

FERGUSON MARINE PLC
REGISTERED NUMBER SC129659

Directors' Report and Financial Statements
For the year ended 31st May 2008

HENDERSON & COMPANY
CHARTERED ACCOUNTANTS
73 UNION STREET
GREENOCK

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FERGUSON MARINE PLC DIRECTORS' REPORT

The directors present their annual report and audited financial statements for the year ended 31st May 2008.

Principal Activities

The Company is a Holding Company. The principal activity of the group is shipbuilding.

Review of the Business and Future Developments

The results of the group for the year are shown in the Profit and Loss Account on page 4. The directors recommend that no dividend be paid and that the balance on the Profit and Loss Account be carried forward. The customer base has expanded significantly. If this growth in new business can continue with ensuring regular orders then prospects are encouraging.

Principal Risks and Uncertainties

The restructuring is almost complete. The current recession is clearly a concern over the next twelve months which may necessitate further diversification.

Development of the Company

The company continues to look at new markets including renewables.

Financial Indicators

Review on a regular basis of Order Intake will be the most important financial performance indicator.

Fixed Assets

Movements in fixed assets are set out in note 6 to the financial statements.

Directors and Directors' Interests

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

A.L. Dunnet	- Chief Executive
R. Deane	- Managing Director

The directors who held office at the end of the financial year had the following interests in the shares of the company as recorded in the register of directors' interests:

	Interest at end of year	Interest at beginning of period
Ordinary Shares of 50p each		
A.L. Dunnet	1,056,114	1,040,918
R. Deane	-	-

Statement of Directors' Responsibilities

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 the group and of the profit or loss for that year. In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

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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 group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement as to Disclosure of Information to Auditors

So far as the directors are aware, there is no relevant audit information (as defined by section 234ZA of the Companies Act 1985) of which the company's auditors are unaware, and each director has taken all the steps that they ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Employees

The average number of employees and details of employment costs are set out in note 3 to the financial statements.

The group gives full and fair consideration to applications for employment made by disabled persons, continues where possible the employment of persons who become disabled while they are with a group company and ensures suitable training, career development and opportunities for the promotion of disabled persons employed by it.

The directors are committed to effective communications with employees at all levels through regular meetings, notice board bulletins and circulars. The directors inform all employees of their company's performance and of the financial and economic factors affecting that performance on a regular basis.

Health and Safety at Work

Health and Safety Training is an integral part of the group's operating strategy and employees at all levels have been involved in health and safety improvement programmes.

Payment of Creditors

The group recognises the importance of maintaining good business relationships with its suppliers and is committed to paying all invoices within agreed terms. The total amount of trade creditors falling due within one year at 31st May 2008 represents 45 days worth of the total amount invoiced by suppliers during the year ended on that date.

Auditors

Messrs. Henderson & Company, Chartered Accountants, have signified their willingness to remain in office and a resolution that they be reappointed will be proposed at the Annual General Meeting.

BY ORDER OF THE BOARD



R. DEANE
Secretary

Newark Works
Port Glasgow
Renfrewshire
PA14 5NG

27th January 2009

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF FERGUSON MARINE PLC

We have audited the financial statements of Ferguson Marine plc for the year ended 31st May 2008 on pages 4 to 21. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Acts 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company and other members of the group is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the company and group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the company and the group as at 31st May 2008 and the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985. The information given in the Directors' report is consistent with financial statements.



HENDERSON & COMPANY
CHARTERED ACCOUNTANTS
REGISTERED AUDITORS

73 Union Street,
Greenock

27th January 2009

FERGUSON MARINE PLC
CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST MAY 2008

	Note	Year to 31/5/08 £000	1/1/06 to 31/5/07 £000
Turnover	2	6,607	10,975
Raw Materials and Consumables		(2,248)	(5,615)
Other External Charges		(778)	(1,204)
		(3,026)	(6,819)
Staff Costs	3	(3,753)	(7,366)
Depreciation		(125)	(187)
Gain on Disposal		6	-
		(3,872)	(7,553)
Operating Loss	4	(291)	(3,397)
Interest Receivable		8	1
Other Finance Income		-	132
Interest Payable		(5)	(76)
		(288)	(3,340)
Loss on Ordinary Activities Before Taxation		(288)	(3,340)
Taxation	5	-	-
		(288)	(3,340)
Extraordinary Item		-	4,425
(Loss)/Profit for the Financial Period		(288)	1,085
Dealt with by:			
The Company		(2)	46
Subsidiary Undertakings		(286)	1,039
		(288)	1,085

Movements in reserves are set out in note 13.

