

# **A&P Falmouth Limited**

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# **A&P Falmouth Limited**

## **Directors and Advisers**

### **Directors**

F Nugent  
C Towl  
S K Jervis BSc

### **Secretary**

M Holding FCMA

### **Registered Office**

A&P Falmouth Limited  
Imperial House  
Lypiatt Road  
Cheltenham  
Gloucestershire  
GL50 2QJ

Registered number: 103287

### **Solicitors**

Dickinson Dees  
Cross House  
Westgate Road  
Newcastle upon Tyne  
NE99 1SB

### **Registered Auditors**

Coopers & Lybrand  
Hadrian House  
Higham Place  
Newcastle Upon Tyne  
NE1 8BP

### **Bankers**

National Westminster Bank plc  
15 Bishopsgate  
London  
EC2P 2AP

# A&P Falmouth Limited

## Directors' Report

The Directors present their Annual Report and the audited financial statements for the year ended 31 December 1996.

### Principal activity and business review

The principal activity of the company is the provision of ship repair and marine engineering services.

It is the intention of the directors to continue to develop the business taking into account the prevailing market conditions.

### Results and dividends

The profit for the year after taxation amounted to £2,889,448 (1995: £91,745).

The directors do not recommend the payment of a dividend.

### Directors and their interests

The names of the directors who held office during the year and at the date of this report, except where indicated, were as follows:

F Nugent

M J M Deeks (resigned 13 February 1997)

A D Duckham (resigned 13 March 1996)

C Towl

S K Jervis

None of the directors had any interests in the company. The interests of the directors in the shares of the ultimate holding company are disclosed in the financial statements of that company, except as disclosed below.

The following director has beneficial interests in the shares of the ultimate parent company, A&P Holdings Limited, as at 31 December 1995 and 1996:

	D Ordinary shares of 0.0001p each Number	E Ordinary shares of 0.0001p each Number
C Towl	350,000	42

# **A&P Falmouth Limited**

## **Directors' Report (continued)**

### **Disabled employees**

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the group continues and that appropriate training is arranged. It is the policy of the group that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

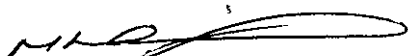
### **Employee consultation**

The group places considerable value on the involvement of its employees and has continued its practice of keeping them informed on matters affecting them as employees and on the various factors affecting the performance of the group.

### **Auditors**

A resolution to re-appoint the auditors, Coopers & Lybrand, will be proposed at the annual general meeting.

**By order of the board**



**Company Secretary**  
26 June 1997

# **A&P Falmouth Limited**

## **Directors' Responsibilities Statement**

The directors are required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that year.

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 December 1996. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**By order of the board**



**Company Secretary**  
26 June 1997

# **A&P Falmouth Limited**

## **Report of the Auditors to the Members of A&P Falmouth Limited**

We have audited the financial statements on pages 6 to 19.

### **Respective responsibilities of directors and auditors**

As described on page 4, the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

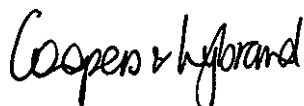
### **Basis of opinion**

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

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

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the company at 31 December 1996 and of its profit and total recognised gains for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Chartered Accountants and Registered Auditors  
Newcastle  
26 June 1997

# A&P Falmouth Limited

## Profit and Loss Account for the year ended 31 December 1996

	Notes	1996 £	1995 £
Turnover	2	37,012,950	20,976,751
Cost of sales		(30,776,699)	(19,008,940)
<b>Gross profit</b>		<b>6,236,251</b>	<b>1,967,811</b>
Administrative expenses		(2,551,646)	(1,993,725)
<b>Operating profit/(loss)</b>		<b>3,684,605</b>	<b>(25,914)</b>
Profit on sale of fixed asset investments		-	136,001
<b>Profit on ordinary activities before interest</b>		<b>3,684,605</b>	<b>110,087</b>
Interest payable and similar charges	3	(35,157)	(18,342)
<b>Profit on ordinary activities before taxation</b>	4	<b>3,649,448</b>	<b>91,745</b>
Taxation	7	(760,000)	-
<b>Retained profit for the year</b>	16	<b>2,889,448</b>	<b>91,745</b>

All the activities of the company are continuing.

The company has no recognised gains and losses other than those included in the profits above and therefore no separate statement of total recognised gains and losses has been presented.

