FERGUSON MARINE PLC
REGISTERED NUMBER SC129659

Directors' Report and Financial Statements

For the year ended 31st May 2010

HENDERSON & COMPANY
CHARTERED ACCOUNTANTS
73 UNION STREET
GREENOCK

FERGUSON MARINE PLC
COMPANY NO. SC129659
DIRECTORS' REPORT

The directors present their annual report and audited financial statements for the year ended 31st May 2010.

Principal Activities
The Company is a Holding Company. The principal activity of the group is shipbuilding and associated activities.

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 main subsidiary Ferguson Shipbuilders Ltd was back in profit for the year. Overall the group reported a small loss due to restructuring costs directly related to Newark Joiners Ltd.

The prospects for the next 12 months are dependant upon capital commitments for several identifiable projects obtaining approval.

Principal Risks and Uncertainties
The ongoing recession is clearly a concern, and can affect the ability of customers to pay within agreed terms. The group relies on overdraft facilities from the bank and accordingly has a possible cash flow and liquidity risk.

Development of the Company
Work in the Wave/Tidal sector still seems to be in the development phase.

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
The directors who held office during the year and to the date of this report were:

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

Statement of Directors' Responsibilities
The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. In preparing those financial statements, the directors are required to

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

The/

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company 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 418 of the Companies Act 2006) 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 themselves 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 2010 represents 60 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 Dean

R. DEANE
Secretary

Newark Works
Port Glasgow
Renfrewshire
PA14 5NG

30th November 2010

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 2010 on pages 4 to 19. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Section 495 of the Companies Act 2006. 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 explained more fully in the Statement of Directors' Responsibilities in the Directors' Report, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 May 2010 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Robert Henderson

Robert Henderson
Senior Statutory Auditor
FOR AND ON BEHALF OF HENDERSON & COMPANY
CHARTERED ACCOUNTANTS
STATUTORY AUDITORS

73 Union Street, Greenock PA16 8BG

30th November 2010

FERGUSON MARINE PLC
CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST MAY 2010

	Note	2010 £000	*2009 £000*
Turnover	2	5,993	*5,893*
Raw Materials and Consumables		(2,076)	*(1,633)*
Other External Charges		(653)	*(780)*
		(2,729)	*(2,413)*
Staff Costs	3	(3,177)	*(3,624)*
Depreciation		(102)	*(119)*
Gain/(Loss) on Disposal		2	*(2)*
		(3,277)	*(3,745)*
Operating Loss	4	(13)	*(265)*
Interest Receivable		1	-
Interest Payable		(43)	*(33)*
Loss on Ordinary Activities Before Taxation		(55)	*(298)*
Taxation	5	-	-
Loss for the Financial Year		(55)	*(298)*
Dealt with by:			
The Company		(2)	*(2)*
Subsidiary Undertakings		(53)	*(296)*
		(55)	*(298)*

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 2010

	Note	2010	*2009*
		£000	***£000***
Loss for the financial year		(55)	*(298)*
Actuarial loss on pension scheme	16(g)	(287)	*(92)*
Total recognised losses for the year		(342)	*(390)*

FERGUSON MARINE PLC
COMPANY NO. SC129659
CONSOLIDATED BALANCE SHEET AS AT 31ST MAY 2010

	Note	2010		*2009*	
		£000	£000	*£000*	*£000*
Fixed Assets					
Tangible Assets	6		1,805		*1,884*
Current Assets					
Stocks	7	435		*361*	
Debtors	8	2,249		*1,820*	
Cash at Bank and in Hand		261		*10*	
		2,945		*2,191*	
Creditors: Amounts falling due within one year	10	3,511		*2,772*	
Net Current Liabilities			(566)		*(581)*
Total Assets less Current Liabilities			1,239		*1,303*
Deferred Income	11		(294)		*(303)*
Pension Scheme Liability	16		(1)		-
Total Net Assets			944		*1,000*
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		(210)		*(154)*
Equity Shareholders' Funds			944		*1,000*

These financial statements were approved by the Board of Directors on 30th November 2010 and were signed on its behalf by:

