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John Boyd, Audit Director
Audit Scotland
4th Floor
8 Nelson Mandela Place
Glasgow
G2 1BT

31 August 2023

Dear John

Ferguson Marine (Port Glasgow) Holdings Limited
Annual report and accounts 2022/23

1. This representation letter is provided in connection with your audit of the annual report and accounts of Ferguson Marine (Port Glasgow) Holdings Limited the year ended 31 March 2023 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the financial reporting framework, and for expressing other opinions on the regularity of income and expenditure, remuneration and staff report, performance report and governance statement.

1. I confirm to the best of my knowledge and belief, and having made such enquiries as I considered necessary, the following representations given to you in connection with your audit of Ferguson Marine (Port Glasgow) Holdings Limited's annual report and accounts for the year ended 31 March 2023.

General

2. I have fulfilled my responsibilities for the preparation of the 2022/23 annual report and accounts. All the accounting records, documentation and other matters which I am aware are relevant to the preparation of the annual report and accounts have been made available to you for the purposes of your audit. All transactions undertaken by Ferguson Marine (Port Glasgow) Holdings Limited have been recorded in the accounting records and are properly reflected in the financial statements.

3. I confirm that the effects of uncorrected misstatements are immaterial, individually and in aggregate, to the financial statements as a whole. I am not aware of any uncorrected misstatements other than those reported by you.

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Regularity of Expenditure and Income

4. I confirm that, in all material respects, expenditure was incurred, and income applied in accordance with applicable enactments and guidance issued by the Scottish Ministers.

Financial Reporting Framework

5. The annual report and accounts have been prepared in accordance with the Criminal Justice (Scotland) Act 2003 and directions made thereunder by the Scottish Ministers.

6. I have ensured that the financial statements give a true and fair view of the financial position of Ferguson Marine (Port Glasgow) Holdings Limited at 31 March 2023 and the transactions for 2022/23.

Accounting Policies & Estimates

7. All significant accounting policies applied are as shown in the note included in the financial statements. The accounting policies are determined by the 2022/23 Government Financial Reporting Manual (the FReM), where applicable. Where the FReM does not specifically apply, I have used judgement in developing and applying an accounting policy that results in information that is relevant and reliable. All accounting policies applied are appropriate to Ferguson Marine (Port Glasgow) Holdings Limited’s circumstances and have been consistently applied.

8. The significant assumptions used in making accounting estimates are reasonable and properly reflected in the financial statements. Judgements used in making estimates have been based on the latest available, reliable information. Estimates have been revised where there are changes in the circumstances on which the original estimate was based or because of new information or experience.

Going Concern Basis of Accounting

9. I have assessed Ferguson Marine (Port Glasgow) Holdings Limited’s ability to continue to use the going concern basis of accounting and have concluded that it is appropriate. I have disclosed to you in the Annual Report and notes to the accounts the basis of this conclusion and the risk and material uncertainty on Ferguson Marine (Port Glasgow) Holdings Limited’s ability to continue as a going concern.

Assets

10. Owned assets are free from any lien, encumbrance or charge except as disclosed in the financial statements.

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Liabilities

11. All liabilities at 31 March 2023 of which I am aware have been reported in the financial statements.

12. Provisions recognised in previous years have been reviewed and adjusted, where appropriate, to reflect the best estimate at 31 March 2023 or to reflect material changes in the assumptions underlying the calculations of the cash flows.

13. The accrual recognised in the financial statements for holiday untaken by 31 March 2023 has been estimated on a reasonable basis.

14. There are no plans or intentions that are likely to affect the carrying value or classification of the liabilities recognised in the financial statements.

Fraud

15. I have provided you with all information in relation to:

- my assessment of the risk that the financial statements may be materially misstated as a result of fraud
- any allegations of fraud or suspected fraud affecting the financial statements
- fraud or suspected fraud that I am aware of involving management, employees who have a significant role in internal control, or others that could have a material effect on the financial statements.

Laws and Regulations

16. I have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

17. Related Party Transactions

18. All material transactions with related parties have been appropriately accounted for and disclosed in the financial statements in accordance with IAS 24 as interpreted by the FReM. I have made available to you the identity of all Ferguson Marine (Port Glasgow) Holdings Limited's related parties and all the related party relationships and transactions of which I am aware.

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Remuneration and Staff Report

19. The Remuneration and Staff Report has been prepared in accordance with the requirements of the FReM to the extent they apply in Scotland and all required information of which I am aware has been provided to you.

Performance report

20. I confirm that the Performance Report has been prepared in accordance with the requirements of the FReM to the extent they apply in Scotland and the information is consistent with the financial statements.

Corporate Governance

21. I have fulfilled my responsibilities for Ferguson Marine (Port Glasgow) Holdings Limited's corporate governance arrangements. I have disclosed to you all deficiencies in internal control identified from this review or of which I am otherwise aware.

22. I confirm that the Governance Statement has been prepared in accordance with the Scottish Public Finance Manual and the information is consistent with the financial statements. There have been no changes in the corporate governance arrangements or issues identified since 31 March 2023 which require to be reflected.

Events Subsequent to the Date of the Statement of Financial Position

23. All events subsequent to 31 March 2023 for which IAS 10 as interpreted by the FReM requires adjustment or disclosure have been adjusted or disclosed.

Yours sincerely

David Tydeman

Accountable Officer

31 August 2023

Registered Number
SC638534

Ferguson Marine (Port Glasgow) Holdings Limited

Annual Report and Financial Statements

31 March 2023

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Governance

A Non-Executive Chairman and Directors were appointed in June 2020, creating an independent Board. The current Chairman was appointed by the Scottish Government in December 2022 and joined the Board on 1 February 2023, whose details along with the other Non-Executive Directors can be found later in the report and on the company's website. Companies House was updated in February 2023 for the Chairmans appointment.

Progress

The Chief Executive Officer (CEO) reports on progress every two months to the Board and minutes are published in arrears. The CEO also reports to the Convenor of the Net Zero Energy and Transport Committee (NZET) quarterly as Accountable Officer and these NZET reports are available on the company's website.

Schedule & Cost for 801 and 802

On 16 May 2023 Scottish Ministers confirmed the completion of a Due Diligence review of the revised schedules and costs for 801 and 802 set out to them by FMPG in September 2022.

Ministers confirmed the budget of £97.5m for 801 and £105.1m for 802 and affirmed their acceptance of the delivery dates on 24 May 2023. The CEO then set out an update with further revised costs and dates in his letters to the NZET Committee on 30 June 2023 and 22 August 2023 and this and any subsequent updates are made available on the Company's website.

Future Work

The CEO and Senior Management Team have developed a 5 Year Business Plan in 2023 which was approved by the Board on 25 May 2023 and submitted to Scottish Ministers thereafter.

The plan assessed the market that is available to FMPG and concluded that the business can compete effectively for complex vessels, built to high standards, in the 40m to 110m range. The upper end of this range is limited by the size of the shipyard, with the lower end a guideline intended to exclude the smallest vessels.

Future work can come from the following sectors.

- Complex Commercial & Government Vessels
  - Ferries
  - Service Operations Vessels (SOVs)
  - Lighthouse Tender Vessels
  - Research Vessels
- Complex Patrol Vessels
  - Fishery Protection Vessels
  - Coastal Patrol Vessels
  - Offshore Patrol Vessels (OPVs)

There is market activity in each of these sectors suitable for Ferguson Marine

The Board has confirmed that for the shipyard to improve its efficiency and to be competitive in the broader market as set out above, it must first secure a pipeline of repeatable work over several years. There are two opportunities in the market.

Firstly, the small vessel replacement programme (SVRP) with Transport Scotland/CMAL for 7 x 50m electric motor-powered, modern versions of the 3 x 42m hybrid vessels Ferguson Marine built successfully, on-time and on-budget in 2012-2015, and secondly, Ferguson Marine has the capacity and skills to support the warship programme with BAE Systems and Babcock International as a strategic sub-contractor and is actively developing this work.

Accountable Officer Foreword (continued)

Future Work (continued)

Developing the pipeline of circa £250m from these two opportunities is recognised by the Board of Directors as strategically important for FMPG, prior to any other consideration of more complex, larger vessels in the future. The 5 Year Business Plan sets out a return to profitable operations building on these two streams of work.

David Tydeman

David Tydeman
Accountable Officer

31 August 2023

Performance Report

Performance Overview

The purpose of this overview section is to provide a summary of Ferguson Marine (Port Glasgow) Holdings Limited (FMPG), its purpose and strategy, the key risks the business is facing, and performance over the year from 1 April 2022 to 31 March 2023.

Purpose and Business Activities

The principal activity of the business is shipbuilding.

The shipyard plays an important role in both the local and national economy, providing direct employment of approximately 320 employees working across two sites, with the main site being the shipyard in Port Glasgow, supported by a warehouse facility within a few miles of the shipyard at Greenock.

Company Structure

Ferguson Marine (Port Glasgow) Holdings Limited is the holding company and holds 100% of the share capital for each of three subsidiary companies, being Ferguson Marine (Port Glasgow) Limited, Ferguson Marine (801-802) Limited, and Ferguson Marine (803-805) Limited.

Ferguson Marine (Port Glasgow) Holdings Limited is itself 100% owned by Scottish Ministers, and in relation to that is classified as a Non-Departmental Public Body ("NDPB"). As a result, and in accordance with the Scottish Public Finance Manual ("SPFM"), each of its three subsidiary companies are also deemed to form part of that NDPB status organisation.

Ferguson Marine (Port Glasgow) Limited owns the assets and property of the shipyard, and employs the workforce, whilst the other two subsidiaries are the operating entities through which the contracting and trading with customers is transacted.

The Board is responsible for ensuring that the aims and objectives of the business are achieved and challenge the executive management through the Board meetings and review by the Audit and Risk Committee, the Remuneration Committee and the new Health and Safety Committee formed in June 2023.

The Senior Leadership Team have delegated day to day authority within the Delegated Authority Framework to execute tasks, decisions and actions which enable the performance of the business to be achieved. The team is comprised of a CEO, supported by four senior heads of functional departments, who are responsible amongst other duties, for the planning, business management, performance management and change management across the business.

Strategy

The UK's National Shipbuilding Strategy Refresh (NSSR) which was issued in early 2022, aligned with a renewed governmental interest in shipbuilding, and is likely to increase the opportunities in the domestic UK market for ship construction. The NSSR identifies c170 vessels over the next 30 years to be funded in some form or other by the taxpayer and sets out a strategic intent to maximise the UK build element of this significant pipeline of work, with c40 of these vessels funded by the Scottish Government playing a significant role in that strategy.

In addition, the commercial shipbuilding market is vast, and opportunities for future vessel build are available in emergent and growing market sectors such as renewable energy. Independent reports identify a global need

Performance Overview (continued)

Strategy (continued)

for more than 200 new vessels by 2030 for the offshore wind market, with c50% of these required to support wind farms in Northwest Europe. After the two targeted workstreams of the SVRP and BAE Systems/Babcock supply chain, FMPG will be well positioned to target this market.

Furthermore, the recent first round of offshore wind leasing in Scottish waters by ScotWind has seen many of the successful bidders commit to place orders for their support vessels with Scottish yards.

The company's strategy aims to capitalise on its capacity, strengths, and capabilities as shipbuilders, focusing on sufficiently complex opportunities in niche or growth markets where fewer competitors are likely to have an advantage in terms of pricing or track record.

To succeed with that strategy, it is vital that the yard has a robust plan to improve its competitiveness for the sustainable future to be realised, and so in parallel to the business turnaround activities which have continued to be accomplished throughout the period, the company has also undertaken a benchmark review of its productivity and use of technology. The outputs from that review have been used to inform the creation and progression of the 5 Year business plan which was provided to and approved by the Board.

Performance Appraisal

The financial statements for 2022/23 reflect a Comprehensive Net Deficit for the Group of £1.3m (2021/22 Comprehensive Net Surplus of £0.1m). The deficit is due to factors relating to the continued turnaround of the yard, with a focus on improving procedures and efficiencies whilst continuing to support the build of 801 and 802. Also included within the net deficit is a revaluation of the FMPG site in current market conditions which resulted in a £0.4m reduction in the Revaluation Reserve for the shipyard site.

