

A&P Falmouth Limited
Annual report and accounts
for the year ended 31 December 2006

Registered Number 103287



A&P Falmouth Limited

Annual report and accounts

for the year ended 31 December 2006

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A&P Falmouth Limited

Directors and Advisors

Directors

K P Thompson

P H Child

A&P GH 2006 Limited (formerly A&P Group Limited)

Secretary

K P Thompson

Independent auditors

PricewaterhouseCoopers LLP

89 Sandyford Road

Newcastle upon Tyne

NE1 8HW

Solicitors

DLA

1 St Pauls Place

Sheffield

S1 2JX

Registered Office

Eling Wharf

High Street

Totton

Southampton

SO40 9TN

Registered Number

103287

Bankers

Royal Bank of Scotland plc

Corporate Banking London

8th Floor

280 Bishopsgate

London

EC2M 4RB

A&P Falmouth Limited

Directors' report for the year ended 31 December 2006

The directors present their Annual Report and the audited financial statements for the year ended 31 December 2006

Principal activity and business review

The company's principal activities are ship repair and marine engineering. The company operates facilities out of the port of Falmouth in the south-west of England.

On 8 September 2006, the company's parent, the former A&P Group was acquired by Mandaco 482 Limited, a company owned by the management of A&P Group, as part of a restructuring. Mandaco 482 Limited changed its name to A&P Group Limited on 29 January 2007.

The results for the year are set out on page 7.

Future outlook

The company is part of the leading ship repair and conversion business in the United Kingdom, and the directors believe the market for the company's services continues to be strong. The external commercial environment is expected to remain competitive in 2007. The company however, has identified several projects for the remainder of 2007 and 2008 which will enable the company to continue to trade profitably, and generate cash flow for reinvestment in the business.

Principal risks and uncertainties

The management of the business and the execution of the company's strategy are subject to a number of risks.

The key business risks and uncertainties affecting the group are considered to relate to the competition from other domestic and overseas facilities, the volatile and cyclical nature of the business, and maintaining the current good relationships with employees at all levels within the Group. The Group also considers its successful relationships with its subcontractor base is a key part of its strategy and will continue to develop these further.

Key performance indicators

The Group measures key performance indicators on a monthly basis as part of its internal control processes. They are considered under the following four headings -

- Safety Quality and the Environment
- People, Productivity and Facilities
- Financial Performance
- Customers and Markets

Given the size, structure and nature of the business, the company's directors are of the opinion that additional disclosures regarding the use of KPI's is not necessary for an understanding of the development, performance or position of the company.

The directors believe that, by ensuring all aspects of the business's operations are formally reviewed, the long term interests of all stakeholders of the business will be protected.

A&P Falmouth Limited

Research and development

The directors consider that research and development activities into the group's work practices and systems are a factor in the success of the company. These enable the company to deliver complex solutions to a variety of customers in both a timely and cost effective manner. Such research and development is done in house and in conjunction with specific industry bodies and academic sources.

Dividends

The directors do not recommend the payment of a dividend (2005 £Nil)

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

K P Thompson

P H Child

A&P GH 2006 Limited (formerly A&P Group Limited)

None of the directors had any interests in the company. The interests of the directors in the shares of the ultimate holding company A&P Group Limited (formerly Mandaco 482 Limited), are disclosed in the financial statements of that company, except as disclosed below.

The following director had beneficial interests in the shares of the ultimate parent company A&P Group Limited (formerly Mandaco 482 Limited), as at 31 December

	2006 Ordinary shares of 1p each Number
P H Child	59

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.

Statement of Directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally

A&P Falmouth Limited

Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) The financial statements are required by law to give a true and fair view of the state of affairs of the company and group and of the profit or loss of the group for that period

In preparing those financial statements, the directors are required to

- Select suitable accounting policies and then apply them consistently,
- Make judgements and estimates that are reasonable and prudent,
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business, in which case there should be supporting assumptions or qualifications as necessary

The directors confirm that they have complied with the above requirements in preparing the financial statements

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and the group and to enable them to ensure that the financial statements comply with the Companies Act 1985 They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Statement of disclosure of information to auditors

So far as each director is aware, there is no relevant audit information of which the company's auditors are unaware

