

FBM MARINE HOLDINGS (UK) LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED 31 MARCH 1999

Registered Number 2530482



FBM MARINE HOLDINGS (UK) LIMITED

Annual Report for the year ended 31 March 1999

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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
London Corporate Banking
P. O. Box 544
54 Lombard Street
London EC3V 9EX

FBM MARINE HOLDINGS (UK) LIMITED

Directors' report for the year ended 31 March 1999

The Directors present their report and the audited financial statements for the year ended 31 March 1999.

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.

Following the completion of major contracts for European and Far Eastern customers the Group has experienced a marked decrease in shipbuilding activity levels. Expected orders for the European ferry market have been deferred. Advantage has been taken of this respite to undergo a major rationalisation of the Group's production, design and management structure to maximise cost and build efficiencies. As a consequence of these measures and as an impact of the reduction in activity levels losses have been inevitable.

Total value of craft on order or under construction at 31 March 1999 is £20 million.

The Group remains well positioned to take advantage of the current buoyancy in the European and American marketplaces and, with confidence returning, to the Far East market.

Considerable investment has been committed during the year into new and updated designs for fast ferries and patrol boats. Allied with the efficiency measures being adopted the Directors are confident that the Group has established a firm foundation on which to fully exploit its future market potential.

The Group's ultimate parent company, The Hong Kong Parkview Group Limited, has confirmed that it will provide financial support to FBM Marine Holdings (UK) Limited and the directors have accordingly prepared the financial statements on the basis that the Group is a going concern.

Results and Dividends

The loss for the year, after taxation, amounted to £943,000 (1998: profit of £1,628,000). Movements in reserves are set out in note 18. The directors recommend that no dividend is paid (1998: £Nil).

FBM MARINE HOLDINGS (UK) LIMITED

Directors' report for the year ended 31 March 1999

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.

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 1999

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 1999. 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

A resolution to re-appoint the auditors Deloitte & Touche will be proposed at the forthcoming Annual General Meeting.

By order of the Board



**T T Bushell
Company Secretary**

7 September 1999

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

We have audited the financial statements on pages 7 to 31 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.

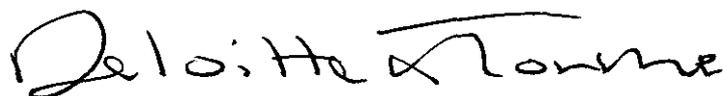
Basis of opinion

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 1999 and of the loss 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 2BZ

12 October 1999

FBM MARINE HOLDINGS (UK) LIMITED

Consolidated profit and loss account for the year ended 31 March 1999.

	<u>Notes</u>	<u>1999</u> £000	<u>1998</u> £000
Turnover	2	13,932	29,167
Cost of sales		<u>(12,723)</u>	<u>(25,970)</u>
Gross profit		1,209	3,197
Administrative expenses - continuing		(1,508)	(1,280)
- exceptional	7	(238)	-
Operating (loss)/profit	7	<u>(537)</u>	<u>1,917</u>
Interest receivable and similar income	5	8	2
Interest payable and similar charges	6	(414)	(288)
(Loss)/profit on ordinary activities before taxation		<u>(943)</u>	<u>1,631</u>
Tax on (loss)/profit on ordinary activities	8	-	3
(Loss)/profit for the financial year	9, 18	<u>(943)</u> =====	<u>1,628</u> =====

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>1999</u> £000	<u>1998</u> £000
Note of historical cost profits and losses:		
Reported (loss)/profit on ordinary activities before taxation	(943)	1,631
Difference between a historical depreciation charge and the actual depreciation charge of the year calculated on the revalued amount	33	21
Historical cost (loss)/profit on ordinary activities before taxation	<u>(910)</u> =====	<u>1,652</u> =====
Historical cost (loss)/profit for the year retained after taxation and dividends	<u>(910)</u> =====	<u>1,649</u> =====