Revenue of £64.4m *(2021/22 £56.6m)* includes revenue associated with the continued build of 801 and 802, as well as £0.5m initiating from a new working relationship with BAE Systems.

	Ferguson Marine (Port Glasgow) Holdings Limited (The Group)	Ferguson Marine (Port Glasgow) Limited	Ferguson Marine (801-802) Limited	Ferguson Marine (Commercial) Limited
	£000s	**£000s**	**£000s**	**£000s**
External Revenue	64,421	749	63,239	432
Comprehensive Net Surplus/(Deficit)	(1,295)	(973)	-	(323)

Key Issues and Risks

The key issues identified are:

- Performance on existing contracts
- Recruitment of key skills
- Inflation
- Financial stability
- Reputation

These risks are discussed further in the Performance Analysis on page 5.

Going Concern

Since formation of the company in late 2019, the business has been owned 100% by Scottish Ministers. The Board of Directors are registered with Companies House as Company Directors as the Group is registered as a limited Company.

The Board of Directors have considered the Group's ability to continue as a going concern and with that assessment have considered the current capital position of the Group, the operational and funding mechanism extant within the two contracts put in place with Scottish Ministers for the construction of the two ferry vessels (Hulls 801 and 802), the related project outlook and cost profile for those vessel builds over the next eighteen

Performance Overview (continued)

Going Concern (continued)

months, and the opportunities for future new work and contract opportunities through Ferguson Marine (Commercial) Limited

On 16 May 2023 the Cabinet Secretary for Wellbeing Economy, Fair Work and Energy announced the Scottish Governments commitment to continue to support the build of 801 and 802, with a budget of £57.6m in 2023/24 and £0.6m in 2024/25. There is no financial commitment beyond this and therefore any overrun of costs or delay in delivery dates remain a funding risk. However, in a statement to Parliament and in a letter of comfort issued by Scottish Government to the FMPG Board, the Cabinet Secretary reaffirmed their commitment to supporting a sustainable future for FMPG.

The Board also highlights that for FMPG to compete competitively for new work to follow on after 801 and 802 have been delivered, investment by Scottish Government in the shipyard facilities, equipment and processes is required and approval of the plans submitted earlier in 2023 remains outstanding.

In respect of Ferguson Marine (Commercial) Limited, there are also risks and uncertainties over the future operation of this subsidiary within the Group. Ferguson Marine (Commercial) Limited has successfully developed a working relationship with BAE Systems for the mobilisation of surplus labour to the BAE Systems site at Govan on a small scale throughout 2023. In addition, an agreement was signed in April 2023 for Ferguson Marine (Commercial) Limited to build 3 units for the T-26 programme as a pilot project.

With investment from Scottish Government in upgrading the shipyard facilities, Ferguson Marine (Commercial) Limited would be well placed to compete for further larger units upon completion of the pilot project, but as this investment remains unconfirmed at the date of this report, these opportunities are at risk. Additionally, as set out in the 5-year business plan, the small vessels replacement programme planned by CMAL on behalf of Transport Scotland would be an attractive opportunity for Ferguson Marine (Commercial) Limited to pursue, but this also remains uncertain whilst the investment is unconfirmed.

Considering these factors, the Board of Directors has identified a material uncertainty related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern and, that it may be unable to realise its assets and discharge its liabilities in the normal course of business. As noted above and as mitigation for this uncertainty, the Director General Economy for Scottish Government has provided a letter of financial support to Ferguson Marine Port Glasgow (Holdings) Limited and its subsidiaries (the Group). This letter confirms that the Scottish Government will support the Group for a period of 12 months from the signing of the 2022/23 annual report and accounts, to maintain adequate financial resources and in a position to meet its obligations. This support is with reference to both the completion of 801 and 802, as well as securing a sustainable future for the yard.

Performance Analysis

Positive progress with the construction of all the vessels was made during the reporting period. Technical and legacy issues continued to arise into the final stages of completion for 801. These continue to have a cascade effect onto vessel 802.

Key Performance Indicators are summarised as follows:

- The project costs incurred on Hulls 801 and 802 in 2022/23 was £63.2m.
- ISO9001 certification surveillance review and audit undertaken by Lloyd's Register Quality Assurance (“LRQA”) in October 2021, with a positive outcome, and in their subsequent audit in February 2023 LRQA reported that FMPG had made good progress with process and controls.
- The shipyard has been subject of two periodic insurance-based risk and site surveys, which raised no significant issues, and received welcome comments and positive reporting on improvements visible from the previous surveys.
- Health and Safety Executive visited the site in late summer of 2022 and issued four improvement notices in December 2022. All necessary actions were undertaken professionally and in a timely manner, with full clearance from HSE being secured early in 2023. The HSE also visited the site in August 2023 and confirmed that the engineering and administrative controls in place were appropriate, noting steady improvements over the preceding 12 months.

Performance Analysis (continued)

Risks

In carrying out its business operations and construction of the vessels, the company assumes a certain level of risk related to executing the obligations of those projects. FMPG recognise the importance of effective risk management and strive to identify and manage risks to the business. The business has developed both a Corporate Risk Register, and a Project Risk Register, setting out the top risks, with both reports reviewed regularly.

Principal risks include the management and control of performance on the contracts to build the two ferry vessels for Scottish Ministers. The CEO provides regular updates to the Board and the NZET Committee to ensure all stakeholders are kept informed.

There has been persistent difficulty in being able to recruit the necessary trades and skills required to meet the requirements of the project plan, due to shortages of key skilled labour resources in the marketplace. The effect of this has been mitigated by placing discrete packages of work with subcontractors, and the increased use of agency and contract workers.

Both the worldwide and UK markets have seen significant inflationary pressures in 2023, driving up the cost of materials, energy, and labour. This increases the risks associated both with the cost of labour and materials for the contracts underway, but also the overheads associated with the running of the yard. This risk is mitigated with regular reviews of all budgetary areas of the business and ensuring all departments work consistently towards ensuring value for money,

Financial stability in the longer term after the completion of 801 and 802 remains a key issue for FMPG. Opportunities have been identified in the strategy for FMPG, however currently the order book beyond existing orders for FMPG remains uncertain in the medium to longer term. FMPG have prepared a 5-year business plan to provide a planned route to a sustainable future yard and the small FMPG commercial team continue to review all opportunities in the shipbuilding industry.

Reputational damage from the media attention surrounding 801 and 802 remains a risk in undermining FMPG's competitiveness in future bids. However, the successful handover of 801 remains a priority for 2023/24 and the continued improvements in preparing the yard for a sustainable future will provide positive attention.

Non-Financial Information

The company recognises its importance to the local community, not just in terms of employment of skilled labour, but also its heritage and social responsibility. We have worked in the local community to increase awareness of science, technology, engineering, and mathematics ("STEM"), and supported several recruitment fairs.

We also have a good relationship with the local college in Greenock, which is a key foundation of the apprentice program which the business restarted in 2020, and has been continued and further developed in 2023, which has provided a career opportunity to a further 15 young people, with a pathway to train and become a skilled tradesperson.

We also proactively engage and communicate with all stakeholders about progress and development of the yard, including end users of the ferries from the island community.

We apply the principles of equality and diversity across the business, and one element of this is illustrated by the composition of the senior management team, of which 40% of key senior roles are held by women.

FMPG maintain policies regarding Anti-Corruption and Anti-Bribery, with staff training undertaken during the financial year being reported.

Additional disclosure requirements within the Companies Act

Ferguson Marine (Port Glasgow) Holdings Limited, which although wholly owned by Scottish Minsters, is registered as a Limited Company with Companies House, and the three wholly owned subsidiaries are also registered with Companies House. In our interpretation of the FReM, we note that if additional reporting requirements are required under the Companies Act in addition to FReM, that these must also be disclosed. Typically, the reporting disclosures required by the Companies Act would be contained within the strategic report. Under FReM guidelines, many of these disclosures fall into this performance report or the

Additional disclosure requirements within the Companies Act (continued)

governance report which follows on Pages 8-10. To assist the reader of this Annual Report and Accounts, the key additional disclosures required by the Companies Act are either set out below, or cross-referenced to where the disclosure requirement may already be included elsewhere in this Annual Report and Accounts:

i. Future Developments - An indication of likely future developments in the business is set out within the future work section of the Accountable Officer Foreword.

ii. Dividends - No dividends have been proposed, recommended, or paid.

iii. Financial Instruments - risk management policies are set out in Note 19 to the Financial Statements, as are the price, credit and liquidity risk assessments and policies. The Directors have assessed that the risks are not material.

iv. Post Balance Sheet Events - there have been no important events affecting the company since the year end of 31 March 2023.

v. Employees - Equality & Diversity - FMPG is dedicated to encouraging a supportive and inclusive culture. It is in our best interest to promote diversity and eliminate discrimination in the workplace. Our employees are fundamental to our success. We recognise that to provide the best service we need to not only employ diverse teams from the broadest talent pool but ensure everyone is celebrated and respected as individuals; to create an inclusive culture where our employees thrive, foster creativity and drive engagement. We take every possible step to ensure that our employees are always treated fairly and equally and that all decisions on recruitment, training, and promotion are based solely on objective, job-related, criteria. This approach applies equally to dealings with our employees, clients, customers, suppliers, and contractors. We support the principle of equal opportunities in employment and opposes all forms of unlawful or unfair discrimination on the grounds of race (which includes colour, nationality, ethnic or national origin and caste), sex, age, marital or civil partnership status, religion or belief, political opinion, disability, gender re-assignment, sexual orientation, pregnancy or maternity or trade union membership. We are opposed to all forms of unlawful and unfair discrimination. All employees, no matter whether they are part-time, full-time, or temporary, will be treated fairly and with respect. When selecting candidates for employment, promotion, training, or any other benefit, it will be based on their aptitude and ability.

vi. Employees - business engagement with employees is based upon several regular events and actions during any reporting period. These include communication and briefing sessions to all employees presented by the CEO, email-based newsletter/updates when appropriate from the CEO, monthly meetings of the senior leadership team with management, and weekly walks around the shipyard on an informal basis. There is also a fortnightly engagement with the local trade union representatives, in addition to which, they are provided the opportunity to attend the Board meetings, in which they can raise any issues on behalf of the employees on a formal basis. All employees are also encouraged to use the “Ask the CEO” mailbox which is established and available for all employees to raise and issue or question directly with the CEO, as well as a ‘You say, We did’ process, primarily to raise aspects around Health and Safety.

vii. Stakeholder engagement - the main stakeholder and customer of the business are Scottish Ministers. In the same way as other public bodies, we have set out a Framework Agreement that sets out the terms in how the relationship and engagement between the business and Scottish Ministers will work. Additionally, there is regular contact and provision of information, with Scottish Government providing attendees to each Board meeting as observers, and so be updated formally. For suppliers, we have a code of conduct in place, that sets out to foster good practice and strong relationships.

viii. Information provided to the auditors - the Directors confirm that so far as they are aware, there is no relevant audit information of which the company’s auditors are unaware; and that they have taken all steps that they ought to have taken as Directors to make themselves aware of any such information.

ix. The Companies (Directors’ Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 (the Regulations) require certain companies to participate in Streamlined Energy and Carbon Reporting (SECR). Ferguson Marine (Port Glasgow) Holdings Limited is exempt from SECR disclosure on the basis that no members of the Group are large, and as the parent company has consumed less than 40,000kwh in the period.

David Tydeman

David Tydeman

Accountable Officer

31 August 2023

Accountability Report

Corporate Governance Report

Directors Report

The Directors present their report and the accounts of the company for the year ended 31 March 2023. The accounts have been prepared in a form directed by the Scottish Ministers in accordance with the Government Financial Reporting Manual (FReM) and fulfil the requirements of the Companies Act 2006.

The Board is responsible for the overall direction of the business, including its efficiency and performance and to provide countenance to the executive management team.

