

**A&P Falmouth Limited**  
**Annual report and accounts**  
**for the year ended 31 December 2007**

**Registered Number 103287**

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A&P Falmouth Limited  
Annual report and accounts  
for the year ended 31 December 2007  
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# **A&P Falmouth Limited**

## **Directors and advisers**

### **Directors**

K P Thompson

P H Child

A&P GH 2006 Limited

### **Company secretary**

K P Thompson

### **Independent auditors**

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

89 Sandyford Road

Newcastle upon Tyne

NE1 8HW

### **Solicitors**

DLA

1 St Paul's Place

Sheffield

S1 2JX

### **Registered office**

c/o A&P Tyne Limited

Wagonway Road

Hebburn

Tyne & Wear

NE31 1SP

### **Registered number**

103287

### **Bankers**

Royal Bank of Scotland plc

Corporate Banking London

8<sup>th</sup> Floor

280 Bishopsgate

London

EC2M 4RB

# **A&P Falmouth Limited**

## **Directors' report for the year ended 31 December 2007**

The directors present their annual report and the audited financial statements of the company for the year ended 31 December 2007

### **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.

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 2008. The company however, has identified several projects for the remainder of 2008 and 2009 which will enable the company to continue to progress, 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.

### **Dividends**

The directors do not recommend the payment of a dividend (2006: £nil).

# **A&P Falmouth Limited**

## **Directors**

The names of the directors who held office during the year and up to the date of signing the financial statements, were as follows

K P Thompson

P H Child

A&P GH 2006 Limited

## **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.

## **Financial risk management**

The company's operations expose it to a variety of financial risks that include the effects of changes in debt market prices, credit risk, liquidity risk and interest rate risk. The company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the company by monitoring levels of debt finance and the related finance costs.

The company does not use derivative financial instruments to manage interest rate costs and as such, no hedge accounting is applied.

Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the company's finance department.

## **Price risk**

The company is exposed to commodity price risk as a result of its operations. However, given the size of the company's operations, the costs of managing exposure to commodity price risk exceed any potential benefits. The directors will revisit the appropriateness of this policy should the company's operations change in size or nature. The company has no exposure to equity securities price risk as it holds no equity investments. The group has exposure to foreign exchange risk as some contracts are invoiced in foreign currency. Where this is the case, forward contracts are taken out to mitigate the risk of fluctuating exchange rates.

## **Credit risk**

The company has implemented policies that require appropriate credit checks on potential customers before sales are made. Where debt finance is utilised, this is subject to pre-approval by the board of directors. The amount of exposure to any individual counterparty is subject to a limit, which is reassessed annually by the board.

## **Liquidity risk**

The company actively maintains a mixture of long-term and short-term finance that is designed to ensure the company has sufficient available funds for operations and planned expansions.

## **Interest rate cash flow risk**

The company has both interest bearing assets and interest bearing liabilities. Interest bearing assets include only cash balances. The directors will revisit the appropriateness of interest rate risk management policy should the company's operations change in size or nature.

# A&P Falmouth Limited

## 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 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 of the profit or loss of the company for that period.

In preparing those financial statements the directors are required to

- Select suitable accounting policies and then apply them consistently,
- Make judgements and estimates that are reasonable and prudent
- State whether applicable UK Accounting Standards have been followed subject to any material departures disclosed and explained in the financial statements
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business 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 to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## Statement of disclosure of information to auditors

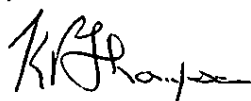
So far as each director is aware, there is no relevant audit information of which the company's auditors are unaware.

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.

## Independent auditors

The auditors, PricewaterhouseCoopers 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**

20 March 2008

# **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 2007 which comprise the profit and loss account, statement of total recognised gains and losses, the balance sheet, the statement of accounting policies 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 or 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 2007 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



**PricewaterhouseCoopers LLP**

Chartered Accountants and Registered Auditors

Newcastle upon Tyne

20 March 2008



## A&P Falmouth Limited

### Profit and loss account for the year ended 31 December 2007

	Note	2007 £	2006 £
<b>Turnover</b>	1	37,139,006	34,357,543
Cost of sales		(32,510,344)	(29,836,099)
Gross profit		4,628,662	4,521,444
Administrative expenses		(3,686,686)	(2,811,246)
<b>Operating profit</b>		1,041,976	1,710,198
Interest payable and similar charges	3	(76,901)	(91,589)
Finance income	20	211,000	202,000
<b>Profit on ordinary activities before taxation</b>	2	1,176,075	1,820,609
Tax on profit on ordinary activities	6	(495,358)	(345,558)
<b>Profit for the year</b>	15	680,717	1,475,051