None of the group's activities were acquired or discontinued during the year.

FERGUSON MARINE PLC
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31ST MAY 2008

	Note	Year to 31/5/08 £000	1/1/06 to 31/5/07 £000
(Loss)/Profit for the financial period		(288)	1,085
Actuarial gain/(loss) on pension scheme	16(d)	(82)	789
Deferred tax relating to pension scheme		-	(302)
Total recognised profits/(losses) for the year		<u>(370)</u>	<u>1,572</u>

FERGUSON MARINE PLC
CONSOLIDATED BALANCE SHEET AS AT 31ST MAY 2008

	Note	2008 £000	2007 £000
Fixed Assets			
Tangible Assets	6	1,992	2,059
Current Assets			
Stocks	7	363	351
Debtors	8	1,195	724
Cash at Bank and in Hand		28	197
		<u>1,586</u>	<u>1,272</u>
Creditors: Amounts falling due within one year	10	<u>1,969</u>	<u>1,426</u>
Net Current Liabilities		(383)	(154)
Total Assets less Current Liabilities		<u>1,609</u>	<u>1,905</u>
Deferred Income	11	311	319
Total Net Assets		<u>1,298</u>	<u>1,586</u>
Capital and Reserves			
Called Up Share Capital	12	603	603
Share Premium Account	13	482	482
Capital Reserve	13	69	69
Profit and Loss Account	13	144	432
Equity Shareholders' Funds		<u>1,298</u>	<u>1,586</u>

These financial statements were approved by the Board of Directors on 27th January 2009 and were signed on its behalf by:



A.L. DUNNET
Director

FERGUSON MARINE PLC
BALANCE SHEET AS AT 31ST MAY 2008

	Note	2008 £000	2007 £000
Fixed Assets			
Investments	9	540	540
Current Assets			
Debtors	8	841	844
Creditors: Amounts falling due within one year	10	3	4
Net Current Assets		838	840
Total Net Assets		1,378	1,380
Capital and Reserves			
Called Up Share Capital	12	603	603
Share Premium Account	13	482	482
Profit and Loss Account	13	293	295
Equity Shareholders' Funds		1,378	1,380

These financial statements were approved by the Board of Directors on 27th January 2009 and were signed on its behalf by:


A.L. DUNNET
Director

FERGUSON MARINE PLC
CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31ST MAY 2008

	31/5/08		1/1/06 to 31/5/07	
	£000	£000	£000	£000
Cash Outflow from Operating Activities (note 14a)		(275)		(1,373)
Returns on Investment and Servicing of Finance				
Interest Received	8			1
Other Finance Income	-			132
Interest Paid	(5)			(76)
		3		57
Capital Expenditure and Financial Investment				
Proceeds from Sale of Tangible Fixed Assets	(6)		-	
Payments to Acquire Tangible Fixed Assets	58		(98)	
		(52)		(98)
Decrease in Cash in the Year (Note 14b)		(324)		(1,414)

FERGUSON MARINE PLC
RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS
FOR THE YEAR ENDED 31ST MAY 2008

	Year to 31/5/08 £000	1/1/06 to 31/5/07 £000
Group		
Shareholders Funds at beginning of period	1,586	14
(Loss)/Profit for the Financial Period	(288)	1,085
Actuarial Gain on Pension Scheme less Deferred Tax	-	487
	<hr/> 1,298	<hr/> 1,586
	Year to 31/5/08 £000	1/1/06 to 31/5/07 £000
Company		
Shareholders' Funds at beginning of period	1,380	1,334
(Loss)/Profit for the Financial Period	(2)	46
	<hr/> 1,378	<hr/> 1,380

FERGUSON MARINE PLC

Notes

(forming part of the financial statements)

1. Accounting Policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements of the company and the group.

Accounting Convention

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

No Profit and Loss Account is presented for Ferguson Marine PLC as provided by Section 230 of the Companies Act 1985.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of Ferguson Marine PLC and all its subsidiary undertakings for the year ended 31st May 2008.