The full Board comprised two Executive (CEO and CFO) and six Non-Executive members appointed by Scottish Ministers until February 2023 when the Chief Financial Officer resigned, a new Chairman joined the Board, and an interim CFO was recruited but not appointed to the Board. The members bring a wealth of diverse and extensive experience to the business.

They work closely with the senior management team, who are responsible for strategic planning, business management, performance, and change management, enabling the company to not only meet its existing contractual obligations, but also deliver a sustainable future for commercial shipbuilding on the lower Clyde.

A short biography can be found for each of the directors on the FMPG website.

Auditors

The accounts are required to be audited in accordance with the requirements of the Public Finance and Accountability (Scotland) Act 2000, and Scottish Ministers have issued an accounts direction letter to Ferguson Marine (Port Glasgow) Holdings Limited, stating that the accounts for the financial period ended 31 March 2021, and subsequent years, shall comply with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual (FReM) which is in force for the year for which the statement of accounts are prepared.

Under the terms of the Public Finance and Accountability (Scotland) Act 2000, our independent auditors are appointed by the Auditor General, and John Boyd (Audit Scotland) has been appointed for the reporting period 2022-23.

The accounts have been prepared to give a true and fair view of the income and expenditure and cash flows in 2022/23, and of the state of affairs as at the end of 2022/23.

The Company has three subsidiary companies, of which it owns 100% of the share capital of each subsidiary. The details of those subsidiary companies are set out in Note 27 to the Financial Statements. For each of the three subsidiary companies, as listed below, the Board of Directors have resolved to seek exemption from audit by parent guarantee under s479A-479C of the Companies Act 2006.

Ferguson Marine (Port Glasgow) Limited	Company Registration No SC638457
Ferguson Marine (801-802) Limited	Company Registration No SC638508
Ferguson Marine (Commercial) Limited	Company Registration No SC638592

Internal Auditors

To continue to drive improvements in the governance of the Company, BDO were appointed as internal auditors in May 2023. BDO will focus on Governance and Risk and Internal Controls and work alongside the Company, reporting to the Audit and Risk Committee.

Governance Report (continued)

Governance Statement

Ferguson Marine (Port Glasgow) Holdings Limited is a limited company under the Companies Act 2006, whose shares are wholly owned by Scottish Ministers, and is an executive Non-Departmental Public Body (NDPB) of the Scottish Government.

The Governance statement covers the accounting period 2022/23 and additionally the period up to the date of signature. No significant events have been noted in the time frame up to the authorised for issue date. Unless otherwise indicated, all stated systems have been in place for the year under review and up to the date of approval of the annual report and accounts.

The Governance Statement has been prepared to form part of the Annual Report and Accounts, as required under the terms of the Finance Reporting Manual (FReM). The FReM is issued by Scottish Ministers to provide guidance on the correct handling and reporting of public funds, and includes the relevant statutory, parliamentary, and administrative requirements, with an emphasis on economy, efficiency, good practice, and high standards of propriety.

Compliance with regulation, legal and ethical standards is a high priority for the Group, and the directors and senior management take on an important oversight role in this regard. The business is led by the Board of Directors, whose role it is to ensure that the business fulfils the aims and objectives set by the shareholders of Scottish Ministers.

The Board is responsible for:

- progress towards achievement of the strategic aims and objectives
- promoting the efficient and effective use of resources and employees
- ensuring that effective arrangements are in place to provide assurance on risk management and internal control including reviewing reports by department heads which are provided at Board meetings
- approving the annual report and accounts and reviewing regular financial information in respect of the management and performance of the business
- demonstrating professionalism and high standards of governance

The newly appointed Chairman has led the Board to structure three sub-committees which will meet and review issues and actions 6 times per year to align with the bi-monthly board meetings. The chair of each sub-committee provides an update in the Board meetings.

Audit and Risk Committee

To assist in discharging its obligations, and to monitor and review risk, control and corporate governance, the Board formed an Audit and Risk Committee (ARC) in 2020, to which it has appointed appropriately skilled and experienced members of the Board.

The Board has developed and formally approved the Terms of Reference for ARC with Robert Mackenzie as the chair of that committee until September 2023 when his 3-year term of appointment as non-executive director ends. He will hand over the position to Chris Mackay as interim chair of the committee. Chris Mackay previously held the interim chair position from June 2022 to November 2022. In the reporting period of 1 April 2022 to 31 March 2023, there were four formal ARC meetings held.

The Board, Audit and Risk Committee and senior leadership team are now applying focus to the following aspects for 2023/24:

1. Risk Register

   Project risk registers are maintained and reviewed monthly as part of the project review and the Board focusses on the risks which have large impact before mitigation. The corporate risk register is prepared for review and agreement by ARC and the Board.

2. Scope for Internal Audit

   The requirement for an internal audit was approved by Scottish Government in May 2023 and BDO have been appointed to the internal audit function. ARC have agreed priorities for the next 2 financial years.

Governance Report (continued)

Audit and Risk Committee (continued)

3. Cyber Risk Management

   The Board recognises the current and increasing threat of cyber risk. Cyber Essentials accreditation has been renewed in the reporting period, with the certification process illustrating which areas have improved since the last annual renewal.

4. Annual Accounts

   The Audit and Risk Committee oversee the planned activity and results of both Internal and External audit, and act on behalf of the Board in overseeing the finalisation of the Annual Accounts

5. Corporate Governance

   ARC will review the arrangements for corporate governance to inform the governance statement. ARC are informed of any significant failure in the risk management and internal control process,

Remuneration Committee

FMPG also facilitates a Remuneration Committee (RemCom) which meets bi-monthly to ensure appropriate decisions on levels of remuneration are made, to validate the link between remuneration and performance and conclude on the structure of any amendments to executive packages. RemCom was chaired by Robert MacKenzie until July 23 when the chair was handed over the newly appointed Non-Executive Director, Valerie Scoular.

Health and Safety Committee

FMPG are committed to a robust Health and Safety culture and in June 2023 established a Health and Safety Committee which will meet bi-monthly.

Data Breach

In the year to 31 March 2023, FMPG submitted one notification of data breaches to the Information Commissioners Office and continue to monitor any breaches and take remedial action.

Taking account of the status of the business when it commenced operations in December 2019, the work undertaken so far and the improvements which have been implemented, and the positive feedback from the various external audits and certifications which have taken place, then reasonable assurance can be placed upon the adequacy and effectiveness of the business' governance arrangements.

Other information

In November 2022, the company registered as SC638592 amended its name by resolution to Ferguson Marine (Commercial) Limited and recorded that at Companies House.

Auditors

Audit Scotland
8 Nelson Mandela Place
GLASGOW
G1 2BT

Bankers

Royal Bank of Scotland plc
36 St Andrew Square
EDINBURGH
EH2 2AD

Legal Advisors

MacRoberts LLP
60 York Street
GLASGOW
G2 8JX

Tax Advisors

PricewaterhouseCoopers LLP
141 Bothwell Street
GLASGOW
G2 7EQ

Statement of the Directors' and Accountable Officer Responsibilities

Statement of Directors' Responsibilities - Directors Duties under S172

The board of directors have collectively and individually promoted the company's success for its shareholder during the period ending 31st March 2023. Working together, we continue to develop our strategy and processes to deliver a sustainable business model which will secure the long-term position of the company as a strategic asset for the shareholder as a key piece of infrastructure to deliver benefit for the Inverclyde economy in both jobs and wealth creation. Our short-term strategy has been developed to focus on critical business objectives with a key measure of success being completing the delivery of vessels currently under construction, whilst creating viable shipyard for the future. During the year we continued to recognise the commitment and flexibility that our employees have shown through improving working practises and re-organisation. Relationships with suppliers are also key to securing continuity of operations and quality. The company remains respectful of the communities in which it operates, and we are in regular communication with local government and agencies responsible for the environment and infrastructure which we operate. The board of directors are committed to behaving responsibly and maintaining the reputation of the business through impeccable conduct and strong governance, sharing high quality information, and conducting regular meetings.

Statement of Accountable Officer's Responsibilities

Under the Public Finance and Accountability (Scotland) Act 2000, Scottish Ministers have directed FMPG to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the affairs of FMPG and of its income and expenditure, Statement of Financial Position and cash flows for the financial year.

In preparing the accounts, the Accountable Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to

- Observe the Accounts Direction issued by Scottish Ministers, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent manner
- Make judgements and estimates on a reasonable basis
- State whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed and disclose and explain any material departure in the financial statements
- Prepare the financial statements on a going concern basis:
- Take personal responsibility for the judgements required to confirm that the Annual Report and Accounts as a whole are fair, balanced and understandable
- The Scottish Ministers have appointed David Tydeman, the CEO as Accountable Officer of FMPG. The responsibilities of an Accountable Officer, including responsibility for the propriety and regularity of the public finance for which the Accountable Officer is answerable, for keeping proper records and for safeguarding FMPG assets, are set out in the Managing Public Money published by HM Treasury.

As the Accountable Officer, I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that FMPG auditors are aware of that information, So far as I am aware, there is no relevant audit information of which the auditors are unaware.

Remuneration and Staff Report

Remuneration Policy

The Board, consisting of Chief Executive Officer, Executive Director and Non-Executive Directors, receive remuneration packages which are commensurate with their skills, experience, and market rates. The Scottish Government approves the daily fees to be paid to the Chair and Non-Executive Directors, as well as approving the contract and remuneration package of the Chief Executive Officer when he joined in February 2022.

There have been no major decisions taken on Directors' remuneration in the period since their appointment.

Non-Executive Director Remuneration

Non-Executive Directors are entitled to receive a fee of £320 for every day committed to undertaking their functions, and in addition are reimbursed for their travel expenses.

The Chair is entitled to receive a fee of £500 for every day committed to undertaking their functions, and in addition are reimbursed for their travel expenses.

Non-Executive Board members contribute at least four days per month in support of the Board, sub-committees, activities and business of FMPG.

Non-Executive Directors do not receive any pension or other benefits.

Executive Director Remuneration

Executive directors who are directly employed by Ferguson Marine (Port Glasgow) Limited are remunerated in the form of an agreed on-target package comprising an annual salary and a significant percentage at risk, subject to delivery of key performance indicators and personal performance. The metrics and package are agreed through the RemCom process. The element at risk is paid with agreed delays after annual assessment and rewarded as a retention metric. The CEO received £39,334 deferred retention award for the 14-month period February 2022 to March 2023 which was paid in August 2023. Of the approved potential retention award available, £59,000 was not paid due to failure to meet key milestones for vessels 801 and 802. In 2021/22 the CFO received £21,000 paid as retention award. Executive Directors are also provided other benefits, which include Defined Contribution Pension, Death in Service, Private Medical Insurance, and Car Allowance.

Regularity of Expenditure [Subject to Audit]

There were no payments to former Directors in 2022/23 *(2021/22: £nil)*.

There were no payments to Directors for Loss of Office in 2022/23 *(2021/22: £nil)*.

Retention Payments [Subject to Audi]

Contractual retention payments form part of the remuneration for eligible senior FMPG employees and are a strategic mechanism for retaining staff in the UK shipbuilding industry. These retention payments are aligned to business KPIs which are defined and agreed annually by the Board of Directors and RemCom. They represent a percentage at risk of the employees 'on target' overall packages.

FMPG are committed to governance and transparency and have sought appropriate approval from Scottish Government throughout the process of approved retention payments assessed for the year to 31 March 2023.

For financial year 2022/23 the objectives set for those eligible staff were reviewed by the Board of Directors and confirmed which of the criteria was met with subsequent retentions approved. Of the total potential remuneration of £142,281 - as approved by the RemCom – £95,064 was not awarded due to failure to meet key milestones for vessels 801 and 802. The amount that was paid related mainly to new work won on and business improvement initiatives and was paid out to 8 (21/22 5) members of staff. The payments were made in April 2023 and June 2023, in total £47,217 (21/22 £66,912).