A.L. DUNNET
Director

FERGUSON MARINE PLC
COMPANY NO. SC129659
BALANCE SHEET AS AT 31ST MAY 2010

	Note	2010		*2009*	
		£000	£000	*£000*	*£000*
Fixed Assets					
Investments	9		540		*540*
Current Assets					
Debtors	8	835		*840*	
Cash at Bank		3		-	
		838		*840*	
Creditors: Amounts falling due within one year	10	4		*4*	
Net Current Assets			834		*836*
Total Net Assets			1,374		*1,376*
Capital and Reserves					
Called Up Share Capital	12		603		*603*
Share Premium Account	13		482		*482*
Profit and Loss Account	13		289		*291*
Equity Shareholders' Funds			1,374		*1,376*

These financial statements were approved by the Board of Directors on 30th November 2010 and were signed on its behalf by:

A.L. DUNNET
Director

FERGUSON MARINE PLC
CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31ST MAY 2010

	2010		***2009***	
	£000	**£000**	***£000***	***£000***
Cash Inflow/(Outflow) from Operating Activities (note 14a)		793		*(797)*
Returns on Investment and Servicing of Finance				
Interest Received	1			-
Interest Paid	(43)			*(33)*
		(42)		*(33)*
Capital Expenditure and Financial Investment				
Proceeds from Sale of Tangible Fixed Assets	2		*1*	
Payments to Acquire Tangible Fixed Assets	(23)		*(14)*	
		(21)		*(13)*
Increase/(Decrease) in Cash in the Year (Note 14b)		730		*(843)*

FERGUSON MARINE PLC
RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS
FOR THE YEAR ENDED 31ST MAY 2010

	2010	***2009***
	£000	***£000***
Group		
Shareholders Funds at beginning of year	1,000	*1,298*
Loss for the Financial Year	(55)	*(298)*
Actuarial Loss on Pension Scheme less Deferred Tax	(1)	-
Shareholders' Funds at end of year	944	*1,000*

	2010	***2009***
	£000	***£000***
Company		
Shareholders' Funds at beginning of year	1,376	*1,378*
Loss for the Financial Year	(2)	*(2)*
Shareholders' Funds at end of year	1,374	*1,376*

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 408 of the Companies Act 2006.

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 2010.

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 year 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, subject to the fact that with the scheme being closed to new entrants any surplus arising is not recoverable and is therefore not recognised. 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 year, 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.

	2010	***2009***
	£000	***£000***
Sales	3,967	*7,379*
Opening Work in Progress	(153)	*(1,641)*
Closing Work in Progress	2,171	*153*
	5,985	*5,891*
Own Work Capitalised	8	*2*
Turnover	5,993	*5,893*

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 year, analysed by category, was as follows:

	Number of Employees	
	2010	***2009***
Direct Employees	68	*82*
Indirect Employees	30	*30*
	98	*112*

The aggregate payroll costs of these persons were as follows:

		2010	***2009***
		£000	***£000***
Wages and Salaries		2,656	*3,129*
Social Security Costs		259	*313*
Other Pension Costs (note 16)	- Defined Benefit Scheme	122	*103*
	- Defined Contribution Schemes	71	*79*
Redundancy Costs		69	-
		3,177	*3,624*

4./

4. Operating Loss

	2010 £000	*2009 £000*
(a) The operating loss for the year is stated after charging/(crediting):		
Depreciation - Owned Assets	102	*119*
Directors' Remuneration	67	*66*
Auditors' Remuneration	13	*13*
(Gain)/Loss on Sale of Assets	(2)	*2*
Hire of Plant	7	*8*
Operating Lease Payments - Land and Buildings	3	*3*

(b) Directors' Remuneration

	2010 £000	*2009 £000*
Fees	-	-
Emoluments	63	*62*
Defined Contributions Pension Scheme	4	*4*
	67	*66*

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

5. Taxation

	2010 £000	*2009 £000*
(a) Analysis of charge for year		
UK Corporation Tax on profit for year	-	-
Transfer from Deferred Taxation	-	-
	-	-

(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 28% (2009: 28%). The differences are explained below:

	2010 £000	*2009 £000*
Loss on ordinary activities before tax	(55)	*(298)*
Loss on ordinary activities multiplied by standard rate of Corporation Tax in the UK of 28% (2009: 28%)	(15)	*(83)*
Effects of:		
Capital Allowances in excess of depreciation	1	-
Utilisation of tax losses	(4)	*(1)*
Loss created in year	18	*84*
	-	-

Within the group there is an unprovided deferred tax asset at 31 May 2010 of £2,263,145 arising from accumulated trading losses.