Fixed Assets and Depreciation

Fixed Assets are stated at cost. Depreciation is provided on all fixed assets, other than freehold land, at rates calculated on the straight line method in order to write off the cost, less estimated residual value, evenly over their expected useful lives as follows:

Freehold Buildings	- 50 years
Plant and Machinery	- 3 to 20 years

Stocks and Work in Progress

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

Work in progress is stated at cost of materials, direct labour and all relevant overhead expenses allocated on an estimated normal level of activity. In addition, where the outcome of long term contracts can be assessed with reasonable certainty before their conclusion, attributable profit or loss is adjusted in the valuation of work in progress. Any attributable profit, calculated on a prudent basis, will reflect the proportion of work carried out at the accounting date and will take into account any known inequalities of profitability in the various stages of the contract.

Work in progress is reduced by instalments received and receivable and is shown separately under "debtors: amounts recoverable on contracts". To the extent that instalments exceed net work in progress on particular contracts, the excess is shown separately under "creditors: amounts falling due within one year".

Guarantee and Maintenance Provisions

Provision is made for estimated post-delivery guarantee and maintenance commitments. Estimates take into account the terms of the contracts and past experience. These amounts are included in "provisions relating to contracts".

Taxation

Taxation is based on the result for the period including tax on provisions made, less provisions released, and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Pension Costs

Some employees of the subsidiary undertakings are members of the Ferguson Shipbuilders Limited Section of the Shipbuilding Industries Pension Scheme, which is a defined benefit scheme. This is accounted for in accordance with FRS17 "Retirement Benefits", under which the pension scheme surplus or deficit is recognised in full, with the movement in the scheme surplus or deficit being split between operating charges, finance items and in the statement of total recognised gains and losses. Payments are also made to defined contribution pension schemes, which are accounted for when payable.

Goodwill/

Goodwill

Goodwill relating to a business purchased is written off immediately against reserves.

Deferred Government Grants

Government grants on capital expenditure are credited to a deferred income account and are released to revenue over the expected useful life of the relevant asset by equal annual amounts.

Foreign Currencies

All balances in foreign currencies are converted at the rates ruling at the Balance Sheet date. Transactions taking place in foreign currencies are converted at the rates ruling at the dates of those transactions. All differences are taken to the Profit and Loss Account.

2. Turnover

Turnover represents the sales value of contracts completed during the period, less amounts recognised as turnover in prior years, and the value of work done in respect of incomplete contracts included in work in progress. Turnover is wholly attributable to the activities of the group undertakings, and is stated net of value added tax.

	Year to 31/5/08	1/1/06 to 31/5/07
	£000	£000
Sales	5,189	11,021
Opening Work in Progress	(243)	(355)
Closing Work in Progress	1,641	243
	<hr/> 6,587	<hr/> 10,909
Own Work Capitalised	20	66
	<hr/> 6,607	<hr/> 10,975
Turnover		

All turnover relates to contracts within the United Kingdom.

3. Staff Numbers and Costs

The average monthly number of persons employed by the group (including directors) during the period, analysed by category, was as follows:

	Number of Employees	
	Year to 31/5/08	1/1/06 to 31/5/07
Direct Employees	84	145
Indirect Employees	30	41
	<hr/> 114	<hr/> 186

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The aggregate payroll costs of these persons were as follows:

	Year to 31/5/08	1/1/06 to 31/5/07
	£000	£000
Wages and Salaries	3,243	6,136
Social Security Costs	330	596
Other Pension Costs (note 16) - Defined Benefit Scheme	83	86
- Defined Contribution Schemes	81	89
Redundancy Costs	16	459
	<hr/>	<hr/>
	3,753	7,366
	<hr/>	<hr/>