Remuneration and Staff Report (continued)

Remuneration and Pension Benefits of the Board Members

The table provide details of the remuneration and pension benefits of the Board members: [Subject to Audit]

Role **/ Name**	**Salary & Expenses**		**Value of Pension Benefits**		**Value of Benefits in Kind**		**Retention Payments**	
	2023 £000s	**2022 £000s**	**2023 £000s**	**2022 £000s**	**2023 £000s**	**2022 £000s**	**2023 £000s**	**2022 £000s**
Chair								
Alistair Mackenzie [(1)]	0<5	20<25	-	-	-	-	-	-
Andrew Miller [(2)]	5<10	-	-	-	-	-	-	-
Robert Mackenzie[(7)]	5<10	-	-	-	-	-	-	-
Turnaround Director								
Tim Hair **	-	660<665	-	-	-	-	-	-
CEO								
David Tydeman [(3)]	230<235	55<60	0	0	0	0	35<40	0
CFO								
George Crookston [(4)]	120<125	120<125	5<7.5	5<7.5	0	0	-	15<20
Non-Executive Directors								
John Hudson [(5)]	0<5	15<20	0	0	0	0	0	0
Alan Johnston [(6)]	15<20	15<20	0	0	0	0	0	0
Robert Mackenzie [(7)]	5<10	15<20	0	0	0	0	0	0
Christopher Mackay [(8)]	10<15	-	0	-	0	-	0	-
Alison Mitchell	15<20	15<20	0	0	0	0	0	0
John Petticrew [(9)]	15<20	-	0	-	0	-	0	-
Stuart Smith	15<20	15<20	0	0	0	0	0	0

(1) Alistair Mackenzie left the business in May 2022 so the values for 2022/23 relate to part year only

(2) Andrew Miller joined the business in December 2022 so the values for 2022/23 relate to part year only

(3) David Tydeman joined the business in February 2022 so the values for 2021/22 relate to part year only and include £17,000 of relocation expenses. David Tydeman has opted out of the company pension scheme

(4) George Crookston left the business in February 2023 so the values for 2022/23 relate to part year only

(5) John Hudson left the business in April 2022 so the values for 2022/23 relate to part year only

(6) Alan Johnston left the business in February 2023 so the values for 2022/23 relate to part year only

(7) Robert MacKenzie held the position of Interim Chair between June 2022 and November 2022 and was paid the Chair rate current at that time

(8) Christopher Mackay joined the business in May 2022 so the values for 2022/23 relate to part year only. Chris Mackay acted as chair of Audit and Risk Committee from the period June 2022 to Nov 2022

(9) John Petticrew joined the business in May 2022 so the values for 2022/23 relate to part year only

** Tim Hair is a director of Melville Management Limited and provided his services to Ferguson Marine (Port Glasgow) Limited via this entity. His remuneration in 2022 included base remuneration of £591,232 plus expenses of £70,102 and excludes VAT fully recoverable by Ferguson Marine (Port Glasgow) Limited. Tim Hair left the business in February 2022.

Remuneration and Staff Report (continued)

Pension Benefits of Executive Directors [Subject to Audi]

The business operates a defined contribution scheme with a reputable provider in the marketplace, with employer's contribution being 6% of pensionable earnings. The value of employer contributions made are set out in the table above.

Employee Remuneration

FMPG is committed to the Scottish Government's Fair Work Agreement, which seeks to embed Fair Work into local employment policy and practice, and all public bodies in Scotland are encouraged to work with their trade union partners to adopt the terms of the agreement.

The agreement promotes work and employment that offers:

- respect
- opportunity
- fulfilment
- security
- effective voice

Fair Pay [Subject to Audit]

The remuneration of the highest paid director excluding all pension benefits was in the range of £210,000-£215,000, a 67% decrease on the prior year (*2021/22: £660,000-£665,000*). The highest paid director retention incentive was in the range of £35,000-£40,000, a 100% increase on the prior (2021/22 £NIL)

The mean of salary and allowances excluding pension for all employees on an annualised basis is £34,205, a 4.7% increase on the prior year (2021/22 £32,643). The mean of performance pay and bonuses for all employees on an annualised basis is £90, a 61% decrease on the prior year (2021/22 £229)

The ratio between the median employee remuneration and the mid-point of the range of the remuneration of the highest paid director was 9.3 *(2021/22: 23.5).* The significant reduction in the ratio is due to the Turnaround Director being replaced by the Chief Executive Officer as the highest paid director.

Year	25th Percentile Pay Ratio	Median Pay Ratio	75th Percentile Pay Ratio
2023	9.7	9.3	7.0
2022	24.9	23.5	17.9

Year	25th Percentile Total Pay and Benefits	Median Total Pay and Benefits	75th Percentile Total Pay and Benefits
2023	£28,167	£29,322	£39,027
2022	£26,551	£28,167	£36,879

Year	25th Percentile Salary Component	Median Salary Component	75th Percentile Salary Component
2023	£23,973	£28,167	£29,667
2022	£24,453	£26,551	£29,322

The range of full-time staff remuneration is £15,000-£275,000 *(2021/22 £10,000-£665,000)*.

The fair pay data is prepared with the actual remuneration paid to Agency employees by the Agency.

2021/22 data has been restated to be comparable to the 2022/23 data.

Remuneration and Staff Report (continued)

Fair Pay (continued) [Subject to Audit]

Staff Report

The number of senior management staff employed by salary band is presented as follows:

Salary Band	Number of Staff As at 31 March 2023	Number of Staff As at 31 March 2022
£210,000-£220,000	1	-
£200,000-£210,000	-	1
£130,000-£140,000	2	-
£120,000-£130,000	-	1
£110,000-£120,000	2	2
£100,000-£110,000	1	2
£90,000-£100,000	-	-
£80,000-£90,000	1	1
£70,000-£80,000	-	1
Totals	**7**	**8**

Note: In some instances, the staff reported in this table are employed on an interim contract basis.

Gender Analysis and Staff Composition

An analysis of the number of persons of each sex employed by the company is set out in the table below:

Headcount as at	31 March 2023			31 March 2022		
	Total	Female	Male	Total	Female	Male
Board	6	-	6	8	1	7
Senior Management	6	3	3	5	3	2
Employees	328	23	305	382	24	358
Totals	**340**	**26**	**314**	**395**	**28**	**367**

Remuneration and Staff Report (continued

Staff Costs [Subject to Audit]

The table below sets out the staff costs for the year to 31 March 2023, together with the average headcount employed in the reporting period: -

			2023		
	Permanent	Directors/ Non-Exec Directors	Temporary/ Other	Agency	Totals
	£000s	£000s	£000s	£000s	£000s
Wages & Salaries	12,041	451	1,708	7,675	21,875
Social Security/NI Costs	1,259	54	179	-	1,492
Pension Costs	339	7	25	-	371
Apprenticeship Levy	54	-	-	-	54
Other allowances	33	15	-	-	48
Sub-Totals	**13,726**	**527**	**1,912**	**7,675**	**23,840**
Life Insurance Scheme Costs	118	-	-	-	118
Private Medical Scheme Costs	14	-	-	-	14
Total Staff Costs	**13,858**	**527**	**1,912**	**7,675**	**23,972**
Average Number of Employees					
Operations	305	-	42	135	482
Administration	18	8	4	-	30
Totals	**323**	**8**	**46**	**135**	**512**

The costs and headcount for the previous reporting period have been restated to include Agency costs below:

			2022		
	Permanent	Directors/ Non-Exec Directors	Temporary/ Other	Agency	Totals
	£000s	£000s	£000s	£000s	£000s
Wages & Salaries	11,292	891	2,054	3,817	18,054
Social Security/NI Costs	1,129	114	210	-	1,453
Pension Costs	342	7	28	-	377
Apprenticeship Levy	51	-	-	-	51
Other allowances	26	5	-	-	31
Sub-Totals	**12,840**	**1,017**	**2,292**	**3,817**	**19,966**
Life Insurance Scheme Costs	94		-		94
Private Medical Scheme Costs	14		-		14
Total Staff Costs	**12,949**	**1,017**	**2,292**	**3,817**	**20,074**
Average Number of Employees					
Operations	318	-	49	70	437
Administration	14	8	2	-	24
Totals	**332**	**8**	**51**	**70**	**461**

Remuneration and Staff Report (continued)

Staff Costs (continued) [Subject to Audit]

Absence

The absence rate shows the amount of time lost through employee absence from work as a percentage of the total number of potential working days in the reporting period.

The absence rate for 2023 was 8.0% (*2021/22: 5.5%*)

Staff Turnover

The staff turnover rate is the measurement of the number of employees who leave the organisation during 2022/23. The ratio is calculated using the number of leavers in 2022/23 compared to the average headcount in 2022/23.

For the reporting year to 31 March 2023, the rate was 28% (*2021/22: 15%).*

Staff Policies

FMPG has a range of policies, procedures, and guidance in place to promote and support equality, diversity, health, and well-being in the workplace.

During 2022/23, we have facilitated and enabled an increased level of remote working and working from home. We have been careful to take account of the requirement for a potentially increased level of welfare support as employees have worked from home, and to strengthen this, we have an Employee Assistance Program (EAP) with the support of a specialist third party, which was rolled out with a range of training and awareness workshops for any employee with a managerial responsibility. The EAP service provides confidential and discrete support and counselling if required, on both work and non-work-related matters.

In accordance with the Equality Act 2010, the company gives full and fair consideration to applications for employment by the company made by all candidates, including disabled persons, paying fair regard to their aptitudes and abilities.

Trade Union Disclosures

The company is required under the Trade Union (Facility Time Publication Requirements) Regulations 2017 to disclose certain information about facility time.

The company recognises and has a collective bargaining agreement with the GMB union, although not all employees are members, and so they do not represent the whole workforce. There are two employees who are relevant union officials during the reporting period to 31 March 2023 *(2021/22: 2)*.

The two relevant union officials spent 9% of their working hours on union activity and business.

The percentage of total pay bill spent on union business was 0.5% *(2021/22: 0.2%)*, and the percentage of time spent on total paid facility time hours was 0.5% *(2021/22: 0.2%).*

Exit Packages [Subject to Audit]

FMPG does not maintain a policy of no compulsory redundancy, as it requires the ability to be flexible in restructuring the skills mix in the business to match anticipated changes in the type of work which will be bid for and worked on after the completion of Hulls 801 and 802. Although a public body in nature due to the shares being owned by Scottish Ministers, FMPG is not required to comply with public sector pay policy (as set out in the public sector pay policy documents on the Scottish Government website). There were no compulsory redundancies in 2022/23 *(2021/22: None)*.

Exit Packages [Subject to Audit] (continued)

The following table shows the payments made to employees and the total costs of employees' exit packages:

	2023	2022
£150,000+	-	-
£100,001 - £150,000	-	-
£50,001-£100,000	1	-
£25,001 - £50,000	2	-
£0-£25,000	6	2
Total Number	9	2

	2023	2022
Number	9	2
Total Cost	£221,000	£19,000

Parliamentary Accountability and Audit Report

FMPG is held to account by the Parliament through the Public Finance and Accountability (Scotland) Act 2000.

Our spending and use of resources are reported to our Sponsor Department, the Strategic Commercial Assets Division, with Scottish Government.

Audit Scotland have been appointed as external auditors to FMPG and have taken on that role to audit the financial year from 2022/23.

David Tydeman

David Tydeman
Accountable Officer

31 August 2023

Independent auditor's report to the members of Ferguson Marine (Port Glasgow) Holdings Limited, the Auditor General for Scotland and the Scottish Parliament

Reporting on the audit of the financial statements

Opinion on financial statements

I have audited the financial statements in the annual report and accounts of Ferguson Marine (Port Glasgow) Holdings Limited and its Group for the year ended 31 March 2023 under The Companies Act 2006 (Scottish public sector companies to be audited by the Auditor General for Scotland) Order 2021. The financial statements comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, Consolidated Statement of Changes in Taxpayers' Equity, Consolidated Statement of Cash Flows, Company Statement of Financial Position and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the 2022/23 Government Financial Reporting Manual (the 2022/23 FReM).