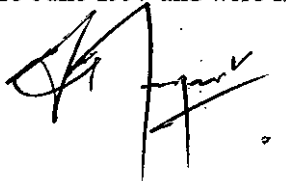
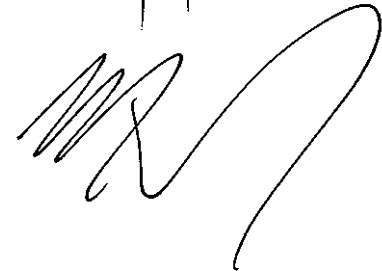
There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above and their historical cost equivalents.

# A&P Falmouth Limited

## Balance Sheet at 31 December 1996

	Notes	1996 £	1995 £
<b>Fixed assets</b>			
Tangible assets	8	<u>2,097,825</u>	<u>1,961,983</u>
<b>Current assets</b>			
Stocks	10	363,641	274,816
Debtors	11	9,052,499	6,461,064
Cash at bank and in hand		<u>3,612,027</u>	<u>452,446</u>
		<u>13,028,167</u>	<u>7,188,326</u>
<b>Creditors: amounts falling due within one year</b>	12	<u>(9,213,926)</u>	<u>(6,225,894)</u>
<b>Net current assets</b>		<u>3,814,241</u>	<u>962,432</u>
<b>Total assets less current liabilities</b>		<u>5,912,066</u>	<u>2,924,415</u>
<b>Creditors: amounts falling due after more than one year</b>	13	(233,775)	(313,945)
<b>Provision for liabilities and charges</b>	14	(250,373)	(72,000)
<b>Net assets</b>		<u><u>5,427,918</u></u>	<u><u>2,538,470</u></u>
<b>Capital and reserves</b>			
Called up share capital	15	4,750,000	4,750,000
Profit and loss account	16	<u>677,918</u>	<u>(2,211,530)</u>
<b>Equity shareholders' funds</b>	17	<u><u>5,427,918</u></u>	<u><u>2,538,470</u></u>

The financial statements on pages 6 to 19 were approved by the board of directors on 26 June 1997 and were signed on its behalf by:



 } Directors



# **A&P Falmouth Limited**

## **Notes to the Financial Statements for the year ended 31 December 1996**

### **1 Principal accounting policies**

The financial statements are prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

#### **Basis of accounting**

The financial statements have been prepared under the historical cost convention.

#### **Tangible fixed assets**

The cost of tangible fixed assets is their purchase cost together with any incidental costs of acquisition.

Depreciation is calculated so as to write off the costs of tangible fixed assets, less their estimated residual values on a straight line basis over the expected useful economic lives of the assets concerned. The annual rates used for this purpose are:

Long leasehold improvements	2 - 10%
Plant and machinery	2½% - 33½%
Motor vehicles	20% - 25%

# **A&P Falmouth Limited**

## **Notes to the Financial Statements for the year ended 31 December 1996**

### **1 Principal accounting policies (continued)**

#### **Finance and operating leases**

Costs in respect of operating leases are charged on a straight line basis over the lease term. Leasing agreements which transfer to the company substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit in proportion to the reducing capital element outstanding, assets held under finance leases are depreciated over the shorter of the lease terms the useful lives of equivalent owned assets.

#### **Stocks**

Stocks are stated at the lower of cost and net realisable value. Provision is made for obsolete, slow moving or defective items where appropriate.

#### **Contract balances**

Amounts recoverable on contracts are shown at valuation. Valuation includes the cost of materials, direct labour, overheads (based on normal levels of activity) together with attributable profit, estimated to be earned to date. Full provision is made for any known or anticipated losses.

Amounts recoverable on contracts are shown net of payments on account received or receivable.

#### **Turnover**

Turnover comprises the sales value of goods and services in the normal course of business. All sales are shown exclusive of Value Added Tax.

# **A&P Falmouth Limited**

## **Notes to the Financial Statements for the year ended 31 December 1996**

### **1 Principal accounting policies (continued)**

#### **Deferred taxation**

Provision is made for deferred taxation, using the liability method, on all material timing differences to the extent that it is probable that a liability or asset will crystallise. Full provision is made for deferred taxation on timing differences arising from the provision of employee pensions.