4. Operating Loss

	Year to 31/5/08	1/1/06 to 31/5/07
	£000	£000
(a) The operating loss for the year is stated after charging/(crediting):		
Depreciation - Owned Assets	125	183
Directors' Remuneration	56	106
Auditors' Remuneration	18	24
Gain on Sale of Assets	(6)	-
Hire of Plant	7	11
Operating Lease Payments - Land and Buildings	3	5
	<hr/>	<hr/>

(b) Directors' Remuneration

	Year to 31/5/08	1/1/06 to 31/5/07
	£000	£000
Fees	-	-
Emoluments	53	106
Defined Contributions Pension Scheme	3	-
	<hr/>	<hr/>
	56	106
	<hr/>	<hr/>

One of the directors is a member of both the defined benefit and defined contribution pension schemes.

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5. Taxation

	Year to 31/5/08 £000	1/1/06 to 31/5/07 £000
(a) Analysis of charge for year		
UK Corporation Tax on profit for year	-	-
Transfer from Deferred Taxation	-	-
	<hr/>	<hr/>
	-	-
(b) Factors affecting tax charge for year		
The tax assessed for the year is lower than the standard rate of Corporation Tax in the UK (30%). The differences are explained below:		
	Year to 31/5/08 £000	1/1/06 to 31/5/07 £000
Loss on ordinary activities before tax	(288)	(3,340)
	<hr/>	<hr/>
Loss on ordinary activities multiplied by standard rate of Corporation Tax in the UK of 30% (2007: 30%)	(85)	(1,002)
Effects of:		
Capital Allowances in excess of depreciation	(15)	(23)
Other Timing Differences	1	(63)
Utilisation of tax losses	(21)	(16)
Loss created in year	120	1,104
	<hr/>	<hr/>
	-	-

Within the group there is an unprovided deferred tax asset at 31 May 2008 of £2,044,332 arising from accumulated trading losses.

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6. Tangible Fixed Assets

	Freehold Land and Buildings £000	Plant and Machinery £000	Total £000
Group			
Cost			
At beginning of year	2,285	1,949	4,234
Additions	-	58	58
Disposals		(78)	(78)
	<hr/>	<hr/>	<hr/>
At end of year	2,285	1,929	4,214
Depreciation			
At beginning of year	536	1,639	2,175
Charge for year	44	81	125
Disposals	-	(78)	(78)
	<hr/>	<hr/>	<hr/>
At end of year	580	1,642	2,222
Net Book Value			
At 31st May 2008	1,705	287	1,992
	<hr/>	<hr/>	<hr/>
At 31st May 2007	1,749	310	2,059
	<hr/>	<hr/>	<hr/>

Freehold land with a cost of £132,260 is not depreciated.

7. Stocks and Work in Progress

	2008 £000	2007 £000
Raw Materials and Consumables	363	351
Work in Progress	1,641	243
Less: Payments received and receivable	2,154	203
	<hr/>	<hr/>
	513	40
	<hr/>	<hr/>
Excess of cost over instalments: transferred to debtors (note 8)	-	40
	<hr/>	<hr/>
Excess of instalments over cost: transferred to creditors (note 10)	513	-
	<hr/>	<hr/>

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8. Debtors

	Group		Company	
	2008 £000	2007 £000	2008 £000	2007 £000
Trade Debtors	1,017	472	-	-
Amounts owed by subsidiary undertakings	-	-	828	831
Other Debtors	15	34	13	13
Prepayments and Accrued Income	163	178	-	-
Amounts recoverable on contracts (note 7)	-	40	-	-
	<u>1,195</u>	<u>724</u>	<u>841</u>	<u>844</u>

9. Investments

	2008 £000	2007 £000
Cost of investment in subsidiary undertakings	475	475
Amounts owed by subsidiary undertakings (repayable after 12 months)	65	65
	<u>540</u>	<u>540</u>

The company's subsidiary undertakings, which are all included in the consolidation, are as follows:

	Country of Registration	Principal Activity	Class and percentage of shares held	
Ferguson Shipbuilders Limited	Scotland	Shipbuilding	Ordinary	100%
Alder Marine Consultants Limited	Scotland	Marine and naval architecture consultancy	Ordinary	100%
Newark Joiners Limited	Scotland	Joinery Works	Ordinary	100%

Ferguson Shipbuilders Limited owns 100% of the ordinary share capital of Ferguson-Ailsa Limited, a dormant company incorporated in Scotland.