FBM MARINE HOLDINGS (UK) LIMITED AND SUBSIDIARY COMPANIES

Consolidated balance sheet at 31 March 1999

	<u>Notes</u>	31 March <u>1999</u> £000	31 March <u>1998</u> £000
Fixed assets			
Intangible assets	10	1,786	855
Tangible assets	11	1,680	1,946
Investments	12	<u>68</u>	<u>68</u>
		3,534	2,869
Current assets			
Stock	13	1,826	3,140
Debtors	14	4,124	9,051
Cash at bank and in hand		<u>14</u>	<u>3</u>
		5,964	12,194
Current liabilities			
Creditors: amounts falling due within one year	15	(5,908)	(15,267)
		<u>56</u>	<u>(3,073)</u>
Net current assets/(liabilities)			
		3,590	(204)
Total assets less current liabilities			
		(4,861)	(104)
Creditors: Amounts falling due after more than one year	15	(4,861)	(104)
Provisions for liabilities and charges	16	(195)	(215)
		<u>(1,466)</u>	<u>(523)</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	669	702
Profit and loss account	18	(3,977)	(3,067)
		<u>(1,466)</u>	<u>(523)</u>
		=====	=====
Equity shareholders' funds			

These financial statements were approved by the Board of Directors on 7 September 1999 and were signed on its behalf by:

John Warbey
Director

FBM MARINE HOLDINGS (UK) LIMITED

Balance sheet at 31 March 1999

	<u>Notes</u>	31 March 1998 £000	31 March 1997 £000
Fixed assets			
Investments	12	30	30
Current assets			
Debtors	14	4,916	1,504
Current liabilities			
Creditors: Amounts falling due within one year	15	(34)	(1,314)
Net current assets		<u>4,882</u>	<u>190</u>
Total assets less current liabilities		<u>4,912</u>	220
Creditors: Amounts falling due after more than one year	15	(4,731)	(39)
		<u>181</u>	<u>181</u>
		=====	=====
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		<u>181</u>	<u>181</u>
		=====	=====

These financial statements were approved by the Board of Directors on 1999 and were signed on its behalf by:

7 September

John Warbey
Director

FBM MARINE HOLDINGS (UK) LIMITED AND SUBSIDIARY COMPANIES

**Consolidated cash flow statement
for the year ended 31 March 1999**

	<u>Notes</u>	<u>1999</u> £000	<u>1998</u> £000
Cash flow from operating activities	19a	(2,992)	7,105
Returns on investments and servicing of finance	19b	(406)	(286)
Capital expenditure and financial investment	19c	(1,153)	(96)
Cash (outflow)/inflow before use of liquid resources and financing		<u>(4,551)</u>	<u>6,723</u>
Financing			
Increase/(Decrease) in debt	19d	4,963	(7,195)
Increase/(Decrease) in cash in the period		<u>412</u> =====	<u>(472)</u> =====
Reconciliation of net cash flow to movement in net debt (note 20)			
Increase/(Decrease) in cash in the period		412	(472)
Cash (inflow)/outflow from (increase)/decrease in debt and lease financing		(4,963)	7,195
Inception of new finance lease		(71)	(121)
Movement in net debt in the period		<u>(4,622)</u>	<u>6,602</u>
Net debt at 1 April 1998		(945)	(7,547)
Net debt at 31 March 1999		<u>(5,567)</u> =====	<u>(945)</u> =====

FBM Marine Holdings (UK) Limited

Notes to the financial statements for the year ended 31 March 1999

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. 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 1999

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.

Investments

Investments held as fixed assets are stated at cost less provision for any permanent diminution in value.

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 1999

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 1999

Pension scheme arrangements (continued)

cost of providing pensions over the years 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>1999</u> £000	<u>1998</u> £000
Sales of marine craft and associated licence fees	13,932 =====	29,167 =====
b. Geographical market supplied:		
	<u>1999</u> £000	<u>1998</u> £000
Europe (excl. the UK)	2,315	18,631
Asia/Middle East	6,523	3,985
Americas and other	936	1,288
Total overseas	<u>9,774</u>	<u>23,904</u>
United Kingdom	4,158	5,263
Total	<u>13,932</u> =====	<u>29,167</u> =====

FBM Marine Holdings (UK) Limited

Notes to the financial statements for the year ended 31 March 1999

2. Turnover (continued)

Sales to the Americas included £510,000 (1998: 560,000) subcontract design work from another Hong Kong Parkview Group Company. Sales to Asia/Middle East included sales of £133,000 (1998: £3,868,213) to group joint venture companies.