#### **Pension scheme arrangements**

The company operates a defined benefit pension scheme. The fund is valued every three years by a professionally qualified independent actuary, the rates of contribution payable being determined by the actuary. In the intervening years the actuary reviews the continuing appropriateness of the rates. Pension costs are accounted for on the basis of charging the expected cost of providing pensions over the period during which the company benefits from the employees' services. The effects of variations from regular cost are spread over the expected average remaining service lives of members of the scheme.

The company provides no other post-retirement benefits to its employees.

#### **Cash flow statement**

The company is a wholly owned subsidiary of A&P Holdings Limited and the cash flows of the company are included within the consolidated cash flow statement of A&P Holdings Limited. Consequently, the company is exempt under the terms of Financial Reporting Standard No 1 revised from publishing a cash flow statement.

# A&P Falmouth Limited

## Notes to the Financial Statements for the year ended 31 December 1996

### 2 Turnover

The analysis by geographical destination of the company's turnover is:

	1996 £	1995 £
United Kingdom		
Rest of Europe	25,485,653	8,938,426
Africa	6,657,776	5,520,820
North America	-	525,306
Central/South America	2,973,021	1,503,218
Asia	-	1,401,754
	1,896,500	3,087,227
	<u>37,012,950</u>	<u>20,976,751</u>

### 3 Interest payable and similar charges

	1996 £	1995 £
Hire purchase and finance lease interest	35,157	18,342
	<u>35,157</u>	<u>18,342</u>

### 4 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging/(crediting):

	1996 £	1995 £
Depreciation of tangible fixed assets:		
Owned assets		
Assets held under finance leases and hire purchase contracts	262,914	255,534
Hire of plant and machinery - operating leases	12,375	36,858
Hire of other assets - operating leases	210,245	195,432
Auditors' remuneration	-	12,205
Fees paid to auditors for non-audit services	12,500	7,500
Profit on sale of tangible fixed assets	6,004	2,700
Property rental	(300)	(1,050)
	<u>1,150,000</u>	<u>491,507</u>

# A&P Falmouth Limited

## Notes to the Financial Statements for the year ended 31 December 1996

### 5 Staff costs

Particulars of employees (including executive directors) are as shown below:

	1996 £	1995 £
Employee costs amounted to:		
Wages and salaries	14,289,130	10,381,562
Social security costs	1,138,651	827,899
Other pension costs (see note 21)	466,540	347,882
	<u>15,894,321</u>	<u>11,557,343</u>

The average weekly number of persons employed by the company during the year was:

	1996 Number	1995 Number
Direct employees	679	470
Indirect employees	57	59
	<u>736</u>	<u>529</u>

### 6 Directors' emoluments

	1996 £	1995 £
Emoluments (including pension contributions)	<u>122,158</u>	<u>84,475</u>

The directors' remuneration shown above (excluding pension contributions) included:

	1996 £	1995 £
Highest paid director	<u>122,158</u>	<u>33,902</u>

# A&P Falmouth Limited

## Notes to the Financial Statements for the year ended 31 December 1996

### 6 Directors' emoluments

The number of directors, including the chairman and highest paid director, who received emoluments (excluding pension contributions) in the following ranges was:

	1996 Number	1995 Number
£Nil to £5,000		
£20,001 to £25,000	4	5
£25,001 to £30,000	-	1
£30,001 to £35,000	-	1
£120,001 to £125,000	-	1
	1	-
	<u>  </u>	<u>  </u>

The emoluments of certain directors, who are also directors of a number of group companies, are borne in full by the principal employing company. Accordingly no recharge is made as these directors provide services primarily to the principal employer. These directors' emoluments are included in the aggregate of directors' emoluments disclosed in the financial statements of the principal employer.

### 7 Tax on profit on ordinary activities

	1996 £	1995 £
United Kingdom corporation tax at 33% (1995: 33%)		
Current	650,000	-
Deferred	110,000	-
	<u>  </u>	<u>  </u>
	760,000	-
	<u>  </u>	<u>  </u>

# A&P Falmouth Limited

## Notes to the Financial Statements for the year ended 31 December 1996

### 8 Tangible fixed assets

The movements in the year were as follows:

