

**FORTH ESTUARY ENGINEERING  
LIMITED**

**Report and Financial Statements**

**31 December 2003**



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COMPANIES HOUSE 23/10/04

**REPORT AND FINANCIAL STATEMENTS 2003**

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**REPORT AND FINANCIAL STATEMENTS 2003**

**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

J Adams  
C G Rolaston  
G J Hughes

**SECRETARY**

HBJ Secretarial Limited

**REGISTERED OFFICE**

Exchange Tower  
19 Canning Street  
Edinburgh  
EH3 8EH

**BANKERS**

Bank of Scotland  
PO Box 10  
38 St Andrew Square  
Edinburgh  
EH2 2YR

**SOLICITORS**

Henderson Boyd Jackson  
Exchange Tower  
19 Canning Street  
Edinburgh  
EH3 8EH

**AUDITORS**

Deloitte & Touche LLP  
Edinburgh

## **DIRECTORS' REPORT**

The directors present their annual report and the audited financial statements for the 18 month period ended 31 December 2003.

## **ACTIVITIES**

The company's principal activity during the period was the repair of ships.

## **RESULTS, DEVELOPMENTS AND FUTURE PROSPECTS**

The profit for the period after taxation is £8,581 (2002 – £999,667 profit).

No dividend was paid or proposed in respect of the current period or preceding year. The remaining profit of £8,581 (2002 – £999,667 profit) has been transferred to reserves.

Trading results are disappointing and various steps have been taken to re-organise yard management. We anticipate improvements will show through in 2004 results.

## **DIRECTORS AND THEIR INTERESTS**

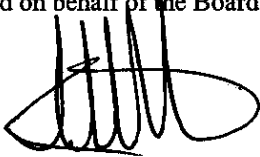
The present membership of the board is set out on page 1.

The directors held no interests in the shares of the Company at 1 July 2002 or 31 December 2003. The interests of J Adams and C G Rolaston in the shares of the parent company, BUE Marine Limited, are disclosed in the financial statements of that company.

## **AUDITORS**

On 1 August 2003, Deloitte & Touche transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The Company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1 August 2003 under the provisions of section 26(5) of the Companies Act 1989. Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution to formally appoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors  
and signed on behalf of the Board



C G Rolaston

Director

26 August 2004

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

United Kingdom company law requires the Directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss of the Company for that period. In preparing those financial statements, the Directors are required to:

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

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

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FORTH ESTUARY ENGINEERING LIMITED**

We have audited the financial statements of Forth Estuary Engineering Limited for the period ended 31 December 2003 which comprise the profit and loss account, the balance sheet and the related notes 1 to 18. These financial statements have been prepared under 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 auditors' 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 financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

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 Act 1985. We also report 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 is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

### **Basis of opinion**

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board, except that the scope of our audit was limited as explained below. 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.

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of the Company's affairs at 31 December 2003 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



**Deloitte & Touche LLP**

Chartered Accountants and Registered Auditors

Edinburgh

27 April 2004

**PROFIT AND LOSS ACCOUNT**

**For the period ended 31 December 2003**

		18 month period ended 31 December 2003 (Before exceptional items) £	Exceptional Items £	18 month period ended 31 December 2003 £	Year ended 30 June 2002 £
	Note				
<b>TURNOVER</b>	2	4,988,599	-	4,988,599	4,033,446
Cost of sales		(3,819,267)	-	(3,819,267)	(3,011,882)
Gross profit		<u>1,169,332</u>	-	<u>1,169,332</u>	<u>1,021,564</u>
Administrative expenses before exceptional items		(1,084,577)	-	(1,084,577)	(777,095)
Exceptional release of intercompany payables		-	-	-	1,610,310
Exceptional provision for irrecoverable intercompany receivables		-	-	-	(573,000)
Exceptional charge for costs identified relating to the prior period.		-	(81,979)	(81,979)	-
Total administrative expenses		<u>(1,084,577)</u>	<u>(81,979)</u>	<u>(1,166,556)</u>	<u>260,215</u>
<b>OPERATING PROFIT/(LOSS)</b>	6	84,755	(81,979)	2,776	1,281,779
Interest receivable and similar income	5			6,177	-
Amounts written off investments	9			-	(274,000)
Bank loan and overdraft interest payable				<u>(13,712)</u>	<u>(8,112)</u>
<b>(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>				(4,759)	999,667
Tax on (loss)/profit on ordinary activities	7			<u>13,340</u>	<u>-</u>
<b>RETAINED PROFIT FOR THE FINANCIAL PERIOD</b>	15			<u>8,581</u>	<u>999,667</u>