	<u>1999</u>	<u>1998</u>
	£000	£000
3. Directors' emoluments		
Remuneration in aggregate:		
Emoluments (including benefits in kind)	5	4
Pension contributions	13	11
Other fees	-	-
	<u>18</u>	<u>15</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 monthly number of persons (including executive directors) employed by the group during the year was:-

	<u>1999</u>	<u>1998</u>
	Number	Number
By activity		
Direct	139	166
Indirect	51	89
	<u>190</u>	<u>255</u>
	=====	=====
	£000	£000
Staff costs (for above persons)		
Wages and salaries	4,024	4,684
Social security costs	361	408
Other pension costs (see note 23)	321	272
	<u>4,706</u>	<u>5,364</u>
	=====	=====

FBM Marine Holdings (UK) Limited

Notes to the financial statements for the year ended 31 March 1999

5.	Interest receivable and similar income	<u>1999</u> <u>£000</u>	<u>1998</u> <u>£000</u>
	Interest on cash deposit	8	2
		=====	=====
6.	Interest payable and similar charges	<u>1999</u> <u>£000</u>	<u>1998</u> <u>£000</u>
	Bank loans and overdrafts	321	285
	Other loans	48	20
	On finance leases	45	(17)
		<u>414</u>	<u>288</u>
		=====	=====
7.	(Loss)/profit on ordinary activities before taxation	<u>1999</u> <u>£000</u>	<u>1997</u> <u>£000</u>
	(Loss)/profit on ordinary activities before taxation is stated after charging/(crediting):-		
	Amortisation of Government grants	(274)	(305)
	Depreciation charge for the year		
	- tangible owned fixed assets	323	308
	- tangible fixed assets held under finance leases	81	112
	Amortisation of intangible assets	164	135
	Operating leases		
	- hire of plant and machinery	53	36
	- other operating leases	45	34
	Foreign exchange gain	(319)	(130)
	Auditors' remuneration:		
	- Audit	26	24
	- Non audit	21	23
		=====	=====

Exceptional administrative costs of £238,000 were incurred in the year (1998: £NIL) in respect of the rationalisation of the Group's production, design and management structure.

FBM Marine Holdings (UK) Limited

Notes to the financial statements for the year ended 31 March 1999

8.	Tax on (loss)/profit on ordinary activities	<u>1999</u>	<u>1998</u>
		£000	£000
	United Kingdom corporation tax at 31% (1998 - 31%)		
	Current	-	3
		=====	=====

The Group has tax losses to carry forward against future years of approximately £4,800,000, which have yet to be agreed by the Inland Revenue (1998: £4,400,000).

9. (Loss)/profit 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, (1998: £NIL).

10. Intangible fixed assets

	<u>Class Designs and Deferred Development Costs</u>
	£000
GROUP	
Cost	
At 1 April 1998	2,197
Additions	1,095
At 31 March 1999	<u>3,292</u>
	=====
Amortisation	
At 1 April 1998	1,342
Charge for the year	164
At 31 March 1999	<u>1,506</u>
	=====
Net book value	
At 31 March 1999	<u>1,786</u>
	=====
At 31 March 1998	855
	=====

FBM Marine Holdings (UK) Limited

Notes to the financial statements for the year ended 31 March 1999

11. Tangible fixed assets

	Land and buildings	Leasehold improvements	Plant, equipment, tooling & vehicles	Total
	£000	£000	£000	£000
GROUP				
Cost or valuation				
At 1 April 1998	1,845	265	3,147	5,257
Additions	-	31	111	142
Disposals	-	-	(308)	(308)
At 31 March 1999	1,845	296	2,950	5,091
Depreciation				
At 1 April 1998	717	223	2,371	3,311
Charge for the year	80	7	317	404
Eliminated on disposal	-	-	(304)	(304)
At 31 March 1999	797	230	2,384	3,411
Net book value				
At 31 March 1999	1,048	66	566	1,680
	=====	=====	=====	=====
At 31 March 1998	1,128	42	776	1,946
	=====	=====	=====	=====

The net book value of plant, equipment, tooling and vehicles includes an amount of £158,050 (1998: £274,091) in respect of assets held under finance leases.