	Long lease improvements	Plant and machinery	Motor vehicles	Total
Cost	£	£	£	£
At 1 January 1996	-	4,175,945	324,345	4,500,290
Additions	84,374	315,017	11,740	411,131
Transfers between categories	46,917	(46,917)	-	-
Disposals	-	-	(1,500)	(1,500)
<b>At 31 December 1996</b>	<b>131,291</b>	<b>4,444,045</b>	<b>334,585</b>	<b>4,909,921</b>
<b>Depreciation</b>				
At 1 January 1996	-	2,226,254	312,053	2,538,307
Charge for year	8,251	261,707	5,331	275,289
Eliminated in respect of disposals	-	-	(1,500)	(1,500)
Transfer between categories	16,119	(16,119)	-	-
<b>At 31 December 1996</b>	<b>24,370</b>	<b>2,471,842</b>	<b>315,884</b>	<b>2,812,096</b>
<b>Net book amount</b>				
At 31 December 1996	<b>106,921</b>	<b>1,972,203</b>	<b>18,701</b>	<b>2,097,825</b>
Net book amount				
At 1 January 1996	-	1,949,691	12,292	1,961,983

Included in plant and machinery at 31 December 1996 are leased assets with a net book value of £398,847 (1995: £450,351).

### 9 Fixed asset investments

Net book value	£
At 1 January 1996 and 31 December 1996	-

The company has investments in the following fellow subsidiary undertakings:

Company	Country of registration	Principal activity	Description of shares held	Proportion of shares held
A & P Appledore (Aberdeen) Limited	Scotland	Non Trading	Ordinary £1 shares	2%

# A&P Falmouth Limited

## Notes to the Financial Statements for the year ended 31 December 1996

### 10 Stocks

Stocks comprise raw materials and consumables.

### 11 Debtors

	1996 £	1995 £
Amounts falling due within one year:		
Trade debtors	1,058,972	1,548,468
Amounts recoverable on contracts	2,232,258	1,322,365
Amounts owed by group undertakings	4,888,171	3,083,895
Other debtors	577,753	194,047
Prepayments and accrued income	295,345	312,289
	<u>9,052,499</u>	<u>6,461,064</u>

### 12 Creditors: amounts falling due within one year

	1996 £	1995 £
Obligations under finance leases and hire purchase contracts	91,845	81,595
Trade creditors	4,790,818	2,636,101
Amounts owed to group undertakings	2,159,445	2,397,099
Corporation tax	650,000	-
Other taxation and social security	811,977	557,670
Accruals and deferred income	709,841	553,429
	<u>9,213,926</u>	<u>6,225,894</u>

### 13 Creditors: amounts falling due after more than one year

	1996 £	1995 £
Obligations under finance leases and hire purchase contracts	<u>233,775</u>	<u>313,945</u>

The net finance lease obligations to which the company are committed are:

	1996 £	1995 £
In one year or less	91,845	81,595
Between one and two years	89,114	80,169
Between two and five years	144,661	233,776
	<u>325,620</u>	<u>395,540</u>



# A&P Falmouth Limited

## Notes to the Financial Statements for the year ended 31 December 1996

### 14 Provision for liabilities and charges

	Deferred tax £	Dredging provision £	Total £
At 1 January 1996	-	72,000	72,000
Profit and loss account	110,000	72,000	182,000
Utilised in year	-	(3,627)	(3,627)
At 31 December 1996	<u>110,000</u>	<u>140,373</u>	<u>250,373</u>

### Deferred taxation

Deferred taxation provided in the financial statements, and the amount unprovided of the total potential liability, are as follows:

	Amount provided		Amount unprovided	
	1996 £	1995 £	1996 £	1995 £
Excess of tax allowances over depreciation	238,000	-	-	-
Other timing differences	(128,000)	-	-	-
	<u>110,000</u>	<u>-</u>	<u>-</u>	<u>-</u>

### 15 Called up share capital

	1996 £	1995 £
Authorised, allotted, called up and fully paid 4,750,000 ordinary shares of £1 each	<u>4,750,000</u>	<u>4,750,000</u>

# A&P Falmouth Limited

## Notes to the Financial Statements for the year ended 31 December 1996

### 16 Reserves

	Profit and loss account £
At 1 January 1996	
Retained profit for the year	(2,211,530)
	2,889,448
At 31 December 1996	<u>677,918</u>

### 17 Reconciliation of movements in shareholders' funds

	1996 £	1995 £
Opening shareholders' funds	2,538,470	2,446,725
Profit for the financial year	2,889,448	91,745
Closing shareholders' funds	<u>5,427,918</u>	<u>2,538,470</u>

### 18 Contingent liabilities

The company has entered into cross guarantees in favour of the National Westminster Bank plc regarding amounts borrowed by A&P Holdings Limited group companies, which at 31 December 1996 amounted to £2,417,000 (1995: £2,500,000) under a previous guarantee and debenture agreement.