Each director has taken all the steps (such as making enquiries of other directors and the auditors and any other steps required by the director's duty to exercise due care, skill and diligence) that he ought to have taken in his duty as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

Auditors

The auditors, Pricewaterhouse Coopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting

By order of the board

K P Thompson

Director

27 March 2007

A&P Falmouth Limited

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Statement of disclosure of information to auditors

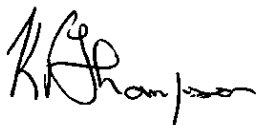
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By order of the board



K P Thompson
Director

29 March 2007

A&P Falmouth Limited

Independent auditors' report to the members of A&P Falmouth Limited

We have audited the financial statements of A&P Falmouth Limited for the year ended 31 December 2006 which comprise the profit and loss account, the balance sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Practice) are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come except where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

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

Basis of audit opinion

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

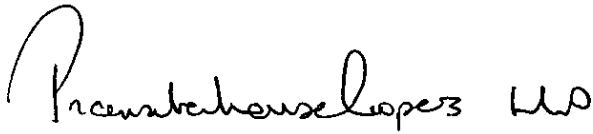
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity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

A&P Falmouth Limited

Opinion

In our opinion

- The financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its profit for the year then ended,
- The financial statements have been properly prepared in accordance with the Companies Act 1985, and
- The information given in the Directors' report is consistent with the financial statements

A handwritten signature in black ink, appearing to read 'PricewaterhouseCoopers LLP', is written over the printed name of the firm.

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

Newcastle upon Tyne

29 March 2007

A&P Falmouth Limited

Profit and loss account for the year ended 31 December 2006

	Note	2006 £	2005 £
Turnover	1	34,357,543	22,754,141
Cost of sales		(29,836,099)	(21,700,344)
Gross profit		4,521,444	1,053,797
Administrative expenses		(2,811,246)	(2,202,314)
Operating profit/(loss)		1,710,198	(1,148,517)
Interest receivable and similar income	20	202,000	-
Interest payable and similar charges	3	(91,589)	(83,886)
Profit/(loss) on ordinary activities before taxation	2	1,820,609	(1,232,403)
Tax on profit on ordinary activities	6	(345,558)	(4,036)
Retained profit/(loss) for the year	15	1,475,051	(1,236,439)

All of the activities of the Company are continuing

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

A&P Falmouth Limited

Statement of total recognised gains and losses for the year ended 31 December 2006

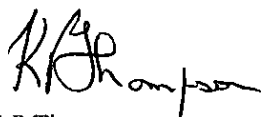
	Note	2006 £	2005 £
Profit/(loss) for the financial year	15	1,475,051	(1,236,439)
Actuarial gain/(loss) on pension scheme	15	867,000	(1,173,000)
Movement in deferred tax relating to the pension scheme		2,654,000	
Total recognised gains and losses during the year		4,996,051	(2,409,439)

A&P Falmouth Limited

Balance sheet as at 31 December 2006

	Note	2006 £	2005 £
Fixed assets			
Tangible assets	7	5,850,617	6,116,961
Current assets			
Stocks	8	221,536	262,222
Debtors	9	3,951,903	2,366,508
Cash at bank and in hand		5,492,551	1,850,455
		9,665,990	4,479,185
Creditors' amounts falling due within one year	10	(8,481,806)	(4,701,488)
Net current assets/(liabilities)		1,184,184	(222,303)
Total assets less current liabilities		7,034,801	5,894,658
Creditors' amounts falling due after more than one year	11	(697,052)	(805,031)
Accruals and deferred income	12	(50,000)	-
Provisions for liabilities and charges	13	(1,771,564)	(1,892,493)
Pension liability	20	(6,193,000)	(9,870,000)
Net liabilities		(1,676,815)	(6,672,866)
Capital and reserves			
Called up equity share capital	14	4,750,000	4,750,000
Profit and loss account	15	(6,426,815)	(11,422,866)
Equity shareholders' deficit	16	(1,676,815)	(6,672,866)

The financial statements on pages 7 to 25 were approved by the board of directors on 29 March 2007 and were signed on its behalf by



K P Thompson
Director

A&P Falmouth Limited

Statement of accounting policies

These financial statements are prepared in accordance with the Companies Act 1985 and 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 are prepared under the historical cost convention and on a going concern basis.