There have been no recognised gains and losses attributable to the shareholders other than the (loss)/profit for the current and preceding financial periods and, accordingly, no Statement of Total Recognised Gains and Losses is shown.

The results above relate to continuing activities.

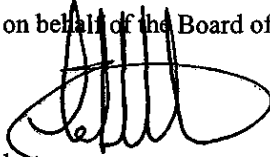
# FORTH ESTUARY ENGINEERING LIMITED

## BALANCE SHEET As at 31 December 2003

	Note	2003 £	2002 £
<b>FIXED ASSETS</b>			
Tangible assets	8	175,361	92,706
Investments	9	14,000	14,000
		<u>189,361</u>	<u>106,706</u>
<b>CURRENT ASSETS</b>			
Stocks	10	48,019	211,302
Debtors	11	544,868	1,037,833
		<u>592,887</u>	<u>1,249,135</u>
<b>CREDITORS: amounts falling due within one year</b>	12	(368,000)	(950,174)
<b>NET CURRENT ASSETS</b>		<u>211,547</u>	<u>298,961</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>414,248</u>	<u>405,667</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	14	18,000	18,000
Capital reserve	15	2,000	2,000
Profit and loss account	15	394,248	385,667
<b>EQUITY SHAREHOLDERS' FUNDS</b>	16	<u>414,248</u>	<u>405,667</u>

These financial statements were approved by the Board of Directors on 26 August 2004.

Signed on behalf of the Board of Directors



C G Rolaston

Director



**NOTES TO THE ACCOUNTS**

**Period ended 31 December 2003**

**1. ACCOUNTING POLICIES**

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below.

**Accounting convention**

The financial statements are prepared under the historical cost convention.

The Company is exempt from the requirement of Financial Reporting Standard 1 (Revised) to prepare a cashflow statement as it is a wholly owned subsidiary of BUE Marine Limited and its cashflows are included in the consolidated cashflow statement in the accounts of that company.

**Preparation of accounts**

The Company is not required to prepare group accounts under section 228 of the Companies Act 1985 as it is a subsidiary of BUE Marine Limited, a company incorporated in Scotland for which consolidated accounts are prepared. Accordingly, the financial statements present information about the Company as an individual undertaking and not as a group.

**Tangible fixed assets**

Depreciation is provided on cost in equal annual instalments over the estimated useful lives of the assets. The rates of depreciation are as follows:

Fixtures & fittings	20% straight line
Motor vehicles	25% straight line
Plant and machinery	20% straight line

**Stocks**

Stocks and work-in-progress are stated at the lower of cost and net realisable value. Cost includes materials, direct labour and production overheads appropriate to the relevant stage of production. Net realisable value is based on estimated selling price less all further costs to completion.

**Investments**

Investments held as fixed assets are stated at cost less any provision for impairment.

**Deferred taxation**

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. *Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements.* Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

**Foreign currency transactions**

Where foreign currency transactions are not covered by forward contracts, they are translated at the rate prevailing at the date of the transaction. Foreign currency balances at the year end are translated into sterling at the rate of exchange ruling at the balance sheet date. Gains and losses on translation are taken to the profit and loss account in the period in which they arise.

**Pension costs**

The Company pays pension contributions to third party personal pension scheme funds on behalf of its employees. Costs are charged as they fall due.

**Leasing and hire purchase**

Rental costs under operating leases are charged to the profit and loss account in equal annual amounts over the periods of the leases.