FBM Marine Holdings (UK) Limited

Notes to the financial statements for the year ended 31 March 1999

11. Tangible fixed assets (continued)

Cost or valuation at 31 March 1999 is represented by:-

	Land and buildings	Leasehold improvements	Plant, equipment, tooling & vehicles	Total
	£000	£000	£000	£000
Valuation in 1988				
- Freehold	1,450	-	-	1,450
- Short leasehold	50	-	-	50
Cost	345	296	2,950	3,591
	<u>1,845</u>	<u>296</u>	<u>2,950</u>	<u>5,091</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 impairment 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 1999	31 March 1998
	£000	£000
Cost	1,014	1,014
Depreciation	(573)	(588)
Net book value based on cost	<u>441</u>	<u>426</u>
	=====	=====

FBM Marine Holdings (UK) Limited

Notes to the financial statements for the year ended 31 March 1999

12. Investments

Group	Associated undertakings	Trade investments	Total
	<u>£000</u>	<u>£000</u>	<u>£000</u>
Cost or valuation			
At 1 April 1998 and 31 March 1999	250	68	318
Amounts written off			
At 1 April 1998 and 31 March 1999	250	-	250
Net book value			
At 31 March 1998 and 31 March 1999	-	68	68
	=====	=====	=====
 Company			
	Subsidiaries	Associated Undertakings	Total
	<u>£000</u>	<u>£000</u>	<u>£000</u>
Cost or valuation			
At 1 April 1998 and 31 March 1999	3,241	250	3,491
Amounts written off			
At 1 April 1998 and 31 March 1999	3,211	250	3,461
Net book value			
At 31 March 1998 and 31 March 1999	30	-	30
	=====	=====	=====

FBM Marine Holdings (UK) Limited

Notes to the financial statements for the year ended 31 March 1999

12. Investments (continued)

Interest in group undertakings

Name of Undertaking	Country of incorporation and operation	Description of Shares held	Proportion of nominal value of issued shares held by	
			Group %	Company %
Subsidiaries				
FBM Marine Limited	United Kingdom	Ordinary £1 Shares	100	100
FBM Support Services Limited	United Kingdom	Ordinary £1 Shares	100	100
Brooke Marine Shipbuilders Limited	United Kingdom	Ordinary £1 Shares	100	-
FBM Marine International (UK) Limited	United Kingdom	Ordinary £1 Shares	100	100

And the following dormant companies

FBM Shipbuilders Limited	United Kingdom	Ordinary £1 Shares	100	100
FBM Workboats Limited	United Kingdom	Ordinary £1 Shares	100	100
FBM Marine Group Limited	United Kingdom	Ordinary £1 Shares	100	100
FBM Design Limited	United Kingdom	Ordinary £1 Shares	100	100
FBM International Limited	United Kingdom	Ordinary £1 Shares	100	100
FBM Allday Marine Limited	United Kingdom	Ordinary £1 Shares	100	-
Cheverton Marine Limited	United Kingdom	Ordinary £1 Shares	100	-

Associated Undertakings:

FBV Designs Limited	United Kingdom	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 1999

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 1999 £000	31 March 1998 £000	31 March 1999 £000	31 March 1998 £000
Raw materials and consumables	625	799	-	-
Work in progress	24	52	-	-
Less: applicable payments on account	-	(33)	-	-
	<u>649</u>	<u>818</u>	<u>-</u>	<u>-</u>
Long-term contract work in progress (Net cost less foreseeable losses)	1,177	2,322	-	-
	<u>1,826</u>	<u>3,140</u>	<u>-</u>	<u>-</u>
	=====	=====	=====	=====