The validity of the going concern basis depends upon the continuing support of the parent company and the ability of the company to trade profitably through its principal activity. The directors of the ultimate parent company and controlling party have expressed their willingness to continue to support the company and on this basis the directors consider it appropriate to prepare the financial statements on a going concern basis.

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 principal annual rates used for this purpose are:

Leasehold improvements	2% - 10%
Plant and machinery	2½%- 33⅓%

Operating and finance lease agreements

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 and 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, less amounts invoiced or received. Valuation includes the cost of materials and direct labour, together with attributable profit, estimated to be earned to date. Direct labour hours are used to determine the level of completion for routine and normal ship repair contracts. In circumstances where application of the above policy would unduly accelerate or delay the recognition of profits materially, other direct costs are taken into account. Full provision is made for any known or anticipated losses. The excess of payments received over amounts recorded as turnover is classified under creditors within one year as payments on account.

Turnover

Turnover comprises the sales value of goods and services supplied in the normal course of business. Also included in turnover are the values of contracts in progress based on the level of completion. All sales are shown exclusive of value added tax.

A&P Falmouth Limited

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date. This is with the exception of deferred taxation assets, which are recognised if it is considered more likely than not that there will be suitable taxable profits from which the future reversal of underlying timing differences can be deducted.

Deferred tax assets and liabilities are measured on an undiscounted basis.

Pension scheme arrangements

The company operates a defined benefit pension scheme which is funded by contributions made by the company and employees. The company contributions are made in accordance with periodic calculations by professionally qualified actuaries.

The operating cost of providing pensions, as calculated periodically by independent actuaries, is charged to the company's operating profit and loss in the period that those benefits are earned by employees. The financial return expected on the schemes' assets is recognised in the period in which they arise as part of finance income and the effect of the unwinding of the discounted value of the schemes' liabilities is treated as part of finance/income costs. The changes in value of the schemes' assets and liabilities are reported as actuarial gains or losses as they arise in the statement of total recognised gains and losses. The pension schemes surplus, to the extent it is considered recoverable, or deficit is recognised in full and presented in the balance sheet net of any related deferred tax.

The company also operates a defined contribution scheme. The company recognises contributions made to this scheme as a charge in the profit and loss account in the year.

Cash flow statement

The company is a wholly owned subsidiary and 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 2006

1 Geographical analysis of turnover by destination

The company's activities comprise of the provision of ship repair and marine engineering service. The geographical analysis of the company's turnover by destination is as follows:

	2006 £	2005 £
United Kingdom	30,797,475	18,430,623
Rest of Europe	3,142,849	3,230,811
North America	411,119	449,061
Rest of World	6,100	643,646
	34,357,543	22,754,141

2 Profit/(loss) on ordinary activities before taxation

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

	2006 £	2005 £
Depreciation of tangible fixed assets		
- Owned assets	462,056	501,115
- Assets held under finance leases and hire purchase contracts	68,933	29,050
Property rental	1,000,000	1,000,000
Hire of plant and machinery – operating leases	217,824	246,016
Auditors' remuneration	16,400	15,920
Fees paid to auditors for non-audit services	6,368	6,180
Gain on sale of tangible fixed assets	(2,369)	(3,500)

A&P Falmouth Limited

3 Interest payable and similar charges

	2006	2005
	£	£
Hire purchase and finance lease interest	91,589	38,661
Other interest	-	45,225
	91,589	83,886

4 Employee information

The average monthly number of persons (including executive directors) employed by the Company during the year was

By activity:	2006	2005
	Number	Number
Direct employees	369	364
Indirect employees	32	32
	401	396

	2006	2005
	£	£
Staff costs for the above persons		
Wages and salaries	10,261,222	9,613,752
Social security costs	843,118	807,501
Other pension costs (note 20)	744,582	653,462
	11,848,922	11,074,715

A&P Falmouth Limited

5 Directors' emoluments

Directors' remuneration (including payments made by other group companies) was paid in respect of directors of the company as follows

	2006 £	2005 £
Aggregate emoluments	110,560	74,076
Company pension contributions to money purchase scheme	5,632	-

Retirement benefits are accruing to one (2005 one) director under the company's defined benefit scheme

The emoluments of certain directors, who are also directors of a number of group companies, are borne in full by the principal employing company. 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.