**NOTES TO THE ACCOUNTS**  
**Period ended 31 December 2003**

**2. TURNOVER**

Turnover arises wholly from the principal activity of the Company in the United Kingdom area and is stated net of Value Added Tax.

**3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES**

None of the directors received any remuneration in respect of their services to the Company in the current or preceding periods.

	<b>18 month period ended 31 December 2003 £</b>	<b>Year ended 30 June 2002</b>
<b>Staff costs during the period</b>		
Wages and salaries	1,941,124	1,423,017
Social security costs	174,404	93,893
Pension costs	16,961	8,850
	<u>2,132,489</u>	<u>1,525,760</u>
	<b>No</b>	<b>No</b>
<b>Average number of persons employed</b>		
Administration	11	12
Production	50	48
	<u>61</u>	<u>60</u>

**4. PENSION COSTS**

The Company pays pension contributions to third party personal pension scheme funds on behalf of its employees.

Contributions made by the Company during the period amounted to £16,961 (2002 - £8,850). No contributions were payable at the period end.

**5. INTEREST RECEIVABLE AND SIMILAR INCOME**

Interest receivable and similar income represents interest receivable on bank deposits.

**NOTES TO THE ACCOUNTS**  
**Period ended 31 December 2003**

**6. OPERATING PROFIT**

	18 month period ended 31 December 2003 £	Year ended 30 June 2002 £
<b>Operating profit is after charging:</b>		
Depreciation		
Owned assets	62,537	51,754
Provision for impairment of fixed assets	-	3,946
Auditors' remuneration	10,000	12,000
Operating lease rentals - Land and buildings	119,120	68,116
	<u>119,120</u>	<u>68,116</u>

**7. TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES**

	2003 £	2002 £
UK corporation tax	-	-
Deferred tax	(13,340)	-
Tax charge on operating loss	<u>(13,340)</u>	<u>-</u>

The standard rate of tax for the period, based on the UK standard rate of corporation tax, is 30% (2002-30%). The actual tax charge for the period exceeds the standard rate for the reason set out in the following reconciliation:

	2003 £	2002 £
(Loss)/profit on ordinary activities before tax	<u>(4,759)</u>	<u>999,667</u>
Tax on (loss)/profit on ordinary activities at standard rate	1,428	(299,900)
Factors affecting charge for the period:		
Expenses not deductible for tax purposes	(25,617)	(111,801)
Capital allowances in excess of depreciation	(18,761)	483,093
Utilisation of tax losses	42,950	(8,426)
Movement in short term timing differences	-	(62,966)
Total actual amount of current tax	<u>-</u>	<u>-</u>

On 8 May 2002 the intercompany payables of £1,610,310, due to the previous parent company, were waived and released to the profit and loss account. The directors are of the opinion that the original payable balances arose from non-trading activities, consequently, no provision has been made for any associated corporation tax arising on the release.

**NOTES TO THE ACCOUNTS**  
**Period ended 31 December 2003**

**8. TANGIBLE FIXED ASSETS**

	<b>Fixtures &amp; fittings</b>	<b>Motor vehicles</b>	<b>Plant &amp; machinery</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Cost</b>				
At 1 July 2002	28,073	90,397	478,936	597,406
Additions	11,861	75,317	58,014	145,192
At 31 December 2003	39,934	165,714	536,950	742,598
<b>Accumulated depreciation</b>				
At 1 July 2002	28,073	90,397	386,230	504,700
Charge for the period	2,510	15,970	44,057	62,537
At 31 December 2003	30,583	106,367	430,287	567,237
<b>Net book value</b>				
At 31 December 2003	9,351	59,347	106,663	175,361
At 30 June 2002	-	-	92,706	92,706