10. Creditors: Amounts Falling Due Within One Year

	Group		Company	
	2008 £000	2007 £000	2008 £000	2007 £000
Instalments in Excess of Work in Progress	513	-	-	-
Trade Creditors	450	857	-	-
Other Creditors	120	158	-	-
Taxation and Social Security	144	121	1	2
Accruals and Deferred Income	54	57	2	2
Holland House Loan	300	-	-	-
Bank Overdraft	388	233	-	-
	<u>1,969</u>	<u>1,426</u>	<u>3</u>	<u>4</u>

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11. **Deferred Government Grants (Ferguson Shipbuilders Limited)**

	2008	2007
	£000	£000
Balance as at beginning of period	319	332
Released to Profit and Loss Account	8	13
Balance as at 31st May	<u>311</u>	<u>319</u>

12. **Share Capital**

	2008	2007
	£000	£000
Authorised		
10,000,000 Ordinary Shares of 50p each	<u>5,000</u>	<u>5,000</u>
Allotted, Issued and Fully Paid		
1,205,215 Ordinary Shares of 50p each	<u>603</u>	<u>603</u>

13. **Reserves**

	Share Premium Account	Capital Reserve	Profit and Loss Account Group	Company
	£000	£000	£000	£000
At 31st May 2007	482	69	432	295
(Loss)/Profit for Year	-	-	(288)	(2)
At 31st May 2008	<u>482</u>	<u>69</u>	<u>144</u>	<u>293</u>

The capital reserve arises on consolidation. The cumulative goodwill written off against this reserve in respect of acquisitions amounted to £29,400 (2007: £29,400).

14. **Cash Flow Statement**

(a) **Reconciliation of operating loss to operating cash flows**

	Year to 31/5/08	1/1/06 to 31/5/07
	£000	£000
Operating Loss	(291)	(3,397)
Depreciation	125	187
Gain on Sale of Assets	(6)	-
Pension Charge less Contributions	-	(84)
(Increase)/Decrease in Stocks	(12)	38
(Increase)/Decrease in Debtors	(471)	2,692
Increase/(Decrease) in Creditors	388	(796)
Transfer from Deferred Government Grants	(8)	(13)
Net Cash Outflow from Operating Activities	<u>(275)</u>	<u>(1,373)</u>

(b) **Reconciliation of Net Cash Flow to Movement in Funds/**

(b) Reconciliation of Net Cash Flow to Movement in Funds

	2008	2007
	£000	£000
Net Funds at Beginning of Period	(36)	1,378
Decrease in Cash in Period	(324)	(1,414)
Net Funds at End of Period	(360)	(36)

(c) Analysis of Changes in Net Funds

	2008	2007	Change in Year to 31/5/08	Change in Period to 31/5/07
	£000	£000	£000	£000
Cash at Bank and in Hand	28	197	(169)	(1,181)
Bank Overdraft (Note 10)	(388)	(233)	(155)	(233)
	(360)	(36)	(324)	(1,414)

15. Charges Over Assets, Contingent Liabilities and Provisions

Ferguson Shipbuilders Limited has granted the following:

- (a) fixed heritable security over the Newark Works property, Port Glasgow and a floating charge debenture charging all of its assets to the Bank of Scotland;
- (b) fixed security over seaward strip of ground west of the Newark Works property to Clydeport Limited;
- (c) fixed security over 1.8 acres of ground (the McCrindle subjects) to the Bank of Scotland;
- (d) first and only security over whole rights, title and interest in foreshore and bed of the River Clyde below HWMOSD at or near Port Glasgow ex adverso Newark Shipbuilding Yard extending to 2,225 square metres subject to Deed of Variation between the Crown Estate Commission and Ferguson Marine PLC.

The group has granted unlimited cross guarantees between Ferguson Marine PLC, Ferguson Shipbuilders Limited, Alder Marine Consultants Limited, Newark Joiners Limited and Ferguson-Ailsa Limited to the Bank of Scotland.