6./

6. Tangible Fixed Assets

	Freehold Land and Buildings £000	Plant and Machinery £000	Total £000
Group			
Cost			
At beginning of year	2,285	1,912	4,197
Additions	-	23	23
Disposals	-	(13)	(13)
At end of year	2,285	1,922	4,207
Depreciation			
At beginning of year	624	1,689	2,313
Charge for year	44	58	102
Disposals	-	(13)	(13)
At end of year	668	1,734	2,402
Net Book Value			
At 31st May 2010	1,617	188	1,805
At 31st May 2009	1,661	223	1,884

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

7. Stocks and Work in Progress

	2010 £000	*2009 £000*
Raw Materials and Consumables	435	*361*
Work in Progress	2,171	*153*
Less: Payments received and receivable	1,665	*120*
	506	*33*
Excess of cost over instalments: transferred to debtors (note 8)	506	*33*
Excess of instalments over cost: transferred to creditors (note 10)	-	-

8. Debtors

	Group 2010 £000	Group *2009 £000*	Company 2010 £000	Company *2009 £000*
Trade Debtors	1,468	*1,613*	-	-
Amounts owed by subsidiary undertakings	-	-	822	*827*
Other Debtors	120	*13*	13	*13*
Prepayments and Accrued Income	155	*161*	-	-
Amounts recoverable on contracts (note 7)	506	*33*	-	-
	2,249	*1,820*	835	*840*

9./

9. Investments

	2010 £000	*2009 £000*
Cost of investment in subsidiary undertakings	475	*475*
Amounts owed by subsidiary undertakings (repayable after 12 months)	65	*65*
	540	*540*

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	
	2010 £000	*2009 £000*	2010 £000	*2009 £000*
Trade Creditors	1,479	*466*	-	-
Other Creditors	148	*109*	-	-
Taxation and Social Security	107	*207*	-	-
Accruals and Deferred Income	122	*177*	4	*4*
Holland House Loans	921	*600*	-	-
Bank Overdraft	734	*1,213*	-	-
	3,511	*2,772*	4	*4*

11. Deferred Government Grants (Ferguson Shipbuilders Limited)

	2010 £000	*2009 £000*
Balance as at beginning of year	303	*311*
Released to Profit and Loss Account	9	*8*
Balance as at end of year	294	*303*

12. Share Capital

	2010 £000	*2009 £000*
Allotted, Issued and Fully Paid		
1,205,215 Ordinary Shares of 50p each	603	*603*

13./

13. **Reserves**

	Share Premium Account	Capital Reserve	Profit and Loss Account Group	Profit and Loss Account Company
	£000	**£000**	**£000**	**£000**
At 31st May 2009	482	*69*	(154)	*291*
Loss for Year			(55)	*(2)*
Actuarial Loss on Pension Scheme Less Deferred Tax			(1)	-
At 31st May 2010	482	*69*	(210)	*289*

The capital reserve arises on consolidation. The cumulative goodwill written off against this reserve in respect of acquisitions amounted to £29,400. (2009: £29,400).

14. **Cash Flow Statement**

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

	2010	***2009***
	£000	***£000***
Operating Loss	(13)	*(265)*
Depreciation	102	*119*
(Gain)/Loss on Sale of Assets	(2)	*2*
(Increase)/Decrease in Stocks	(74)	*2*
Increase in Debtors	(429)	*(625)*
Increase/(Decrease) in Creditors	1,218	*(22)*
Transfer from Deferred Government Grants	(9)	*(8)*
Net Cash Inflow/(Outflow) from Operating Activities	793	*(797)*

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

	2010	***2009***
	£000	***£000***
Net Funds at Beginning of Year	(1,203)	*(360)*
Decrease in Cash in Year	730	*(843)*
Net Funds at End of Year	(473)	*(1,203)*

(c) **Analysis of Changes in Net Funds**

	2010	***2009***	**Change in Year to 31/5/10**	***Change in Year to 31/5/09***
	£000	***£000***	**£000**	***£000***
Cash at Bank and in Hand	261	*10*	251	*(18)*
Bank Overdraft (Note 10)	(734)	*(1,213)*	479	*(825)*
	(473)	*(1,203)*	730	*(843)*

15./

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.