All of the activities of the company are continuing

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**

### **Statement of total recognised gains and losses for the year ended 31 December 2007**

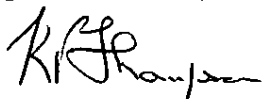
	Note	2007 £	2006 £
<b>Profit for the financial year</b>	15	<b>680,717</b>	1,475,051
Actuarial gain on pension scheme	15	3,731,000	867,000
Movement in deferred tax relating to the pension scheme	15	(1,044,680)	2,654,000
<b>Total recognised gains and losses during the year</b>		<b>3,367,037</b>	4,996,051

# A&P Falmouth Limited

## Balance sheet as at 31 December 2007

	Note	2007 £	2006 £
<b>Fixed assets</b>			
Tangible assets	7	5,933,061	5 850 617
<b>Current assets</b>			
Stocks	8	264,904	221 536
Debtors	9	3,552,916	3 951.903
Cash at bank and in hand		6,138,657	5 492 551
		9,956,477	9 665 990
<b>Creditors: amounts falling due within one year</b>	10	(8,489,759)	(8 481 806)
<b>Net current assets</b>		1,466,718	1 184 184
<b>Total assets less current liabilities</b>		7,399,779	7 034 801
<b>Creditors: amounts falling due after more than one year</b>	11	(586,818)	(697 052)
<b>Accruals and deferred income</b>	12	(50,000)	(50 000)
<b>Provisions for liabilities</b>	13	(1,615,919)	(1 771 564)
<b>Net assets excluding pension deficit</b>		5,147,042	4 516 185
<b>Pension deficit</b>	20	(3,456,820)	(6 193 000)
<b>Net assets/(liabilities)</b>		1,690,222	(1 676 815)
<b>Capital and reserves</b>			
Called up equity share capital	14	4,750,000	4 750 000
Profit and loss account	15	(3,059,778)	(6 426 815)
<b>Shareholders' funds/(deficit)</b>	16	1,690,222	(1 676 815)

The financial statements on pages 7 to 24 were approved by the board of directors on 20 March 2008 and were signed on its behalf by



K P Thompson  
Director

# A&P Falmouth Limited

## Statement of accounting policies

### Basis of accounting

These financial statements are prepared on the going concern basis under the historical cost convention, and in accordance with the Companies Act 1985 and applicable accounting standards in the United Kingdom

The principal accounting policies, which have been applied consistently throughout the year, are set out below

### 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.

### Provisions

Provisions are recognised when the company has a present obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

### Turnover

Turnover comprises the sales value of goods and services supplied in the normal course of business. Turnover also includes the values of contracts in progress based on the level of completion of the contracts. 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 is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is 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) 1996 from publishing a cash flow statement.

## **Transactions denominated in foreign currencies**

Transactions denominated in foreign currency are translated at the rate of exchange ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the end of the financial year. All foreign exchange differences are taken to the profit and loss account in the year in which they arise.

## **Dividends**

Dividends payable on ordinary shares are recognised as a liability in the period in which they are approved by the company's shareholders.

# **A&P Falmouth Limited**

## **Notes to the financial statements for the year ended 31 December 2007**

### **1 Geographical analysis of turnover by destination**

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

	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
United Kingdom	<b>34,171,486</b>	<b>30,797,475</b>
Rest of Europe	<b>2,805,520</b>	<b>3,142,849</b>
North America	<b>162,000</b>	<b>411,119</b>
Rest of World	<b>-</b>	<b>6,100</b>
	<b>37,139,006</b>	<b>34,357,543</b>

### **2 Profit on ordinary activities before taxation**

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

	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
Depreciation of tangible fixed assets		
- Owned assets	<b>453,354</b>	<b>462,056</b>
- Assets held under finance leases and hire purchase contracts	<b>66,025</b>	<b>68,933</b>
Property rental	<b>1,000,000</b>	<b>1,000,000</b>
Hire of plant and machinery – operating leases	<b>242,585</b>	<b>217,824</b>
Auditors' remuneration – audit fees	<b>16,400</b>	<b>16,400</b>
Fees paid to auditors for non-audit services	<b>6,368</b>	<b>6,368</b>
Gain on sale of tangible fixed assets	<b>-</b>	<b>(2,369)</b>