The Bank of Scotland has granted performance bonds totalling £Nil (2007: £372,500).

16. Pension Commitments

Some employees of the group are members of the Ferguson Shipbuilders Limited Section of the Shipbuilding Industries Pension Scheme administered by Capita Hartshead providing benefits based on Final Pensionable Pay (until 30 April 2005), contributions being charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the group. This scheme is closed to new employees, and with effect from 30 April 2005 all members of the Ferguson Shipbuilders Limited Section of the Scheme were treated as having left service with preserved pensions.

The company has committed to annual contributions to the Scheme determined by the scheme actuary.

The charge for the year was: £83,000: (2007 £86,000)

The/

The disclosures required are as follows:-

(a) **Actuarial Assumptions**

Assumptions as at	31 May 08	31 May 07	31 Dec 05
	% p.a.	% p.a.	% p.a.
Price Inflation	3.75	3.15	2.85
Pension Increases for accrual after 5 April 1997	3.65	3.05	2.75
Salary Increases	3.75	3.15	2.85
Discount Rate	6.60	5.60	5.00

Earlier Years

Assumptions as at	31 Dec 04	31 Dec 03
	% p.a.	% p.a.
Price Inflation	2.75	2.75
Pension Increases for accrual after 5 April 1997	2.65	2.65
Salary Increases	2.75	3.50
Discount Rate	5.30	5.50

Balance Sheet Position

Assets	Fund Value at 31 May 08	Fund Value at 31 May 07	Fund Value at 31 Dec 05
	£000	£000	£000
Equities	1,571	7,265	6,058
Corporate Bonds	3,143	339	366
Government Bonds	3,143	339	366
Cash	(4)	6	-
Total Value of Assets	7,852	7,949	6,791
Actuarial Value of Liabilities	6,796	7,531	7,796
Surplus/(deficit) in the Scheme	1,056	418	(1,005)
Irrecoverable Surplus	1,056	418	-
Surplus/(Deficit) Recognised in Balance Sheet	-	-	(1,005)
Related Deferred Tax	-	-	302
Net Pension Asset/(Liability)	-	-	(703)

Earlier Years

Assets	Fund Value at 31 Dec 04	Fund Value at 31 Dec 03
	£000	£000
Equities	5,132	4,614
Corporate Bonds	-	-
Government Bonds	612	495
Cash	-	-
Total Value of Assets	5,744	5,109
Actuarial Value of Liabilities	(6,677)	(6,538)
Surplus/(deficit) in the Scheme	(933)	(1,429)
Irrecoverable Surplus	-	-
Surplus/(Deficit) Recognised in Balance Sheet	(933)	-
Related Deferred Tax	-	429
Net Pension Asset/(Liability)	(933)	(1,000)

Since the Section has no active members remaining as at 31 May 2008, none of the surplus is deemed to be recoverable under FRS17 through reduced contributions or otherwise. The full amount of the FRS17 surplus is therefore treated as irrecoverable and is not recognised in the company's Balance Sheet.

(b)/

(b) Analysis of Amount Charged to Operating Profit

	Period to 31 May 08 £000	Period to 31 May 07 £000
Current Service Cost	-	-
Past Service Cost	-	-
Curtailment and Settlements	-	-
Decrease in Irrecoverable Surplus	-	-
Total Operating Charge	-	-

(c) Analysis of Amount Credited to Other Finance Income

	Period to 31 May 08 £000	Period to 31 May 07 £000
Expected Return on Pension Scheme Assets	412	672
Interest on Pension Liabilities	(412)	(540)
Net Return	-	132

(d) Analysis of Amount Recognised in Statement of Total Recognised Gains and Losses (STRGL)

	Period to 31 May 08 £000	Period to 31 May 07 £000
Actuarial Return less Expected Return on Pension Scheme Assets	(239)	764
Experience Gains and Losses Arising on the Scheme Liabilities	49	9
Changes in Assumptions Underlying the Present Value of the Scheme Liabilities	746	434
Actuarial Gain/(Loss) in Pension Plan	556	1,207
(Increase)/Decrease in Irrecoverable Surplus from Membership fall and Other Factors	(638)	(418)
Actuarial Gain/(Loss) Recognised in STRGL	<u>(82)</u>	<u>789</u>