14. Debtors

	Group		Company	
	31 March 1999 £000	31 March 1998 £000	31 March 1999 £000	31 March 1998 £000
Trade debtors	537	3,551	-	-
Amounts recoverable on contracts	609	963	-	-
Amounts owed by holding companies	720	2,010	-	1,504
Amounts owed by fellow subsidiary undertakings	1,169	747	-	-
Amounts owed by subsidiary undertakings due after more than one year	-	-	4,905	-
Other debtors	503	621	11	-
Prepayments and accrued income	586	1,159	-	-
	<u>4,124</u>	<u>9,051</u>	<u>4,916</u>	<u>1,504</u>
	=====	=====	=====	=====

FBM Marine Holdings (UK) Limited

Notes to the financial statements for the year ended 31 March 1999

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 £86,250 (1998: £101,250) 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 1999

15 Creditors

	Group		Company	
	31 March 1999	31 March 1998	31 March 1999	31 March 1998
	£000	£000	£000	£000
Amounts falling due within one year				
Bank overdraft (secured)	1,337	1,738	-	-
Bank loan (secured)	-	500	-	-
Obligations under finance leases	64	110	-	-
Payments received on account	278	3,578	-	-
Trade creditors	2,256	4,256	-	-
Amounts owed to subsidiary undertakings	-	-	34	1,314
Amounts owed to related undertakings	3	48	-	-
Other taxation and social security	94	135	-	-
Other creditors	74	280	-	-
Accruals and deferred income	1,802	4,622	-	-
	<u>5,908</u>	<u>15,267</u>	<u>34</u>	<u>1,314</u>
	=====	=====	=====	=====

Amounts falling due after more than one year

	Group		Company	
	31 March 1999	31 March 1998	31 March 1999	31 March 1998
	£000	£000	£000	£000
Other loan (unsecured)	38	39	38	39
Owed to holding company	4,759	-	4,693	-
Obligations under finance leases:				
Due between 1 and 5 years	64	65	-	-
	<u>4,861</u>	<u>104</u>	<u>4,731</u>	<u>39</u>
	=====	=====	=====	=====

FBM Marine Holdings (UK) Limited

Notes to the financial statements for the year ended 31 March 1999

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	-	-	-
Between 2 and 5 years	-	38	38
	<u>-</u>	<u>38</u>	<u>38</u>
	=====	=====	=====

Finance leases:

	<u>1999</u> £000	<u>1998</u> £000
Expiring within one year	64	110
Expiring between two and five years inclusive	64	65
	<u>128</u>	<u>175</u>
	=====	=====

16. Provisions for liabilities and charges

Group

Provision for warranty costs:

	£000
At 1 April 1998	215
Utilised - spent	(50)
Utilised - released	(102)
Provided in the year	132
At 31 March 1999	<u>195</u>
	=====

FBM Marine Holdings (UK) Limited

Notes to the financial statements for the year ended 31 March 1999

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 1999	31 March 1998	31 March 1999	31 March 1998
	£000	£000	£000	£000
Tax effect of timing differences because of excess of tax allowances over depreciation	590	365	590	365
Less trading losses available	(590)	(365)	(590)	(365)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	=====	=====	=====	=====

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 1999	31 March 1998
	£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 1999**

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 1998	538	49	702	(3,067)
Transfer from revaluation reserve to profit and loss account	-	-	(33)	33
(Loss)/profit for the financial year	-	-	-	(943)
At 31 March 1999	<u>538</u>	<u>49</u>	<u>669</u>	<u>(3,977)</u>
	=====	=====	=====	=====
Company				
At 1 April 1998 and 31 March 1999	-	49	-	(1,123)
	=====	=====	=====	=====
Reconciliation of movements in equity shareholders' funds		<u>1999</u> <u>£000</u>		<u>1998</u> <u>£000</u>
Opening equity shareholders' funds		(523)		(2,151)
(Loss)/profit for the financial year		(943)		1,628
Closing equity shareholders' funds		<u>(1,466)</u>		<u>(523)</u>
		=====		=====