The company has also entered into a cross guarantee with Lombard North Central plc regarding finance lease commitments payable by A&P Southampton Limited, which at 31 December 1996 amounted to £231,000 (1995: £Nil).

### 19 Capital commitments

	1996 £	1995 £
Future capital expenditure		
Contracted for but not provided for	<u>42,170</u>	<u>383,888</u>

# A&P Falmouth Limited

## Notes to the Financial Statements for the year ended 31 December 1996

### 20 Financial commitments

At 31 December 1996 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Plant & machinery	
	1996	1995	1996	1995
	£	£	£	£
Expiring within one year	-	-	34,356	2,802
Expiring in over 5 years	1,150,000	1,150,000	144,380	78,619
	<u>1,150,000</u>	<u>1,150,000</u>	<u>178,736</u>	<u>81,421</u>

### 21 Pension arrangements

The company operates a defined benefit pension scheme. The company participates in the Shipbuilding Industries Pension Scheme (SIPS), which is administered by trustees and is separate from the company's finances, providing benefits based on final pensionable pay. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company. The contributions are determined by a qualified actuary on the basis of triennial valuations using the Attained Age method. The most recent valuation was at 1 April 1995. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of increase in salaries and pensions. It was assumed that investment returns would be 9% per annum, that salary increases would average 6% per annum and that present and future pensions would increase at the rate of 3% per annum.

The pension charge for the year was £420,605 (1995: £330,147).

The most recent actuarial valuation showed that the market value of the scheme's assets was £10,017,000 and that the actuarial value of those assets represented 97% of the benefits that have accrued to members, after allowing for expected future increases in earnings.

Outstanding contributions of £58,742 (1995: £Nil) at the year end are included in the balance sheet under creditors due within one year.

Certain of the company's employees are members of a pension scheme whose principal participating employer is A&PA International Limited, a fellow subsidiary undertaking. The company's contributions to this scheme are included in the pension charge above. Further details of the scheme are disclosed in the consolidated financial statements of A&P Holdings Limited. The pension costs for the year were £28,000 (1995: £17,735)

There is a provision for pension costs of £45,935 (1995: £17,735) in the balance sheet for this scheme, arising from the accumulated difference between the contributions paid to the scheme and corresponding pension costs.

# **A&P Falmouth Limited**

## **Notes to the Financial Statements for the year ended 31 December 1996**

### **22 Related party transactions**

The company has taken advantage of the exemptions available under Financial Reporting Standard No 8 and has not disclosed transactions with companies that are part of the A&P Holdings Limited group of companies.

### **23 Ultimate parent company and controlling parties**

The directors regard A&P Holdings Limited, a company registered in England and Wales, as the ultimate parent company and immediate controlling party. Copies of the parents' consolidated financial statements may be obtained from:

Registrar of Companies  
Crown Way  
Maindy  
Cardiff  
CF4 3UZ

For the purposes of Financial Reporting Standard No 8 "Related Parties" Schroder UK Buy-Out Fund II is regarded as the ultimate controlling party by reason of its shareholding in A&P Holdings Limited. The Fund is managed by Schroder Venture Managers Limited and Schroder Venture Manages Inc, the two general partners. However those two companies do not direct the financial and operating policies of this Company.

# **A&P Falmouth Limited**

## **Notice of Meeting**

Notice is hereby given that the Annual General Meeting of A&P Falmouth Limited will be held at Imperial House, Lypiatt Road, Cheltenham, Gloucestershire on 24 July 1997 at 11.10 am to transact the following business:

1. To receive and approve the Annual Report and Accounts for the year ended 31 December 1996 and the reports of Directors and Auditors.
2. To appoint Coopers & Lybrand as auditors of the Company and to authorise the Directors to fix their remuneration.
3. To transact any other business which may be transacted at an Annual General Meeting.

**By order of the board**



**Company Secretary**

26 June 1997

The Register of Directors and interests in the Company's shares are available for inspection at the Registered Office of the Company during usual business hours (weekends and public holidays excepted) and at the meeting from 15 minutes prior to and during the meeting.