(e) Movement in Surplus During the Period

	Period to 31 May 08 £000	Period to 31 May 07 £000
Surplus in Scheme at Beginning of Period	-	(1,005)
Current Service Cost	-	-
Employer Contributions	82	84
Other Income plus any risk benefit premiums paid direct to insurer	-	-
Other Outgoings (e.g. expenses etc)	-	-
Past Service Costs	-	-
Impact of Settlements and Curtailments	-	-
Net Return	-	132
Actuarial Gains/(Losses)	(82)	789
Surplus in Scheme at end of Period	<u>-</u>	<u>-</u>

(f)/

(f) History of Experience Gains and Losses

	Period to 31 May 08 £000	Period to 31 May 07 £000	Year to 31 Dec 05 £000
Difference between the actual and expected return on scheme assets	(239)	764	634
Value of Plan Assets	7,852	7,949	6,791
Percentage of Scheme Assets	-3.04%	9.62%	9.00%
Experience Gains/(Losses) on scheme liabilities (£000)	49	9	(416)
Present Value of Scheme Liabilities	6,796	7,531	7,796
Percentage of the Present Value of Scheme Liabilities	0.72%	0.12%	-5.00%
Actuarial Gains/(Losses) Recognised in STRGL	(82)	789	(224)
Present Value of Scheme Liabilities	6,796	7,531	7,796
Percentage of the Present Value of Scheme Liabilities	-1.21%	10.48%	-2.87%

(g) Analysis of Projected Amount to be Charged to Operating Profit for the year to 31 May 2009

	31 May £000
Current Service Cost	-
Past Service Cost	-
Curtailments and Settlements	-
Decrease in Irrecoverable Surplus	-
Total Operating Charge	-

(h) Analysis of Projected Amount to be Credited to Other Finance Income for the Year to 31 May 2009

	31 May £000
Expected Return on Pension Scheme Assets	437
Interest on Pension Liabilities	(437)
Net Return	-

Since the Section is estimated to have an FRS17 surplus with no active members remaining the projected return on pension scheme assets has been capped equal to the total interest on the pension liabilities. Any investment return achieved in excess of this will be recognised as an item in the Statement of Total Recognised Gains and Losses.

17. Capital Commitments

- (a) Capital expenditure commitments at 31st May 2008 for which no provision has been made are as follows:

	2008 £000	2007 £000
Contracted	-	-
Authorised but not contracted	-	-
	<hr/>	<hr/>
	-	-
	<hr/>	<hr/>

(b)/

(b) Annual commitments under non-cancellable operating leases are as follows:

	Land and Buildings	
	2008	2007
	£000	£000
Operating leases which expire:		
Over five years	3	3

18. Related Party Transactions

This company and Holland House Electrical Co. Ltd. are under common control. During the period goods were purchased by the subsidiary Ferguson Shipbuilders Ltd. from Holland House Electrical Co. Ltd. on normal commercial terms, but the amounts involved are not considered to be material.

During the period services were supplied to Holland House Electrical Co Ltd by the subsidiary Newark Joiners Ltd. on normal commercial terms, but the amounts involved are not considered to be material.

Newark Joiners Ltd and Ferguson Shipbuilders Ltd have advanced £11,750 and £34,075 respectively to Holland House Electrical Co. Ltd and these amounts are outstanding at 31st May 2008.

Holland House Electrical Co. Ltd has advanced £300,000 to one of the companies in the group.

FERGUSON MARINE PLC
DETAILED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST MAY 2008

	Year to 31/5/08 £	1/1/06 to 31/5/07 £
Management Fee from:- Ferguson Shipbuilders Ltd.	-	48,150
Management Expenses:-		
Audit/Tax Fees	2,000	2,000
Bank Charges	4	5
Miscellaneous	-	60
	2,004	2,065
Operating (Loss)/Profit	(2,004)	46,085
Interest Payable	43	124
(Loss)/Profit on Ordinary Activities before Taxation	(2,047)	45,961
Taxation	-	-
(Loss)/Profit for the Financial Year	(2,047)	45,961