# A&P Falmouth Limited

## 3 Interest payable and similar charges

	2007	2006
	£	£
Hire purchase and finance lease interest	76,901	91,589

## 4 Employee information

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

By activity:	2007 Number	2006 Number
Direct employees	394	369
Indirect employees	32	32
	426	401

	2007 £	2006 £
Staff costs for the above persons		
Wages and salaries	11,357,545	10,261,222
Social security costs	937,267	843,118
Other pension costs	1,005,389	744,582
	13,300,201	11,848,922

# 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

	2007	2006
	£	£
Aggregate emoluments	128,994	110,560
Company pension contributions to money purchase scheme	6,350	5,632

Retirement benefits are accruing to one (2006 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 in the year

	2007	2006
	£	£
<b>Current tax:</b>		
UK corporation tax on profits of the year	108,885	-
Adjustments in respect of prior years	50,247	-
Total current tax	159,132	-
<b>Deferred tax:</b>		
Origination and reversal of timing differences	336,226	345,558
Total deferred tax	336,226	345,558
<b>Tax on profit on ordinary activities</b>	<b>495,358</b>	<b>345,558</b>



## A&P Falmouth Limited

### (b) Factors affecting tax charge for the year

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

	2007 £	2006 £
Profit on ordinary activities before tax	1,176,075	1,820,609
Profit on ordinary activities multiplied by standard rate in the UK 30% (2006 30%)	352,823	546,183
Effects of		
Expenses not deductible for tax purposes	6,929	11,822
Accelerated capital allowances and other timing differences	(238,866)	(558,005)
Adjustments in respect of prior years	50,247	-
Group relief claimed not paid	(12,001)	-
Current tax charge for the year	159,132	-

### (c) Factors affecting future tax charges

The standard rate of corporation tax in the UK changes to 28% with effect from 1 April 2008

#### Deferred tax

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

	2007 £	2006 £
<b>Provision for deferred tax</b>		
Accelerated capital allowances	431,791	452,459
Pension deficit	(1,344,280)	(2,654,200)
Other timing differences	(15,147)	(17,966)
Losses	-	(88,935)
	(927,636)	(2,308,642)

	2007 £
<b>Deferred tax asset relating to pension deficit</b>	
At 1 January 2007	2,654,200
Deferred tax charge in profit and loss account	(265,240)
Deferred tax charged to the statement of total recognised gains and losses	(1,044,680)
At 31 December 2007	1,344,280

## A&P Falmouth Limited

The deferred tax asset of £1,344,280 (2006 £2,654,200) has been deducted in arriving at the net pension deficit on the balance sheet

There are no deferred tax assets unprovided for in the accounts at the year end

### 7 Tangible assets

	Leasehold improvements	Plant and machinery	Total
	£	£	£
<b>Cost</b>			
At 1 January 2007	1,286,048	11,977,630	13,263,678
Additions	221,694	380,129	601,823
Disposals	-	(11,778)	(11,778)
<b>At 31 December 2007</b>	<b>1,507,742</b>	<b>12,345,981</b>	<b>13,853,723</b>
<b>Accumulated depreciation</b>			
At 1 January 2007	412,957	7,000,104	7,413,061
Charge for the year	53,022	466,357	519,379
Disposals	-	(11,778)	(11,778)
<b>At 31 December 2007</b>	<b>465,979</b>	<b>7,454,683</b>	<b>7,920,662</b>
<b>Net book amount</b>			
<b>At 31 December 2007</b>	<b>1,041,763</b>	<b>4,891,298</b>	<b>5,933,061</b>
At 31 December 2006	873,091	4,977,526	5,850,617

Included in plant and machinery at 31 December 2007 are leased assets with a net book value of £1,026,444 (2006 £1,048,793)

### 8 Stocks

	2007	2006
	£	£
Raw materials and consumables	264,904	221,536

# A&P Falmouth Limited

## 9 Debtors

	2007	2006
	£	£
Trade debtors	355,077	1,268,140
Amounts recoverable on contracts	2,833,813	2,487,842
Amounts owed by group undertakings	848	118,627
Other debtors	278,529	20,340
Prepayments and accrued income	84,649	56,954
	<b>3,552,916</b>	<b>3,951,903</b>

Amounts owed by group undertakings are unsecured, interest free and repayable on demand