FBM Marine Holdings (UK) Limited

Notes to the financial statements for the year ended 31 March 1999

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	1999	1998
	£000	£000
Operating activities		
Operating (loss)/profit	(537)	1,917
Depreciation on tangible fixed assets	404	420
Amortisation on intangible fixed assets	164	135
Profit on sale of tangible fixed assets	(9)	-
Decrease/(Increase) in stocks	1,314	(1,190)
Decrease/(Increase) in non group trade debtors	3,014	(1,751)
Decrease in amounts recoverable on contracts.	354	621
Decrease/(Increase) in amounts due from group companies	-	4,988
Decrease in other debtors	118	271
Decrease/(Increase) in prepayments and accrued income	573	(824)
(Decrease)/Increase in trade creditors	(2,000)	794
(Decrease) in payments received on account	(3,300)	(1,016)
(Decrease)/Increase in other taxation and social security	(41)	11
(Decrease) in other creditors	(206)	(507)
(Decrease)/Increase in accruals and deferred income	(2,820)	3,135
(Decrease)/Increase in warranty provisions	(20)	101
	-----	-----
Net cash (outflow)/inflow from operating activities	(2,992)	7,105
	=====	=====
b. Returns on investments and servicing of finance		
Interest received	8	2
Interest paid	(369)	(305)
Interest paid on finance leases	(45)	17
	-----	-----
Net cash outflow for returns on investments and servicing of finance	(406)	(286)
	=====	=====

FBM Marine Holdings (UK) Limited

**Notes to the financial statements for the
year ended 31 March 1999**

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

c. Capital expenditure and financial investment	1999 £000	1998 £000
Purchase of tangible fixed assets	71	96
Development expenditure capitalised	1,095	-
Proceeds on disposal of fixed assets	(13)	-
	<hr/>	<hr/>
Net cash outflow for capital expenditure and financial investment	1,153	96
	=====	=====
d. Financing		
Debt due within a year;		
Repayment of secured loan	(500)	(500)
Debt due beyond a year		
Increase/(Decrease) in group loans	5,582	(6,449)
Repayment of unsecured loan	(1)	(49)
Capital element of finance lease rental payments	(118)	(197)
	<hr/>	<hr/>
Net cash inflow/(outflow) from financing	4,963	(7,195)
	=====	=====

20. Analysis of Net Debt

Analysis of changes in financing during the year:-

	At 1 April 1998 £000	Cash Flow £000	Other Non Cash Changes £000	At 31 March 1999 £000
Cash in hand	3	11	-	14
Overdrafts	(1,738)	401	-	(1,337)
Debt due after 1 year	(39)	1	-	(38)
Debt due within 1 year	(500)	500	-	-
Finance leases	(175)	118	(71)	(128)
Holding company loan	1,504	(5,582)	-	(4,078)
TOTAL	(945)	(4,551)	(71)	(5,567)
	=====	=====	=====	=====

FBM Marine Holdings (UK) Limited

Notes to the financial statements for the year ended 31 March 1999

21. Financial commitments

At 31 March 1999 the group had annual commitments under non-cancellable operating leases as follows:-

	<u>1999</u> Land and Buildings	Other	<u>1998</u> Land and Buildings	Other
	£000	£000	£000	£000
Expiring within one year	7	6	5	5
Expiring between two and five years	23	28	23	23
Expiring over five years	10	-	10	-
	<u>40</u>	<u>34</u>	<u>38</u>	<u>28</u>
	=====	=====	=====	=====

22. Contingent liabilities

Group

At 31 March 1999 the group had performance bonds and advance payment guarantees of £3,240,426 (1998: £4,606,956).

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 1999

23. Pension and similar obligations (continued)

The pension charge for the year was £321,174 (1998: £271,670) 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 increases.

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 12.4% and 5% 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 incorporated 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, and controlling party, is The Hong Kong Parkview Group Limited a company incorporated 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.