% and 4% of earnings respectively.

24. Related party transactions

The company has taken advantage of the exemption under Financial Reporting Standard 8 not to disclose transactions with group companies that are eliminated on consolidation.

25. Ultimate Holding Company

FBM Marine Holdings (UK) Limited is a wholly owned subsidiary of FBM Marine International Limited, a company registered in the British Virgin Islands. Copies of FBM Marine International Limited's consolidated financial statements may be obtained from The Secretary, FBM Marine International Limited, 88 Tai Tam Reservoir Road, Hong Kong.

The ultimate holding company is The Hong Kong Parkview Group Limited a company registered in Bermuda. Copies of The Hong Kong Parkview Group Limited's consolidated financial statements may be obtained from The Secretary, The Hong Kong Parkview Group Limited, 88 Tai Tam Reservoir Road, Hong Kong.