## 10 Creditors: amounts falling due within one year

	2007	2006
	£	£
Trade creditors	5,086,648	6,173,218
Amounts owed to group undertakings	1,650,303	957,871
Amounts owed to related parties	201,214	100,877
Obligations under finance leases	136,589	115,713
Corporation tax	108,885	-
Group relief payable	50,247	-
Taxation and social security	266,274	327,265
Other creditors	167,440	59,614
Accruals and deferred income	822,159	747,248
	<b>8,489,759</b>	<b>8,481,806</b>

Amounts due to group undertakings are unsecured, interest free and repayable on demand

# A&P Falmouth Limited

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

	2007	2006
	£	£
Obligations under finance leases	586,818	697,052
The net finance lease obligations to which the company is committed are		
In one year or less (see note 10)	136,589	115,713
Between one and two years	152,219	130,925
Between two and five years	434,599	455,249
Greater than five years	-	110,878
	723,407	812,765

## 12 Accruals and deferred income

Government grants	Total
	£
As at 1 January 2007 and 31 December 2007	50,000

## 13 Provision for liabilities

	Deferred tax	Other provision	Total
	£	£	£
At 1 January 2007	345,558	1,426,006	1,771,564
Charge for the year	71,086	-	71,086
Utilised during the year	-	(226,731)	(226,731)
At 31 December 2007	416,644	1,199,275	1,615,919

### Employee claims

The company, in conjunction with its insurers, has obligations in respect of certain industrial illness claims

The directors believe that litigation and related costs arising from such claims will continue for the foreseeable future. The total provision includes an element based on professional advice using experience and potential costs, which on an undiscounted basis range from £0.7m to £1.2m. In determining the provision, the high estimate of the range of future liabilities has been discounted using a discount rate equal to the rate of inflation for such claims. The provision is expected to be utilised over the next 18 years.

# A&P Falmouth Limited

## Deferred tax provision

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

## 14 Called up equity share capital

	2007	2006
	£	£
<b>Authorised, allotted, called up and fully paid</b>		
4,750,000 (2006 4,750,000) ordinary shares of £1 each	4,750,000	4,750,000

## 15 Profit and loss account

	2007
	£
Balance as at 1 January 2007	(6,426,815)
Profit for the year	680,717
Actuarial gain relating to the pension scheme (note 20)	3,731,000
Movement of deferred tax relating to the pension scheme	(1,044,680)
<b>Balance at 31 December 2007</b>	<b>(3,059,778)</b>
Pension scheme deficit	(3,457,000)
<b>Profit and loss account excluding pension deficit</b>	<b>397,222</b>

## 16 Reconciliation of movements in shareholders' funds/(deficit)

	2007	2006
	£	£
Shareholders' deficit at 1 January	(1,676,815)	(6,672,866)
Retained profit for the year	680,717	1,475,051
Actuarial gain relating to the pension scheme	3,731,000	867,000
Movement in deferred tax relating to the pension scheme	(1,044,680)	2,654,000
<b>Shareholders' funds/(deficit) at 31 December</b>	<b>1,690,222</b>	<b>(1,676,815)</b>

# A&P Falmouth Limited

## 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 2007 amounted to £nil (2006 £nil)

## 18 Capital commitments

	2007	2006
	£	£
Contracts placed for future capital expenditure not provided in the financial statements	-	4,500

## 19 Financial commitments

At 31 December 2007 the company had annual commitments under non-cancellable operating leases expiring as follows

	Land and buildings		Plant and machinery	
	2007	2006	2007	2006
	£	£	£	£
Within one year	-	-	11,757	14,464
Within two to five years	-	-	225,902	174,155
After five years	1,000,000	1,000,000	-	-
	1,000,000	1,000,000	237,659	188,619

## 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 £59,588 (2006 £25,883)

### (b) Defined benefit arrangements

The company also makes contributions for certain employees to the A&P Pension Scheme. The company has taken the exemption available under FRS 17 to record the contributions payable in the year of £194,076 (2006 £25,360) as a charge to the profit and loss account, as the assets and liabilities of this scheme are not allocable amongst the subsidiaries

## A&P Falmouth Limited

The actuarial valuation in accordance with FRS 17 of the A&P Pension Scheme, the A&P Ship Repairers Pension Scheme and the group share of the Shipbuilding Industries Pension Scheme was carried out at 31 December 2007 by qualified independent actuaries and showed a decrease in the deficit from £22,235,000 to £10,661,000 gross of deferred tax assets