In my opinion the accompanying financial statements:

- give a true and fair view of the state of affairs of the company and its Group as at 31 March 2023 and of the deficit for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2022/23 FReM; and
- have been prepared in accordance with the requirements of the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers, and the Companies Act 2006.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the Code of Audit Practice approved by the Auditor General for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed by the Auditor General on 2 December 2022. My period of appointment is five years, covering 2022/23 to 2026/27. I am independent of the company and its group in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the company. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Material Uncertainty related to Going Concern

I draw attention to the going concern narrative on pages 4 and 5 in the financial statements, which highlights several risks and uncertainties over the future direction of the business.

As stated on pages 4 and 5 (Going Concern), these risks and uncertainties, along with other matters as set forth in the Accounting Policies (Note 2), indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. This material uncertainty is a matter that is important to users' understanding of the financial statements. My opinion is not modified in respect of this matter. I have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

These conclusions are not intended to, nor do they, provide assurance on the company's current or future financial sustainability. However, I report on the company's arrangements for financial sustainability in a separate Annual Audit Report available from the Audit Scotland website.

Independent auditor's report to the members of Ferguson Marine (Port Glasgow) Holdings Limited, the Auditor General for Scotland and the Scottish Parliament

Reporting on the audit of the financial statements (continued)

Risks of material misstatement
I report in my Annual Audit Report the most significant assessed risks of material misstatement that I identified and my judgements thereon.

Responsibilities of the directors and Accountable Officer for the financial statements

As explained more fully in the Statement of the Directors' and Accountable Officer Responsibilities, the Accountable Officer and directors are responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Accountable Officer and directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Accountable Officer and directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention to discontinue the company's or the group's operations.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- using my understanding of the central government sector to identify that the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers, and the Companies Act 2006 are significant in the context of the company;

- inquiring of the Accountable Officer as to other laws or regulations that may be expected to have a fundamental effect on the operations of the company;

- inquiring of the Accountable Officer concerning the company's policies and procedures regarding compliance with the applicable legal and regulatory framework;

- discussions among my audit team on the susceptibility of the financial statements to material misstatement, including how fraud might occur; and

- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the company's controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the

Independent auditor's report to the members of Ferguson Marine (Port Glasgow) Holdings Limited, the Auditor General for Scotland and the Scottish Parliament

Reporting on the audit of the financial statements (continued)

Auditor's responsibilities for the audit of the financial statements (continued)

skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor's report.

Reporting on regularity of expenditure and income

Opinion on regularity
In my opinion in all material respects the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

Responsibilities for regularity

The Accountable Officer is responsible for ensuring the regularity of expenditure and income. In addition to my responsibilities in respect of irregularities explained in the audit of the financial statements section of my report, I am responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

Reporting on other requirements

Opinion prescribed by the Auditor General for Scotland on audited part of the Remuneration and Staff Report

I have audited the parts of the Remuneration and Staff Report described as subject to audit. In my opinion, the audited parts of the Remuneration and Staff Report have been properly prepared in accordance with directions made under the Public Finance and Accountability (Scotland) Act 2000 by the Scottish Ministers and the Companies Act 2006.

Other information

The Accountable Officer and directors are responsible for the other information in the annual report and accounts. The other information comprises the Performance Report and the Accountability Report excluding the audited parts of the Remuneration and Staff Report.

My responsibility is to read all the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on the Performance Report and Governance Statement to the extent explicitly stated in the following opinions prescribed by the Auditor General for Scotland.

Opinions prescribed by the Auditor General for Scotland on Performance Report and Governance Statement

In my opinion, based on the work undertaken in the course of the audit:

- the information given in the Performance Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with directions made under the Public Finance and Accountability (Scotland) Act 2000 by the Scottish Ministers and the Companies Act 2006; and

Independent auditor's report to the members of Ferguson Marine (Port Glasgow) Holdings Limited, the Auditor General for Scotland and the Scottish Parliament

Reporting on other requirements (continued)

Opinions prescribed by the Auditor General for Scotland on Performance Report and Governance Statement (continued)

- the information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with directions made under the Public Finance and Accountability (Scotland) Act 2000 by the Scottish Ministers and the Companies Act 2006.

Matters on which we are required to report by exception

I am required by the Auditor General for Scotland to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited part of the Remuneration and Staff Report are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

In addition to my responsibilities for the annual report and accounts, my conclusions on the wider scope responsibilities specified in the Code of Audit Practice are set out in my Annual Audit Report.

Use of our report

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 108 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Mr John Boyd (CPFA)
Audit Scotland
8 Nelson Mandela Place
Glasgow
G1 2BT

Date: 31 August 2023

Consolidated Statement of Comprehensive Income for the year to 31 March 2023

	Notes	2023 £000s	2022 £000s
Revenue	3	**64,419**	**54,624**
Cost of sales		(60,420)	(50,875)
Contract loss provision	16	-	-
Gross net surplus		**3,999**	**3,749**
Impairment of goodwill	8	-	-
Administrative expenses		(4,909)	(4,719)
Other operating income		47	644
Operating net surplus/(deficit)	4	**(863)**	**(326)**
Net surplus/(deficit) on ordinary activities before taxation		**(863)**	**(326)**
Finance expense		(3)	(5)
Net surplus/(deficit) before taxation		**(866)**	**(331)**
Tax on ordinary activities	7	(124)	512
Net surplus for the year after taxation		**(990)**	**181**
Other comprehensive income/(expenditure):			
Deferred tax on property revaluation	7	124	(580)
Gain/loss on revaluation of property		(430)	529
Comprehensive net surplus/(deficit) for the year		**(1,296)**	**130**

All the activities of the Group are classed as continuing.

The notes on Pages 28 to 47 form part of these financial statements.

Ferguson Marine (Port Glasgow) Holdings Limited SC638534

Consolidated Statement of Financial Position
for the year to 31 March 2023

	Notes	2023 £000s	2022 £000s
Non-current assets			
Intangible assets	9	17	37
Property, plant and equipment	10	9,506	10,356
Deferred tax	11	456	580
		9,979	**10,973**
Current assets			
Construction contract assets	12	6,895	7,611
Trade and other receivables	13	2,800	2,415
Cash and cash equivalents	14	3,189	1,509
		12,884	**11,535**
Creditors: amounts falling due within one year	15	(9,297)	(7,904)
Contract loss provisions	16	-	-
Net current assets/(liabilities)		**3,587**	**3,631**
Total assets less current liabilities		**13,566**	**14,604**
Creditors: amounts falling due after more than one year	17	-	(162)
Deferred tax liabilities	11	(456)	(580)
Net assets		**13,110**	**13,862**
Capital and reserves			
Called up share capital	21	**-**	**-**
Capital contribution reserve	22	30,371	29,827
Profit and loss account		(18,732)	(17,742)
Revaluation reserve		1,471	1,777
Total equity		**13,110**	**13,862**

All the activities of the Group are classed as continuing.

The notes on Pages 28 to 47 form part of these financial statements.

The consolidated financial statements of Ferguson Marine (Port Glasgow) Holdings Limited (Registered No SC638534) were approved by the Board of Directors and the Accountable Officer authorised these financial statements for issue on 31 August 2023. They were signed on its behalf by

David Tydeman

David Tydeman

Accountable Officer

31 August 2023

Consolidated Statement of Changes in Taxpayers' Equity for the year to 31 March 2023

	Share capital	Capital contribution	Profit and loss account	Revaluation reserve	Total
	£000s	**£000s**	**£000s**	**£000s**	**£000s**
At 1 April 2022	**-**	**29,827**	**(17,742)**	**1,777**	**13,862**
Net (deficit) for year after tax	-	-	(990)	-	(990)
Other comprehensive income	-	-	-	(306)	(306)
Capital contribution	-	544	-	-	544
At 31 March 2023	**-**	**30,371**	**(18,732)**	**1,471**	**13,110**

The equivalent disclosure for the prior period is as follows:

	Share capital	Capital contribution	Profit and loss account	Revaluation reserve	Total
	£000s	**£000s**	**£000s**	**£000s**	**£000s**
At 1 April 2021	**-**	**21,827**	**(17,923)**	**1,828**	**5,732**
Net surplus for year after tax	-	-	181	-	181
Other comprehensive income	-	-	-	(51)	(51)
Capital contribution	-	8,000	-	-	8,000
At 31 March 2022	**-**	**29,827**	**(17,742)**	**1,777**	**13,862**

All the activities of the Group are classed as continuing.

The notes on Pages 28 to 47 form part of these financial statements

Consolidated Statement of Cash Flows
for the year to 31 March 2023

	Notes	2023 £000s	2022 £000s
Operating activities			
Surplus/(deficit) for the period before taxation		(866)	(331)
Adjustments for:			
Depreciation of property, plant and equipment	10	578	551
Depreciation of right of use assets	18	169	171
Loss on property, plant and equipment		-	19
Amortisation of intangible assets	9	20	19
Contract loss provision utilised in the period	16	-	(1,175)
Movement in working capital		1,736	(6,601)
Cash generated/(used) in operating activities		**1,637**	**(7,347)**
Investing activities			
Purchase of intangible assets	9	-	(5)
Purchase of property, plant and equipment		(326)	(790)
Proceeds from sales of property, plant and equipment		1	105
Cash used in investing activities		**(325)**	**(690)**
Financing activities			
Proceeds from the issue of shares	21	-	-
Capital contribution from shareholder	22	544	8,000
Lease payments	18	(176)	(176)
Cash generated from financing activities		**368**	**7,824**
Net cash generated			
Cash generated/(used) in operating activities		1,637	(7,347)
Cash used in investing activities		(325)	(690)
Cash generated from financing activities		368	7,824
Net cash generated		**1,680**	**(213)**
Cash and cash equivalents at the beginning of the period		1,509	1,722
Increase/(decrease) in cash and cash equivalents		1,680	(213)
Cash and cash equivalents at 31 March	14	**3,189**	**1,509**
Cash and cash equivalents comprise:			
Cash at bank		**3,189**	**1,509**

All the activities of the Group are classed as continuing.

The notes on Pages 28 to 47 form part of these financial statements.

Company Statement of Financial Position
as at 31 March 2023

	Notes	2023 £000s	2022 £000s
Non-current assets			
Investment in subsidiaries		-	-
Creditors: amounts falling due within one year			
Other creditors		-	-
Net assets		-	-
Capital and reserves			
Called up share capital		-	-
Total equity		-	-

The parent company has taken s408 exemption from preparing its own statement of profit and loss and, as the company did not trade during either period, its net result was £Nil. The financial statements of Ferguson Marine (Port Glasgow) Holdings Limited (Registered No SC638534) were approved by the Board of Directors and authorised for issue on 31 August 2023 . They were signed on its behalf by David Tydeman.

David Tydeman

David Tydeman

Accountable Officer

31 August 2023

Company Statement of Changes in Taxpayers' Equity
for the period ending 31 March 2023

	Share capital £000s	Profit and loss account £000s	Total £000s
At 1 April 2022	**-**	**-**	**-**
Result for the period	-	-	-
At 31 March 2023	**-**	**-**	**-**

The equivalent disclosure for the prior period is as follows:

	Share capital £000s	Profit and loss account £000s	Total £000s
At 1 April 2021	**-**	**-**	**-**
Result for the period	-	-	-
At 31 March 2022	**-**	**-**	**-**

Company Statement of Cash Flows

There are no cash flows in the year nor in the prior period through the company, and therefore no disclosure required. The notes on Pages 28 to 47 form part of these financial statements.

1. Summary of significant accounting policies

Basis of preparation

The consolidated financial statements have been prepared in accordance with the accounts direction issued by Scottish Ministers under section 19(4) of the Public Finance and Accountability (Scotland) Act 2000 and approved by the directors in accordance with UK-adopted International Accounting Standards, and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards, and comply with those standards applicable as at 31 March 2023, interpreted and adapted where appropriate to take account of the guidance with the 2022-2023 Government Financial Reporting Manual (FReM).

The consolidated financial statements consolidate those of the company and its subsidiaries. The company financial statements present information about the company as a separate entity and not about its Group.

Of the new and revised standards that have been issued but not yet effective, the Directors consider that none would have any impact on the Group.

The financial statements are presented in pounds sterling (GBP) and are rounded to the nearest thousand.