6 Tax on profit on ordinary activities

(a) Analysis of tax charge/ (credit) in the year

	2006 £	2005 £
Current tax:		
UK corporation tax on profits of the year	-	-
Adjustments in respect of prior years	-	20,798
Total current tax	-	20,798
Deferred tax:		
Origination and reversal of timing differences	345,558	(16,762)
Total deferred tax	345,558	(16,762)
Tax on profit on ordinary activities	345,558	4,036

A&P Falmouth Limited

(b) Factors affecting tax (credit)/charge for the year

The tax assessed for the period is lower (2005 higher) than the standard rate of corporation tax in the UK (30%) The differences are explained below

	2006	2005
	£	£
Profit/(loss) on ordinary activities before tax	1,820,609	(1,232,403)
Profit/(loss) on ordinary activities multiplied by standard rate in the UK 30% (2005 30%)	546,183	(369,721)
Effects of		
Expenses not deductible for tax purposes	11,822	17,795
Accelerated capital allowances and other timing differences	(558,005)	351,926
Adjustments in respect of prior periods	-	20,798
Current tax charge for the period	-	20,798

(c) Factors affecting future tax charges

Deferred tax

The amount of deferred tax provided for in the accounts at the year end were as follows

	2006	2005
	£	£
Excess of tax allowances over depreciation	452,459	348,284
Other timing differences	(17,966)	(86,994)
Losses	(88,935)	(261,290)
	345,558	-

The amounts of deferred tax asset unprovided for in the accounts at the year end were as follows

	2006	2005
	£	£
Losses	-	313,475
Pension deficit	-	2,961,000
	-	3,274,475

These assets have not been provided since, in the opinion of the directors, it is more likely than not that they will be irrecoverable in the short term

A&P Falmouth Limited

7 Tangible assets

	Leasehold improvements	Plant and machinery	Total
	£	£	£
Cost			
At 1 January 2006	1,255,536	11,885,485	13,141,021
Additions	30,512	289,514	320,026
Disposals	-	(197,369)	(197,369)
At 31 December 2006	1,286,048	11,977,630	13,263,678
Accumulated depreciation			
At 1 January 2006	359,235	6,664,825	7,024,060
Charge for the year	53,722	477,267	530,989
Disposals	-	(141,988)	(141,988)
At 31 December 2006	412,957	7,000,104	7,413,061
Net book amount			
At 31 December 2006	873,091	4,977,526	5,850,617
At 31 December 2005	896,301	5,220,660	6,116,961

Included in plant and machinery at 31 December 2006 are leased assets with a net book value of £1,048,793 (2005 £1,424,769)

8 Stocks

Stocks comprise raw materials and consumables

A&P Falmouth Limited

9 Debtors

	2006	2005
	£	£
Trade debtors	1,268,140	1,296,342
Amounts recoverable on contracts	2,487,842	892,275
Amounts owed by group undertakings	118,627	-
Other debtors	20,340	112,071
Prepayments and accrued income	56,954	65,820
	3,951,903	2,366,508

10 Creditors: amounts falling due within one year

	2006	2005
	£	£
Trade creditors	6,274,095	3,180,056
Amounts due to group undertakings	957,871	109,968
Obligations under finance leases	115,713	124,804
Other taxation and social security	327,265	265,397
Other creditors	59,614	132,106
Accruals and deferred income	747,248	889,157
	8,481,806	4,701,488

A&P Falmouth Limited

11 Creditors: amounts falling due after more than one year

	2006	2005
	£	£
Obligations under finance leases	697,052	805,031
The net finance lease obligations to which the Company are committed are		
In one year or less (see note 10)	115,713	124,804
Between one and two years	130,925	116,871
Between two and five years	455,249	688,160
Greater than five years	110,878	
	812,765	929,835

12 Accruals and deferred income

Government grants	Total
	£
Received during the year	50,000
As at 31 December 2006	50,000