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

The charge for the year was: £122,000: (2009 £103,000)

The disclosures required are as follows:-

(a) The amounts recognised in the balance sheet are as follows:

	2010	***2009***
	£000	***£000***
Present value of funded obligations	(7,670)	*(6,500)*
Fair value of plan assets	7,669	*6,701*
(Deficit)/Surplus	(1)	*201*
Irrecoverable Surplus	-	*(201)*
Net Liabilities	(1)	-

The/

The amounts recognised in the profit and loss account are as follows:-

	2010	*2009*
	£000	*£000*
Current service cost	-	-
Past service cost	-	-
Losses/(Gains) on curtailments and settlements	-	-
Decrease in irrecoverable surplus	-	-
Total	-	-

(b) Changes in the present value of the deferred benefit obligation are as follows:-

	2010	*2009*
	£000	*£000*
Opening defined benefit obligation	6,500	*6,796*
Interest cost	414	*435*
Actuarial losses/(gains)	1,206	*(317)*
Benefits paid	(450)	*(414)*
Closing defined benefit obligation	7,670	*6,500*

(c) Changes in the fair value of plan assets are as follows:-

	2010	*2009*
	£000	*£000*
Opening fair value of plan assets	6,701	*7,852*
Expected return on assets	400	*435*
Actuarial Gain/(Losses)	918	*(1,264)*
Contributions by employer	100	*92*
Benefits paid	(450)	*(414)*
Closing fair value of plan assets	7,669	*6,701*

The group expects to contribute £135,000 to the defined benefit pension plan in the year to 31st May 2011.

(d) The major categories of plan assets as a percentage of total plan assets are as follows:-

	2010	*2009*
Equities	25.7%	*19.0%*
Corporate Bonds	39.9%	*40.7%*
Bonds	33.9%	*40.7%*
Cash	0.5%	*(0.4)%*

(e) Principal actuarial assumptions at the balance sheet date:-

	2010	*2009*
Price inflation	3.25%	*3.45%*
Pension increase rate	3.15%	*3.35%*
Salary increase rate	2.55%	*3.45%*
Return on assets	5.74%	*6.12%*
Discount rate	5.60%	*6.60%*

The/

The expected return on assets is based on the long term expectation for each asset class at the beginning of the year, as follows

	Expected Return % per Annum	Market Value (£000)
Equities	7.95%	1,970
Corporate Bonds	5.60%	3,061
Bonds	4.30%	2,602
Cash	0.50%	36
Total	5.74%	7,669

(f) Amounts for the current and previous four periods are as follows:-

	31 May10 £000	31 May 09 £000	31 May 08 £000	31 May 07 £000	31 Dec 05 £000
Defined benefit obligation	7,670	(6,500)	(6,796)	(7,531)	(7,796)
Plan assets	7,669	6,701	7,852	7,949	6,791
Surplus/(deficit)	(1)	201	1,056	418	(1,005)
Experience adjustments on plan liabilities	(387)	66	49	9	(416)
Experience adjustments on plan assets	918	(1,264)	(239)	764	634

(g) Analysis of amount recognised in Statement of Total Recognised Gains and Losses (STRGL):-

	2010 £000	*2009 £000*
Actuarial gains/(losses) on plan assets	918	*(1,264)*
Actuarial (losses)/gains on obligation	(1,206)	*317*
Actuarial loss in pension scheme	(287)	*(947)*
Increase/(decrease) in irrecoverable surplus from membership fall and other factors	-	*855*
Actuarial loss recognised in STRGL	(287)	*(92)*
Cumulative actuarial (loss)/gain recognised in STRGL	(77)	*210*

17./

17. **Capital Commitments**

(a) Capital expenditure commitments at 31st May 2010 for which no provision has been made are as follows:

	2010	***2009***
	£000	***£000***
Contracted	-	-
Authorised but not contracted	-	-
	-	-

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

	Land and Buildings	
	2010	***2009***
	£000	***£000***
Operating leases which expire:		
Over five years	3	*3*

18. **Related Party Transactions**

Mr Alan Dunnet who controls 88% of the issued share capital of Ferguson Marine PLC is the company's ultimate controlling party. This company and Holland House Electrical Co. Ltd. are under common control. During the year goods totalling £195,939 were purchased by the subsidiary Ferguson Shipbuilders Ltd. from Holland House Electrical Co. Ltd. on normal commercial terms. The amount owed for these goods at 31 May 2010 amounts to £191,931.

During the year 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 2010.

Holland House Electrical Co. Ltd has advanced £850,000 to Ferguson Shipbuilders Ltd and £70,530 to Newark Joiners Ltd. These amounts were outstanding at 31st May 2010.