Going concern

Since formation of the company in late 2019, the business has been owned 100% by Scottish Ministers. The Board of Directors are registered with Companies House as Company Directors as the Group is registered as a limited Company.

The Board of Directors have considered the Group's ability to continue as a going concern and with that assessment have considered the current capital position of the Group, the operational and funding mechanism extant within the two contracts put in place with Scottish Ministers for the construction of the two ferry vessels (Hulls 801 and 802), the related project outlook and cost profile for those vessel builds over the next eighteen months, and the opportunities for future new work and contract opportunities through Ferguson Marine (Commercial) Limited

On 16 May 2023 the Cabinet Secretary for Wellbeing Economy, Fair Work and Energy announced the Scottish Governments commitment to continue to support the build of 801 and 802, with a budget of £57.6m in 2023/24 and £0.6m in 2024/25. There is no financial commitment beyond this and therefore any overrun of costs or delay in delivery dates remain a funding risk. However, in a statement to Parliament and in a letter of comfort issued by Scottish Government to the FMPG Board, the Cabinet Secretary reaffirmed their commitment to supporting a sustainable future for FMPG.

The Board also highlights that for FMPG to compete competitively for new work to follow on after 801 and 802 have been delivered, investment by Scottish Government in the shipyard facilities, equipment and processes is required and approval of the plans submitted earlier in 2023 remains outstanding.

In respect of Ferguson Marine (Commercial) Limited, there are also risks and uncertainties over the future operation of this subsidiary within the Group. Ferguson Marine (Commercial) Limited has successfully developed a working relationship with BAE Systems for the mobilisation of surplus labour to the BAE Systems site at Govan on a small scale throughout 2023. In addition, an agreement was signed in April 2023 for Ferguson Marine (Commercial) Limited to build 3 units for the T-26 programme as a pilot project.

With investment from Scottish Government in upgrading the shipyard facilities, Ferguson Marine (Commercial) Limited would be well placed to compete for further larger units upon completion of the pilot project, but as this investment remains unconfirmed at the date of this report, these opportunities are at risk. Additionally, as set out in the 5-year business plan, the small vessels replacement programme planned by CMAL on behalf of Transport Scotland would be an attractive opportunity for Ferguson Marine (Commercial) Limited to pursue, but this also remains uncertain whilst the investment is unconfirmed.

Considering these factors, the Board of Directors has identified a material uncertainty related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern and, that it may be unable to realise its assets and discharge its liabilities in the normal course of business. As noted above and as mitigation for this uncertainty, the Director General Economy for Scottish Government has provided a letter of financial support to Ferguson Marine Port Glasgow (Holdings) Limited and its subsidiaries (the Group). This letter confirms that the Scottish Government will support the Group for a period of 12 months from the signing of the 2022/23 annual report and accounts, to maintain adequate financial resources and in a position to meet its obligations. This support is with reference to both the completion of 801 and 802, as well as securing a sustainable future for the yard.

1. Summary of significant accounting policies (continued)

Revenue

Revenue arises mainly from the construction of ships and other vessels, with some occasional revenue from spare parts, repairs, and services.

To determine whether to recognise revenue, the Group follows a 5-step process:

1 Identifying the contract with a customer
2 Identifying the performance obligations
3 Determining the transaction price
4 Allocating the transaction price to the performance obligations
5 Recognising revenue when/as performance obligation(s) are satisfied.

The Group enters into contracts for the design, construction and delivery of ships and other vessels, typically in exchange for a fixed fee, although the two existing contracts for the hulls currently under construction contain a variable pricing mechanism. Due to the high degree of interdependence between the various elements of these projects, they are accounted for as a single performance obligation. The Group recognises the related revenue over time.

To depict the Group’s progress in satisfying these performance obligations, and to establish when and to what extent revenue can be recognised, the Group measures its progress by comparing actual costs spent to date with the total estimated costs required to design, construct, and deliver each vessel. The costs-to-costs basis provides the most faithful depiction of the transfer of goods and services to each customer due to the Group’s ability to make reliable estimates of the total costs, arising from its significant historical experience in vessel construction. In the early stage of some of these contracts the Group is unable to make a reliable estimate of the outcome of the project but still expects to recover its costs. The Group then recognises revenue equal to the costs incurred until it can make a reliable estimate.

Other operating income

Other operating income consists primarily of sales of scrap metal.

Cost of sales

The cost of sales is the accumulated total of all costs used to create a product or service, which has been sold. The cost of sales comprises the sub-categories of direct labour and direct materials, which can be directly attributable to the creation of the product and will reflect the cost of materials and equipment which is deliverable as part of the completed product. In the case of the Group, these are typically the costs of constructing a ship or vessel for delivery under the terms of a contract. Cost of sales will tend to be variable in a reporting period depending on the level of activities taking place. They are identified for each specific activity and contract and allocated to the contract.

Administrative expenses

Administrative expenses are the costs which cannot be directly attributed to any specific business activity, product, or service. They are the costs of providing functional and critical support to the activities being undertaken to construct a vessel or product.

Intangible assets

All finite-lived intangible assets are accounted for using the cost model whereby capitalised costs are amortised on a straight-line basis over their estimated useful lives. Residual values and useful lives are reviewed at each reporting date. In addition, they are subject to impairment testing as described in Note 9.

The following useful lives are applied:

Purchased software	over 4 years
Intellectual property	over 5 years

1. Summary of significant accounting policies (continued)

Property, plant, and equipment

In accordance with the Government Financial Reporting Manual (FReM), the company is required to value Property, plant, and equipment on the basis of current value in existing use.

FMPG have a Capital Expenditure Policy which identifies a de minimis level of £500 for capitalisation of appropriate expenditure.

As permitted within the FReM guidelines, the company has adopted a policy of using depreciated historical cost basis as a proxy for current value in existing use for assets within the classification of plant and equipment, on the basis that they have useful lives of between 5 and 15 years.

Plant and equipment had been independently valued by Graham & Sibbald LLP as at 31 March 2023. The valuation basis was market value in existing use, as required under the FReM, and the valuations from that review have therefore been applied to the Financial Statements. Valuations will occur with sufficient regularity to ensure Property, plant and equipment is held at current value in accordance with the FReM. Full valuations are undertaken at a minimum of every 3 years.

Depreciation is provided on all property, plant, and equipment other than freehold land, at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Freehold buildings	over 30 years
Leasehold land and buildings	over the lease term
Plant and machinery	over a period of between 5 and 15 years (mostly 5 years)
Fixtures, fittings, tools, and equipment	over 5 years

Stocks

No stock is held by FMPG. All such resources are charged to the respective Group companies in the period that they are procured.

Financial instruments

The Group does not use complex financial instruments.

Financial instruments comprise trade and other receivables, cash and cash equivalents, equity funding, and trade and other payables.

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets and liabilities are classified and held at amortised cost. After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

The Group makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Group uses its historical experience, external indicators, and forward-looking information to calculate the expected credit losses.

Provisions

Provisions (i.e., liabilities of uncertain timing or amount) are recognised when there is an obligation at the reporting date as a result of a past event, it is probable that economic benefit will be transferred to settle the obligation and the amount of the obligation can be estimated reliably. Provisions are measured at the estimated expenditure required to settle the obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties involved with the present obligation. Provisions are discounted to their present values, where the time value of money is material.

1. Summary of significant accounting policies (continued)

Trade and other receivables

Short term debtors are measured at transaction price (which is usually the invoice price), less any impairment losses for bad and doubtful debts. Loans and other financial assets are initially recognised at transaction price including any transaction costs and subsequently measured at amortised cost determined using the effective interest method, less any impairment losses for bad and doubtful debts.

Trade and other payables

Short term creditors are measured at transaction price (which is usually the invoice price).

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and petty cash.

Operating segments

The Company and Group primarily report as a single core segment and therefore consider the primary financial statements as appropriate disclosure.

Construction contract assets

Customer receipts are based on a billing schedule, as established in the contract. The construction contract asset relates to our conditional right to consideration for our completed performance obligation under the contract, which will be invoiced in the future.

Taxation

A current tax liability is recognised for the tax payable on the taxable profit of the current and past periods, using the tax rates that have been enacted by the reporting date.

A current tax asset is recognised in respect of a tax loss that can be carried back to recover tax paid in a previous period.

Deferred taxation

Deferred tax is recognised in respect of temporary differences that will result in taxable or deductible amounts in determining taxable profit (tax loss) of future periods when the carrying amount of the asset or liability is recovered or settled. Deferred tax assets are recognised to the extent it is probable that they will be utilised against future taxable income. This is assessed based on the Group's forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax loss or credit.
Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date and that are expected to apply to the reversal of the timing difference, except for revalued land and investment property where the tax rate that applies to the sale of the asset is used.

Current and deferred tax assets and liabilities are not discounted.

Foreign currency translation

Transactions in foreign currencies are initially recognised at the rate of exchange ruling at the date of the transaction.

At the end of each reporting period foreign currency monetary items are translated at the closing rate of exchange. Non-monetary items that are measured at historical cost are translated at the rate ruling at the date of the transaction. All differences are charged to profit or loss.

1. Summary of significant accounting policies (continued)

Leased assets

The Group has adopted IFRS 16, which has resulted in the recognition of a right-of-use asset and corresponding lease liability (see Note 18 below) except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. Leases are valued on fair value with a full revaluation every 3 years at a minimum.

For any new contracts, the Group considers whether a contract is, or contains, a lease. A lease is defined as ‘a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration’.

To apply this definition the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract;
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct ‘how and for what purpose’ the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the Statement of Financial Position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group’s incremental borrowing rate.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

Pensions

Contributions to defined contribution plans are expensed in the period to which they relate.

Equity and reserves

Share Capital represents the nominal (par) value of shares that have been issued.

Other components of equity include a Capital Contribution Reserve which comprises public sector funding from the shareholders.

The Statement of Comprehensive Income represents all retained profits and losses of the business.

Capital contribution reserve

Ferguson Marine (Port Glasgow) Limited and Ferguson Marine (801-802) Limited have received grants that are treated as financing received from the controlling entity, which is Scottish Ministers. The receipts are recorded as a financing transaction and are credited directly to the Capital Contribution reserve in the Consolidated Statement of Financial Position and not through the Consolidated Statement of Comprehensive Income.

2. Critical accounting estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the date of the Statement of Financial Position, and the amounts reported for revenues and expenses during the period. However, the nature of judgements and estimates means that actual outcomes could differ from those assessments. The estimates and underlying assumptions are reviewed on an on-going basis. Revision to accounting estimates are recognised in the period in which the estimate is revised if the revision only affects that period or in the period of the revision and future periods if the revision affects both current and future periods.

In the process of applying the Group's accounting policies, management has had to make the following judgements and estimates, which have the most significant impact on the amounts recognised in the financial statements:

Judgements

i. Recoverability of receivables and construction contract assets

The company assesses at the date of each Statement of Financial Position whether a receivable or construction contract asset is impaired. Determining whether a receivable is impaired requires judgement to be applied based on the information available at each reporting date. A provision for impairment arises where there is evidence that the Group will not be able to collect amounts due. The majority of contracts entered into by the Group are with government organisations, and as a result, the risks associated with this judgement are not considered to be significant. An expected credit loss is recorded where there is evidence that a counterparty is at risk of default. If the loss was material, the amount would be presented separately in the Consolidated Statement of Comprehensive Income.

ii. Property, plant and equipment

All assets acquired from Ferguson Marine Engineering Limited (in Administration) by Ferguson Marine (Port Glasgow) Limited, following payment of the Consideration set out in the Sale and Purchase Agreement between the two parties, were valued by professional surveyors in late 2019.

In accordance with the Government Financial Reporting Manual (FReM), the company is required to value Property, plant and equipment on the basis of current value in existing use.

As permitted within the FReM guidelines, the company has adopted a policy of using depreciated historical cost basis as a proxy for current value in existing use for assets within the classification of plant and equipment, on the basis that they have useful lives of between 5 and 15years.