A&P Falmouth Limited

13 Provision for liabilities and charges

	Deferred tax £	Other provision £	Total £
At 1 January 2006	-	1,892,493	1,892,493
Transfer from profit & loss account	345,558	-	345,558
Utilised during the year	-	(466,487)	(466,487)
At 31 December 2006	345,558	1,426,006	1,771,564

Employee claims

The Company, in conjunction with its insurers, has obligations in respect of certain employee litigation claims

The directors believe that litigation and related costs arising from such claims will continue for the foreseeable future. The provision has been made following professional advice based on experience and potential costs. In determining the provision, expected future liabilities have been discounted using a discount rate equal to the expected rate of inflation for such claims. The provision is expected to be utilised over the next 19 years.

Deferred tax provision

See note 6 for details of the deferred tax provided for in the accounts at the year end

A&P Falmouth Limited

14 Called up equity share capital

	2006	2005
	£	£
Authorised, allotted, called up and fully paid		
4,750,000 (2005 4,750,000) ordinary shares of £1 each	4,750,000	4,750,000

15 Profit and loss account

	2006 £
Balance as at 1 January 2006	(11,422,866)
Balance as at 1 January, as restated	(11,422,866)
Profit/ (loss) for the year	1,475,051
Actuarial gain relating to the pension scheme (note 20)	867,000
Movement of deferred tax relating to the pension scheme	2,654,000
Balance at 31 December 2006	(6,426,815)

A&P Falmouth Limited

16 Reconciliation of movements in equity shareholders' funds

	2006 £
Equity shareholders' (deficit)/funds at January 1	(6,672,866)
Prior year adjustment – SSAP24	-
Prior year adjustment – FRS 17	-
Equity shareholders' deficit at January 1	(6,672,866)
Retained profit/(loss) for the year	1,475,051
Actuarial gain/(loss) relating to the pension scheme	867,000
Movement in deferred tax relating to the pension scheme	2,654,000
Equity shareholders' deficit at December 31	(1,676,815)
Represented by	
Pension liability (note 20)	6,193,000
Shareholders' funds excluding pension liability	4,516,185

17 Contingent liabilities

The Company has entered into cross guarantees in favour of Royal Bank of Scotland plc regarding bank overdrafts held by other A&P Group Limited group companies which at 31 December 2006 amounted to £Nil (2005 £Nil)

18 Capital commitments

	2006 £	2005 £
Contracts placed for future capital expenditure not provided in the financial statements	4,500	20,964

A&P Falmouth Limited

19 Financial commitments

At 31 December 2006 the Company had annual commitments under non-cancellable operating leases expiring as follows

	Land and buildings		Plant and machinery	
	2006	2005	2006	2005
	£	£	£	£
Within one year		-	14,464	27,615
Within two to five years	-	-	174,155	184,893
After five years	1,000,000	1,000,000	-	-
	1,000,000	1,000,000	188,619	212,508

20 Pension arrangements

(a) Defined contribution arrangements

Certain of the company's employees are members of money purchase schemes. The company's contributions to these schemes amounted to £25,883 (2005 £14,994). The company also makes contributions for certain employees to the A&P Group defined benefit scheme. The company has taken the exemption available under FRS 17 to record the contributions payable in the year of £25,360 (2005 £40,841) as a charge to the profit and loss account, as the assets and liabilities of this scheme are not allocable amongst the subsidiaries.

The FRS17 disclosures for these schemes are disclosed in the accounts of A&P Group Limited.

(b) Defined benefit arrangements

The company participates in the Shipbuilding Industries Pension Schemes (SIPS), a defined benefit pension scheme which is administered by trustees, providing benefits based on final pensionable pay. A full actuarial valuation was conducted, in line with FRS 17, at December 31, 2005.