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

The most recent actuarial valuation of the company share of the Shipbuilding Industries Pension Scheme was at 1 April 2004. The valuation of the scheme used the projected unit method and was carried out by Aon, professional qualified actuaries. The principal assumptions for the plan made by the actuary were

	2007	2006	2005
Rate of increase in salaries	5.80%	3.10%	4.30%
Rate of increase in pension payments	2.5%	3.10%	2.80%
Discount rate	5.80%	5.15%	4.8%
Inflation assumption	3.50%	3.10%	2.8%

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

	Value at 31 December 2007 £'000	Long term expected rate of return at 31 December 2007 £'000	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
Equities	22,975	7.70%	24,070	8.00%	22,283	8.0%
Corporate bonds	1,786	5.80%	-	-	-	-
Fixed interest gilts	2,992	4.50%	3,764	4.60%	2,701	4.1%
Cash	538	4.80%	-	-	-	-
Property	381	5.6%	-	-	-	-
Insured pensioners	124	5.80%	197	5.15%	197	4.8%
Total market value of assets	28,796		28,031		25,181	
Present value of liabilities	(33,597)		(36,878)		(35,051)	
Net deficit in scheme	(4,801)		(8,847)		(9,870)	
Deferred tax asset	1,344		2,654		-	
Net pension liability	(3,457)		(6,193)		(9,870)	

## A&P Falmouth Limited

### Analysis of the amount charged to operating profit

	2007	2006
	£'000	£'000
Current service cost	690	680

### Analysis of the net return on pension scheme

	2007	2006
	£'000	£'000
Expected return on pension scheme assets	2,103	1,882
Interest on pension scheme liabilities	(1,892)	(1,680)
Net return	211	202

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

	2007	2006
	£'000	£'000
Actual return less expected return on pension scheme assets	(1,176)	1,124
Experience gains and losses arising on scheme liabilities	857	525
Changes in assumptions underlying the present value of the scheme liabilities	4,050	(782)
Actuarial gain recognised in the statement of total recognised gains and losses	3,731	867

### Movement in deficit during the year

	2007	2006
	£'000	£'000
Deficit at 1 January	(8,847)	(9,870)
Movement in the year		
Current service cost	(690)	(680)
Contributions	794	634
Net return	211	202
Actuarial gain	3,731	867
Deficit at 31 December	(4,801)	(8,847)



# A&P Falmouth Limited

Details of experience gains and losses for the year to 31 December 2007

	2007 £'000	2006 £'000	2005 £'000	2004 £'000	2003 £'000
Difference between the expected and actual return on scheme assets					
Amount	2,476	1,124	2,476	824	1,408
Percentage of scheme assets	9.8%	4%	10%	4%	8%
Experience gains and losses on scheme liabilities					
Amount	(440)	525	(440)	(1,160)	(66)
Percentage of the present value of scheme liabilities	(1.3%)	1%	(1%)	(4%)	(0%)
Total amount recognised in statement of total recognised gains and losses					
Amount	(1,173)	867	(1,173)	(1,788)	129
Percentage of the present value of scheme liabilities	(3.5%)	2%	3%	(6%)	1%

## 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

	2007		2006	
	Value of transactions £	Receivable/ (payable) at the year end £	Value of transactions £	Receivable/ (payable) at the year end £
<b>Transactions with A&amp;PA Property Limited</b>				
Rental payments payable	1,000,000	(87,257)	1,000,000	(87,257)
<b>Transactions with European Active Projects Limited</b>				
Services and supplies to EAPL	13,300	-	-	-
Services and supplies from EAPL	1,580,739	(113,957)	556,275	(13,620)

## **A&P Falmouth Limited**

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.

## **22 Parent company and ultimate controlling party**

The immediate parent undertaking is A&P Ship Repairers Limited. The directors regard A&P Group 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:

A&P Group Limited  
c/o A&P Tyne Limited  
Wagonway Road  
Hebburn  
Tyne & Wear  
NE31 1SP

## **23 Post balance sheet events**

A number of changes to the UK Corporation Tax system were announced as part of the March 2007 budget statement. Certain of these changes were substantively enacted in the 2007 Finance Act on 26 June 2007. The impact of these changes has been recognised in these financial statements.

Certain other changes are expected to be enacted in the 2008 Finance Act. The impact of these changes will be recognised in the period in which the 2008 Finance Act becomes substantively enacted, which is expected to be in the year to 31 December 2008.