Plant and equipment had been independently valued by Graham & Sibbald LLP as at 31st March 2023. The valuation basis was market value in existing use, as required under the FReM, and the valuations from that review have therefore been applied to the Financial Statements. Valuations will occur with sufficient regularity to ensure Property, plant and equipment is held at current value in accordance with the FReM

The directors do not consider that any impairment is required at the date of the Statement of Financial Position.

iii. Capital contribution reserve

Ferguson Marine (Port Glasgow) Limited received cash during the reporting period that is treated as financing received from the controlling entity, which is Scottish Ministers. The receipts were not directly related to the 801 and 802 contracts, and as a result are recorded as a ‘non-revenue’ financing transaction and are credited directly to the Capital Contribution reserve in the Consolidated Statement of Financial Position and not through the Consolidated Statement of Comprehensive Income.

2. Critical accounting estimates and judgements (continued)

Estimates

i. Revenue recognition and stage of completion

Percentage of completion accounting is used for revenue recognition on contracts where it is applicable. This requires that reasonable estimates can be made as to the extent of progress towards completion, project revenues, and project costs. Contract costs incurred correlate with progress on the projects, and so are a reasonable basis for estimated percentage of completion applied in Revenue recognition.

ii. Contract loss provisions

Specific provisions are created for the probable and estimable costs of contract loss, significant claims, and a general warranty provision for probable future costs based on respective revenue streams.

3. Analysis of revenue

	2023 £000s	2022 £000s
Revenue from construction contracts	64,005	54,633
Sale of goods	-	-
Rendering of services	414	(9)
	64,419	54,624
By geographical market:		
United Kingdom	64,419	54,624

The Group's revenue recognition is for services transferred over time.

The following aggregated amounts of transaction prices relate to the performance obligations from existing contracts that are unsatisfied or partially unsatisfied as at 31 March 2023:

	2024 £000s	2025 £000s	2026 £000s	Total £000s
Revenue expected to be recognised	57,600	600	-	58,200

The equivalent disclosure for the prior period is as follows:

	2023 £000s	2024 £000s	2025 £000s	Total £000s
Revenue expected to be recognised	40,178	-	-	40,178

4. Net Expenditure

Net expenditure is stated after charging the following items of expenditure:

	2023 £000s	2022 £000s
Depreciation of owned property, plant and equipment	578	722
Amortisation of intangible assets	20	19
Lease rentals - land and buildings	40	158
Lease rentals - plant and machinery	554	895
Loss on sale of owned property, plant and equipment	-	19
Fees payable to the company's auditor for the audit of the Group accounts	51	47
Fees payable to the company's auditor for the audit of the accounts of subsidiaries	-	-

5. Directors' emoluments

	2023 £000s	2022 £000s
Aggregate emoluments	469	953
Pension paid to a defined contribution scheme	7	7
	476	960
Highest paid director:		
Emoluments	234	661
Directors benefitting from defined contribution pension scheme:	1	1

6. Staff costs

	2023 £000s	2022* £000s
Wages and salaries	21,875	18,054
Social security costs	1,492	1,453
Other pension costs	371	377
Other allowances	48	31
	23,786	19,915
Average number of employees during the period		
Operations	482	437
Sales and administration	30	24
	512	461

* The 2022 values have been restated to include the costs and headcount of temporary and agency staff.

7. Taxation

a) Tax (income)/expense included in Statement of Comprehensive Income

	2023 £000s	2022 £000s
Current tax:		
Tax on income/(loss) in the year	-	68
	-	**68**
Deferred tax:		
Deferred tax recognition of tax losses	94	(94)
Deferred tax recognition of previously unrecognised tax losses	-	(347)
Adjustment in respect of prior year impact of tax rate changes	30	(139)
	124	**(580)**
Total tax per Statement of Comprehensive Income	**124**	**(512)**

b) Reconciliation of tax charge

	2023 £000s	2022 £000s
Net profit/(loss) on ordinary activities before tax	(867)	(331)
Standard rate of corporation tax in UK	19%	19%
Net profit/(loss) multiplied by standard rate of corporation tax	(165)	(63)
Depreciation on ineligible assets	-	-
Exempt amounts	53	43
Expenses not deductible for tax purposes	10	1
Deferred tax recognition of previously unrecognised tax losses	-	(347)
Impact of tax rate changes	30	(139)
Income not taxable	-	-
Deferred tax not recognised	196	(7)
Total tax per Statement of Comprehensive Income	**124**	**(512)**

c) Tax (income)/expense included in Other Comprehensive Income

	2023 £000s	2022 £000s
Deferred tax:		
Deferred tax current year charge	94	94
Deferred tax adjustment on prior year property revaluation	-	347
Adjustment in respect of prior year impact of tax rate changes	30	139
	124	**580**

At the reporting date, the Group had unused tax losses of £18,265,513 *(2022: £17,079,426)* available for offset against future profits. These losses can be carried forward indefinitely. Deferred tax asset from partial use of tax losses has been recognised to the equivalent value of the Deferred Tax Liability related to the property revaluation, thereby bringing the overall deferred tax to a net zero. No deferred tax asset has been recognised on the remaining unused tax losses, on the basis that their future economic benefit is uncertain

8. Goodwill

	2023 £000s
Cost	
At 1 April 2022	94,813
Additions	-
At 31 March 2023	94,813
Amortisation	
At 1 April 2022	94,813
Provided during the period	-
At 31 March 2023	94,813
Carrying amount	
At 31 March 2023	-

The equivalent disclosure for the prior period is as follows:

	2022 £000s
Cost	
At 1 April 2021	94,813
Additions	-
At 31 March 2022	94,813
Amortisation	
At 1 April 2021	94,813
Provided during the period	-
At 31 March 2022	94,813
Carrying amount	
At 31 March 2022	-

9. Intangible assets

	Intellectual Property £000s	Software £000s	Total £000s
Cost			
At 1 April 2022	183	78	261
Additions	-	-	-
At 31 March 2023	183	78	261
Amortisation			
At 1 April 2022	183	41	224
Provided during the period	-	20	20
At 31 March 2023	183	61	244
Carrying amount			
At 31 March 2023	-	17	17
At 31 March 2022	-	37	37

The intangible asset values as at 31 March 2023 relate to software procured and used within the business.

The Government Financial Reporting Manual (FReM) requires where possible for intangible assets to be held on a value in existing use basis. Given the nature and type of asset, it is not possible to identify a market informed value in use, and the policy applied has been to carry value at depreciated replacement cost.

The equivalent disclosure for the prior period is as follows:

	Intellectual Property £000s	Software £000s	Total £000s
Cost			
At 1 April 2021	183	73	256
Additions	-	5	5
At 31 March 2022	183	78	261
Amortisation			
At 1 April 2021	183	22	205
Provided during the period	-	19	19
At 31 March 2022	183	41	224
Carrying amount			
At 31 March 2022	-	37	37
At 31 March 2021	-	51	51

10. Property, plant and equipment

	Land and buildings	Assets under construction	Plant and machinery	Fixtures, fittings, tools & equipment	Total
	£000s	£000s	£000s	£000s	£000s
Cost or valuation					
At 31 March 2022	7,472	708	3,097	73	11,350
Additions	7	-	313	6	326
Transfers	708	(708)	-	-	-
Disposals	-	-	-	-	-
Revaluations	(678)	-	-	-	(678)
At 31 March 2023	7,509	-	3,410	79	10,998
Depreciation					
At 31 March 2022	363	-	607	24	994
Charge for the period	428	-	308	10	746
Disposals	-	-	-	-	-
Revaluations	(248)	-	-	-	(248)
At 31 March 2023	543	-	915	34	1,492
Carrying amount					
At 31 March 2023	6,966	-	2,495	45	9,506
At 31 March 2022	7,109	708	2,490	49	10,356

Carrying value of land and buildings included above held under leases	235	At 31 March 2023
	337	At 31 March 2022

The equivalent disclosure for the prior period is as follows:

	Land and buildings	Assets under construction	Plant and machinery	Fixtures, fittings, tools & equipment	Total
	£000s	£000s	£000s	£000s	£000s
Cost or valuation					
At 1 April 2021	7,157	102	2,963	48	10,270
Additions	-	606	159	25	790
Transfers	-	-	-	-	-
Disposals	-	-	(25)	-	(25)
Revaluations	315	-	-	-	315
At 31 March 2022	7,472	708	3,097	73	11,350
Depreciation					
At 1 April 2021	183	-	300	8	491
Charge for the period	393	-	313	16	722
Disposals	-	-	(6)	-	(6)
Revaluations	(213)	-	-	-	(213)
At 31 March 2022	363	-	607	24	994
Carrying amount					
At 31 March 2022	7,109	708	2,490	49	10,356
At 31 March 2021	6,974	102	2,663	40	9,779

10. Property, plant and equipment (continued)

In accordance with the Government Financial Reporting Manual (FReM), the company is required to value Property, plant and equipment on the basis of current value in existing use.

As permitted within the FReM guidelines, the company has adopted a policy of using depreciated historical cost basis as a proxy for current value in existing use for assets within the classification of plant and equipment, on the basis that they have useful lives of between 5 and 15 years.

Plant and equipment has been independently valued by Graham & Sibbald LLP as at 31 March 2023. The valuation basis was market value in existing use, as required under the FReM, and the valuations from that review have therefore been applied to the Financial Statements. Valuations will occur with sufficient regularity to ensure Property, plant and equipment is held at current value in accordance with the FReM.

11. Deferred tax liabilities/(assets)

Deferred taxes arising from temporary differences and unused tax losses are summarised as follows:

	Net Balance at 1 April 2022	Recognised in Statement of Comprehensive Income	Recognised in Statement of Financial Position	Net Balance at 31 March 2023
	£000s	£000s	£000s	£000s
Non-Current Assets				
Property, plant & equipment	580	(124)	-	456
Current Liabilities				
Unused tax losses	(580)	-	124	(456)
Net deferred tax liabilities/(assets)	-	(124)	124	-
Deferred tax assets	(580)	-	124	(456)
Deferred tax liabilities	580	(124)	-	456

The equivalent disclosure for the prior period is as follows:

	Net Balance at 1 April 2021	Recognised in Statement of Comprehensive Income	Recognised in Statement of Financial Position	Net Balance at 31 March 2022
	£000s	£000s	£000s	£000s
Non-Current Assets				
Property, plant & equipment	-	580	-	580
Current Liabilities				
Unused tax losses	-	-	(580)	(580)
Net deferred tax liabilities/(assets)	-	580	(580)	-
Deferred tax assets	-	-	(580)	(580)
Deferred tax liabilities	-	580	-	580

The amounts recognised in Other Comprehensive Income relate to revaluation of property. See Note 7 for the tax relating to those components of Other Comprehensive Income.

12. Construction contracts

For contracts in progress at the balance sheet date, the amount relating to a contract asset created in applying IFRS 15 to date was £6,894,870 *(2021/22: £7,610,779)*.

There were no retentions held by customers for contract work.

The value of advances received from customers for contract work amounted to £240,202 *(2021/22: £nil)*.

13. Trade and other receivables

	2023 £000s	**2022 £000s**
Trade receivables	159	9
Other receivables	2,130	1,799
Prepayments and accrued income	511	318
R&D Expenditure Credit Claim	-	289
At 31 March	2,800	2,415

Trade receivables are non-interest bearing and are on immediate or 30 days terms.

Of the carrying value of £158,775, the full balance relates to two customers Most significantly to BAE Systems for the mobilisation of surplus labour, and to a second customer for the purchase of scrap metal *(2022: £9,278 relates to two customers).*

Analysis of trade receivables:

	2023 £000s	**2022 £000s**
Neither impaired nor past due	159	9
Past due but not impaired	-	-
Impaired	-	-
At 31 March	159	9

Ageing of past due but not impaired trade receivables:

	2023 £000s	**2022 £000s**
Up to 3 months past due	-	9
Between 3 and 6 months past due	-	-
More than 6 months past due	-	-
At 31 March	-	9

14. Cash and cash equivalents

The company is required to disclose the opening position, net change in balances and the closing position separately for cash and cash equivalents. The company only has cash, with no cash equivalents at the opening and closing position. Therefore, the cash and cash equivalents values reported in the Statement of Financial Position are only for cash.