The major assumptions used by the actuaries were

	2006	2005	2004
Rate of increase in salaries	3.10%	4.30%	4.25%
Rate of increase in pension payments	3.10%	2.80%	2.75%
Discount rate	5.15%	4.8%	5.30%
Inflation assumption	3.10%	2.8%	2.75%

A&P Falmouth Limited

The assets in the schemes and the expected rates of return were

	Value at 31 December 2006 £'000	Long term expected rate of return at 31 December 2006 £'000	Value at 31 December 2005 £'000	Long term expected rate of return at 31 December 2005 £'000	Value at 31 December 2004 £'000	Long term expected rate of return at 31 December 2004 £'000
Equities	24,070	8.00%	22,283	8.0%	18,747	8.5%
Fixed interest gilts	3,764	4.60%	2,701	4.1%	2,253	4.6%
Insured pensioners	197	5.15%	197	4.8%	197	5.3%
Total market value of assets	28,031		25,181		21,197	
Present value of liabilities	(36,879)		(35,051)		(29,974)	
Net deficit in scheme	(8,847)		(9,870)		(8,777)	
Deferred tax asset	2,654		-		-	
Net pension liability	(6,193)		(9,870)		(8,777)	

Analysis of the amount charged to operating profit:

	2006 £'000	2005 £'000
Current service cost	680	654

Analysis of the net return on pension scheme:

	2006 £'000	2005 £'000
Expected return on pension scheme assets	1,882	1,685
Interest on pension scheme liabilities	(1,680)	(1,587)
Net return	202	98

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Analysis of amount recognised in statement of total recognised gains and losses:

	2006	2005
	£'000	£'000
Actual return less expected return on pension scheme assets	1,124	2,476
Experience gains and losses arising on scheme liabilities	525	(440)
Changes in assumptions underlying the present value of the scheme liabilities	(782)	(3,209)
Actuarial loss recognised in the statement of total recognised gains and losses	867	(1,173)

Movement in deficit during the year:

	2006	2005
	£'000	£'000
Deficit at 1 January	(9,870)	(8,777)
Movement in the year		
Current service cost	(680)	(654)
Contributions	634	636
Net return	202	98
Actuarial (loss)/gain	867	(1,173)
Deficit at 31 December	(8,847)	(9,870)

Details of experience gains and losses for the year to 31 December 2006

	2006	2005	2004	2003	2002
	£'000	£'000	£'000	£'000	£'000
Difference between the expected and actual return on scheme assets					
Amount	1,124	2,476	824	1,408	(4,543)
Percentage of scheme assets	4%	10%	4%	8%	(8%)
Experience gains and losses on scheme liabilities					
Amount	525	(440)	(1,160)	(66)	(598)
Percentage of the present value of scheme liabilities	1%	(1%)	(4%)	(0%)	(3%)
Total amount recognised in statement of total recognised gains and losses					
Amount	867	(1,173)	(1,788)	129	(5,589)
Percentage of the present value of scheme liabilities	2%	3%	(6%)	1%	(25%)

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21 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 Group Limited group of companies

During the year the Company carried out a number of transactions with related parties in the normal course of business and on an arm's length basis. The names of the related parties, nature of these transactions and their total value is shown below

	2006		2005	
	Value of transactions £	Receivable/ (payable) at the year end £	Value of transactions £	Receivable/ (payable) at the year end £
Transactions with A&PA Property Limited:				
Rental payments payable	1,000,000	(87,257)	1,000,000	(87,257)
Transactions with European Active Projects Limited				
Services and supplies from EAPL	556,275	(13,620)	40,338	(5,460)

A&PA Property Limited is a subsidiary of A&P Ports & Properties Limited. This group is considered to be a related party of the A&P Group Limited group by virtue of common influence and control of the two groups.

European Active Projects Limited is considered to be a related party of the A&P Group Limited by reason of a 51% shareholding in the company. The company's trading has not been consolidated in the Group's financial statements as it does not have a material effect on the nature and focus of the group's operations.

22 Parent companies and controlling parties

The immediate parent undertaking is A&P Ship Repairers Limited. The Directors regard A&P Group Limited (formerly Mandaco 482 Limited), which is incorporated in England and Wales, as the ultimate parent company and controlling party. The directors of A&P Group Limited collectively own approximately 98% of the equity share capital of that company and therefore, acting in concert, are the ultimate controlling party. No one director individually owns more than 50% of the equity share capital of A&P Group Limited. The largest and smallest group to include these amounts in their consolidation is A&P Group Limited. Copies of the parent's consolidated financial statements may be obtained from the company secretary at

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