**9. INVESTMENTS HELD AS FIXED ASSETS**

	<b>Investments in subsidiaries</b>	<b>Other Investments</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>Cost</b>			
At 1 July 2002 and 31 December 2003	274,000	14,000	288,000
<b>Provision</b>			
At 1 July 2002 and 31 December 2003	274,000	-	274,000
<b>Net book value</b>			
At 31 December 2003	-	14,000	14,000
At 30 June 2002	-	14,000	14,000

**Subsidiary undertakings**

The company has the following investments:-

	<b>Country of Incorporation</b>	<b>Activity</b>	<b>Proportion of Ordinary Shares Held</b>
Firth Painters Limited	Scotland	Dormant	100%
Marine Propeller Services Limited	Scotland	Dormant	100%
Scott Reuter Limited	Scotland	Dormant	100%
Grangemouth Ship Repairs Limited	Scotland	Dormant	100%

**NOTES TO THE ACCOUNTS**  
**Period ended 31 December 2003**

**10. STOCKS**

	2003 £	2002 £
Work in progress	48,019	211,302

**11. DEBTORS**

	2003 £	2002 £
Trade debtors	420,558	998,510
Other debtors and prepayments	89,319	39,323
Amounts due by group undertakings	21,651	-
Deferred tax asset	13,340	-
	<u>544,868</u>	<u>1,037,833</u>

**12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2003 £	2002 £
Bank overdraft	99,907	161,031
Trade creditors	193,782	467,368
Amounts due to group undertakings	-	33,801
Obligations under finance lease and hire purchase contracts	656	8,926
Other creditors and accruals	73,655	279,048
	<u>368,000</u>	<u>950,174</u>

The bank overdraft is secured by a bond and floating charge over the assets of the Company and subsidiary companies.

**13. DEFERRED TAX**

	Deferred tax asset £
At 1 January 2003	-
Credited to Profit & Loss Account in the year (see note 7)	<u>(13,340)</u>
At 31 December 2003	<u>(13,340)</u>

A deferred tax asset exists at 31 December 2003. The asset is presented within debtors (see note 9). The deferred tax balance represents fixed assets timing differences computed at the expected long term rate of 30%.

**NOTES TO THE ACCOUNTS**  
**Period ended 31 December 2003**

**14. CALLED UP SHARE CAPITAL**

	<b>2003</b>	<b>2002</b>
	<b>£</b>	<b>£</b>
<b>Authorised</b>		
Ordinary shares of £1 each	20,000	20,000
	<u>20,000</u>	<u>20,000</u>
<b>Called up, allotted and fully paid</b>		
Ordinary shares of £1 each	18,000	18,000
	<u>18,000</u>	<u>18,000</u>

**15. STATEMENT OF RESERVES**

	<b>Capital reserve £</b>	<b>Profit and loss account £</b>	<b>Total £</b>
Balance at 1 July 2002	2,000	385,667	387,667
Profit retained for the financial period	-	8,581	8,581
	<u>2,000</u>	<u>394,248</u>	<u>396,248</u>
Balance at 31 December 2003	2,000	394,248	396,248

**16. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	<b>2003</b>	<b>2002</b>
	<b>£</b>	<b>£</b>
Profit for the financial period	8,581	999,667
	<u>8,581</u>	<u>999,667</u>
Net (reduction)/addition shareholders' funds	8,581	999,667
Elimination of prior year revaluation reserve	-	(78,000)
Opening shareholders' funds/(deficit)	405,667	(516,000)
	<u>405,667</u>	<u>(516,000)</u>
Closing shareholders' funds	414,248	405,667
	<u>414,248</u>	<u>405,667</u>

**17. RELATED PARTIES**

The Company has taken advantage of the exemptions available under Financial Reporting Standard number 8 with regard to non-disclosure of transactions between group companies which are eliminated in the ultimate parent company's consolidated financial statements.

**18. PARENT COMPANY**

The company's immediate parent undertaking is Forth Group Limited.

The Company's ultimate parent undertaking is BUE Marine Limited, a company registered in Scotland for which consolidated financial statements are prepared. Copies of the consolidated financial statements are available from BUE Marine Limited, Imperial House, Albert Dock, Edinburgh, EH6 7DN.