The summary balance and movements are shown in the following table:

	2023 Cash	2023 Cash Equivalent	2023 Total	2022 Cash	2022 Cash Equivalent	2022 Total
	£000s	£000s	£000s	£000s	£000s	£000s
Opening Balance	1,509	-	1,509	1,722	-	1,722
Net increase/(decrease) in reporting period	1,680	-	1,680	(213)	-	(213)
Closing Balance	3,189	-	3,189	1,509	-	1,509

15. Creditors: amounts falling due within one year

	2023 £000s	2022 £000s
Trade payables	6,077	4,195
Other taxes and social security costs	367	384
Other creditors	(7)	55
Accruals and deferred income	2,698	3,096
Obligations under leases	162	174
At 31 March	9,297	7,904

16. Contract loss provisions

	2023 £000s	2022 £000s
At 1 April	-	1,175
Arising during the period	-	-
Utilised during the period	-	(1,175)
At 31 March	-	-

The movement in the contract loss provision in the prior period was for vessel 805 (MV Kallista Helen) for Inverlussa Shellfish Company Limited which was delivered in June 2021.

17. Creditors: amounts falling due after one year

	2023 £000s	2022 £000s
Obligations under right of use assets	-	162
At 31 March	-	162

18. Right-of-use assets and liability

	2023 £000s	2022 £000s
Gross carrying amount		
At 1 April	675	675
Revaluation	66	-
At 31 March	741	675
Depreciation		
At 1 April	339	168
Charge for the period	167	171
At 31 March	506	339
Carrying amount		
At 31 March	235	336

In March 2020, Ferguson Marine (Port Glasgow) Limited entered a four-year lease for property at a site in Greenock. The property is used primarily for warehousing purposes. There are no restrictions placed upon the lessee by entering into this lease. The company is entitled to extend the term of this lease by a further four years. The weighted average incremental borrowing rate applied to the lease liability was 1%, based on indicative rates provided by Scottish Government.

Right-of-use asset	Number of right-of-use assets leased	Range of remaining term	Average remaining lease term	Number of leases with extension options	Number of leases with options to purchase	Number of leases with variable payments linked to an index	Number of leases with termination options
Warehouse	1	1 year	1 year	1	0	0	0

The lease liabilities are secured by the related underlying assets. Future minimum lease payments at 31 March 2023 were as follows:

	Within 1 Year £000s	1-2 Years £000s	2-3 Years £000s	3-4 Years £000s	Total £000s
Lease payments	163	-	-	-	163
Finance charges	(1)	-	-	-	(1)
Net present values	162	-	-	-	162

The equivalent disclosure for the prior period of future minimum lease payments is as follows:

	Within 1 Year £000s	1-2 Years £000s	2-3 Years £000s	3-4 Years £000s	Total £000s
Lease payments	176	162	-	-	338
Finance charges	(2)	-	-	-	(2)
Net present values	174	162	-	-	336

19. Financial instruments

Risk management objectives and policies

The Group is exposed to various risks in relation to financial instruments. The Group's financial assets and liabilities by category are summarised in Note 23. The main types of risks are market risk, credit risk and liquidity risk.

Foreign currency sensitivity

Most of the Group's transactions are carried out in Pounds Sterling (GBP). Exposures to currency exchange rates arise from the Group's overseas purchases, which are primarily denominated in Euros (EUR). To mitigate the Group's exposure to foreign currency risk, non-GBP cash flows are monitored.

Commodity price risk

The Group's exposure to raw material price risk is generally diminished by restricting bid validity to periods within those quoted by suppliers and by material price escalation clauses.

Credit risk

The risk of financial loss due to a counterparty's failure to honour its obligations arises principally in relation to transactions where the company provides goods and services on deferred credit terms. Company policies and procedures are aimed at minimising such losses and require that deferred credit terms are granted only to customers who demonstrate an appropriate payment history and satisfy creditworthiness procedures. Where appropriate, due diligence is undertaken to assess the financial status of an existing or potential new customer.

Liquidity risk

The table below summarises the maturity profile of the Group's financial liabilities at 31 March 2023 based on contractual cash flows.

	Current		Non-Current	
	Within 6 months	6 to 12 months	1 to 5 years	Later than 5 years
	£000s	£000s	£000s	£000s
Trade and other payables	9,297	-	-	-
At 31 March 2023	9,297	-	-	-

20. Capital management

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern. The Group has no externally imposed capital requirements and manages capital to ensure it meets its commitments consistent with its corporate plan. The major source of income in the reporting period is progressive advance payment of the price which is due to be paid by Scottish Ministers to Ferguson Marine (801-802) Limited under the terms of the new contract arrangements executed in April 2021, which were effective from 1 April 2020, plus some further capital contribution from the shareholders, as commented upon in Note 22.

The current contractual structure with Scottish Ministers for the two ferries being built for CMAL means that the majority income in the next year will be generated from the contract payment mechanism in those contracts.

The Group has no material exposure to any foreign currency risk.

21. Share capital

	Nominal Value	2023 Number	2023 *£000s*	2022 Number	2022 *£000s*
Allotted, called up and fully paid:					
Ordinary shares	£1 each	1	-	1	-

Ordinary Shares, with par value of £1, rank equally and carry one vote per share, and carry a right to dividends. Each share ranks equally for any distribution made on a winding up.

22. Capital contribution reserve

The Scottish Government provided a capital contribution by way of their payment for the purchase of the assets of Ferguson Marine Engineering Limited (in Administration) for £7,544,000 in the period to March 2020.

Additionally, funding of £9,569,000 for the construction of vessels 801 and 802 was received from the Scottish Government during the period to 31 March 2020.

During the year to 31 March 2021, funding of £4,714,724 was received from the Scottish Government, which was mainly for the Exceptional costs incurred in the period related to lockdown and other effects of COVID-19.

During the year to 31 March 2022, funding of £8,000,000 for working capital requirements was received from the Scottish Government prior to the mechanics of the payment mechanism within the two new build contracts with Scottish Ministers for Hulls 801 and 802 being implemented early in the reporting period.

During the year to 31 March 2023, funding of £544,000 for working capital requirements was received from the Scottish Government.

Total funding provided by capital contribution is therefore £30,371,259 (*2022: £29,827,724*).

23. Financial assets and financial liabilities

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expired.

The Group's financial instruments comprise cash, trade receivables, and trade payables, all of which arise directly from its operations. The principal risks to which the Group is exposed are those relating to credit and liquidity. These risks are managed in accordance with Group approved policies.

Financial assets at amortised cost	**2023 Carrying Amount**	**2023 Fair Value**	**2022 Carrying Amount**	**2022 Fair Value**
	£000s	**£000s**	**£000s**	**£000s**
Trade receivables	159	159	9	9
Cash and cash equivalents	3,189	3,189	1,509	1,509
Contract construction assets	6,895	6,895	7,611	7,611
Other receivables	2,130	2,130	1,799	1,799
R&D expenditure credit claim	-	-	289	289
Total financial assets	12,373	12,373	11,217	11,217

23. Financial assets and financial liabilities (continued)

Financial liabilities at amortised cost	2023 Carrying Amount	2023 Fair Value	2022 Carrying Amount	2022 Fair Value
	£000s	£000s	£000s	£000s
Trade payables	6,077	6,077	4,195	4,195
Other creditors	(7)	(7)	55	55
Accruals	2,698	2,698	2,760	2,760
Obligations under leases	162	162	174	174
Total financial liabilities	8,930	8,930	7,184	7,184

24. Related party transactions

The company has taken advantage of the available exemptions regarding disclosure of transactions and balances with entities which form part of that Group of companies.

Tim Hair is a director of Melville Management Limited and provided his services to Ferguson Marine (Port Glasgow) Limited via this entity. During the period, £Nil *(2022: £661,341)* of costs excluding VAT were incurred for these services. The balance outstanding and due to Melville Management Limited at 31 March 2023 is £Nil *(2022: £42,708)* including VAT.

The company has transacted with Crown Estates Scotland during the reporting period, and the subsidiary Ferguson Marine (Port Glasgow) Limited paid Crown Estates Scotland the sum of £7,235 in the year to 31 March 2023 *(2022: £7,235)* for the use of the foreshore area at Newark Works, Port Glasgow. The balance outstanding and due to Crown Estates Scotland at 31 March 2023 is £1,340 (*2022: £Nil*).

Scottish Ministers, by virtue of being the 100% shareholder of Ferguson Marine (Port Glasgow) Holdings Limited is a related party, and during the reporting period Ferguson Marine (801-802) Limited has received progress payments in relation to contracts for Hulls 801 and 802 of £63,216,438 from Scottish Ministers *(2022: £54,612,476)*. As at 31 March 2023, an accrued debtor in respect of a Construction Asset for the value of £6,894,870 is due to Ferguson Marine (801-802) Limited by Scottish Ministers *(2022: £7,610,779)*.

25. Controlling party

The ultimate controlling party is Scottish Ministers on behalf of the Scottish Government.

26. Legal form of entity and country of incorporation

Ferguson Marine (Port Glasgow) Holdings Limited is a private company limited by shares and incorporated in Scotland.

27. Subsidiary undertakings

The Group holds the following investments in subsidiaries:

Name	Registration No	Country of Registration	Shareholding	Nature of business
Ferguson Marine (Port Glasgow) Limited	SC638457	Scotland	100%	Shipbuilding
Ferguson Marine (801-802) Limited	SC638508	Scotland	100%	Shipbuilding
Ferguson Marine (Commercial) Limited	SC638592	Scotland	100%	Shipbuilding

The Board of Directors have resolved to seek exemption from audit by parent guarantee, under s479A-479C of the Companies Act 2006, for each of the three subsidiary companies listed above, Following the appropriate Board resolution, the required documentation will be submitted to Companies House.

28. Principal place of business

The address of the company's principal place of business and registered office is:

Newark Works
Castle Road
PORT GLASGOW
PA14 5NG

29. Notes relating to the Company Statement of Financial Position

Basis of preparation

The company financial statements have been prepared in accordance with the accounts direction issued by Scottish Ministers under section 19(4) of the Public Finance and Accountability (Scotland) Act 2000, and approved by the directors in accordance with international financial reporting standards in conformity with the requirements of the Companies Act 2006 and comply with those standards applicable as at 31 March 2023, interpreted and adapted where appropriate to take account of the guidance with the 2021-2022 Government Financial Reporting Manual (FReM).

Under s408 of the Companies Act 2006 the company is exempt from the requirement to present its own Statement of Profit and Loss.

In these financial statements, the company has applied the exemptions in respect of the following disclosures:

- a cashflow statement and related notes
- transactions with wholly owned subsidiaries
- financial risk management disclosures
- capital management disclosures
- disclosures in respect of financial instruments
- the effect of future accounting standards not adopted.

Measurement convention

The financial statements have been prepared on the historical cost basis.

Employees

The company has no employees.

Directors' remuneration

The directors received no remuneration from the company.

30. Investments

Details of the investments in which the Group holds 20% or more of the nominal value of any class of share capital are as follows:

	Holding	Proportion of Shares Held
Ferguson Marine (Port Glasgow) Limited	Ordinary	100%
Ferguson Marine (801-802) Limited	Ordinary	100%
Ferguson Marine (Commercial) Limited	Ordinary	100%

Scottish Government
Riaghaltas na h-Alba
gov.scot

Ferguson Marine (Port Glasgow) Holdings Limited

DIRECTION BY THE SCOTTISH MINISTERS

1. The Scottish Ministers, in accordance with section 19(4) of the Public Finance and Accountability (Scotland) Act 2000 hereby give the following direction.

2. The statement of accounts for the financial period ended 31 March 2021, and subsequent years, shall comply with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual (FReM) which is in force for the year for which the statement of accounts are prepared.

3. The accounts shall be prepared so as to give a true and fair view of the income and expenditure and cash flows for the financial year, and of the state of affairs as at the end of the financial year.

4. This direction shall be reproduced as an appendix to the statement of accounts.

Signed by the authority of the Scottish Ministers

Dated 16/09/2021