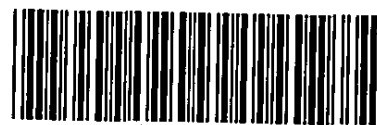


**A&P Falmouth Limited**

**Annual report and financial statements  
for the year ended 31 December 2008**

**Registered Number 103287**

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# A&P Falmouth Limited

## Annual report and financial statements

for the year ended 31 December 2008

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# **A&P Falmouth Limited**

## **Directors' report for the year ended 31 December 2008**

The directors present their annual report and the financial statements of the company for the year ended 31 December 2008.

### **Principal activities 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 6.

### **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 2009. The company however, has identified several projects for the remainder of 2009 and 2010 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 company 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 company. The company 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 key performance indicators 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 businesses 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 (2007: £Nil).

### **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

# **A&P Falmouth 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 price risk, 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. The amount of exposure to a counterparty is subject to a case by case assessment by the board. For large projects, the company negotiates payment profiles which are at worst cash neutral.

## **Liquidity risk**

The company actively maintains a mixture of medium-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 is part of a group banking facility which has net positive balances, and these are managed at group level. The company's exposure to interest bearing liabilities is limited to finance leases, and as such is largely protected from movements in interest rates.

## **Employee relations and involvement**

The company is firmly committed to the principles of employee involvement. A full range of briefing and consultation arrangements have been developed in all parts of the company and these are subject to continuous review and improvement. Full and fair consideration has been given to applications for employment made by disabled persons and appropriate training, career development and promotion arrangements exist for all employees.

# **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**

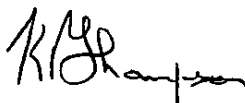
So far as each director is aware, there is no relevant audit information of which the company's auditors are unaware.

Each director has taken all the steps 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.

On behalf of the board



K P Thompson  
Director

29 April 2009

# **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 2008 which comprise the profit and loss account, the 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 Accounting 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 save 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 information given in 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 2008 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

29 April 2009

# A&P Falmouth Limited

## Profit and loss account for the year ended 31 December 2008

	Note	2008 £	2007 £
<b>Turnover</b>	1	44,544,001	37,139,006
Cost of sales		(39,469,129)	(32,510,344)
Gross profit		5,074,872	4,628,662
Administrative expenses		(3,741,666)	(3,586,686)
<b>Operating profit</b>		1,333,206	1,041,976
Interest payable and similar charges	3	(61,904)	(76,901)
Other finance income	18	116,000	211,000
<b>Profit on ordinary activities before taxation</b>	2	1,387,302	1,176,075
Tax on profit on ordinary activities	6	66,020	(495,358)
<b>Profit for the financial year</b>	14	1,453,322	680,717

All of the activities of the company are continuing.

There is no difference between the profit on ordinary activities before taxation and the profit for the financial 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 2008**

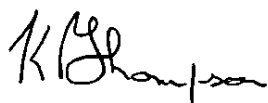
	Note	2008 £	2007 £
<b>Profit for the financial year</b>	14	<b>1,453,322</b>	<b>680,717</b>
Actuarial (loss)/gain on pension scheme	18	(799,000)	3,731,000
Movement in deferred tax relating to the pension scheme	6	223,720	(1,044,680)
<b>Total recognised gains and losses during the year</b>		<b>878,042</b>	<b>3,367,037</b>

# A&P Falmouth Limited

## Balance sheet as at 31 December 2008

	Note	2008 £	2007 £
<b>Fixed assets</b>			
Tangible assets	7	5,929,103	5,933,061
<b>Current assets</b>			
Stocks	8	258,139	264,904
Debtors	9	5,586,915	3,552,916
Cash at bank and in hand		7,354,626	6,138,657
		13,199,680	9,956,477
<b>Creditors: amounts falling due within one year</b>	10	(11,073,561)	(8,489,759)
<b>Net current assets</b>		2,126,119	1,466,718
<b>Total assets less current liabilities</b>		8,055,222	7,399,779
<b>Creditors: amounts falling due after more than one year</b>	12	(484,599)	(636,818)
<b>Provisions for liabilities</b>	12	(1,216,599)	(1,615,919)
<b>Net assets excluding net pension deficit</b>		6,354,024	5,147,042
Net pension deficit	18	(3,785,760)	(3,456,820)
<b>Net assets including net pension deficit</b>		2,568,264	1,690,222
<b>Capital and reserves</b>			
Called up share capital	13	4,750,000	4,750,000
Profit and loss account	14	(2,181,736)	(3,059,778)
<b>Total shareholders' funds</b>	15	2,568,264	1,690,222

The financial statements on pages 6 to 24 were approved by the board of directors on 29 April 2009 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 other than the adoption of the amendment to FRS 17, 'Retirement benefits', have been applied consistently throughout the year, are set out below.

### **Tangible fixed assets**

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation. 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% - 33½%

### **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**

The costs on long-term contracts not yet taken to the profit and loss account less related foreseeable losses and payments on account are shown in stocks as long-term 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.

### **Government grants**

Grants that relate to specific capital expenditure are treated as deferred income which is then credited to the profit and loss account over the related asset's useful life.

# **A&P Falmouth Limited**

## **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.

## **Deferred taxation**

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred 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 for the benefit of the majority of its employees, the assets of which are held separately from those of the company in independently administered funds. 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 other finance income/costs and the effect of the unwinding of the discounted value of the schemes liabilities is treated as part of other 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 has adopted the amendment to FRS 17, 'Retirement benefits'. As a result of this quoted securities held as plan assets in the defined benefit pension scheme are now valued at bid price rather than mid-market value. This change has no material impact on the value of plan assets at 31 December 2007 which have not therefore been restated.

The company also participates in the A&P pension scheme, a group defined benefit pension scheme. The company has taken the exemption available under FRS 17 to recognise a charge in the profit and loss account equal to its contribution to this scheme in the year on the basis that the assets and liabilities of the schemes cannot be allocated amongst the subsidiaries.

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.

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## **A&P Falmouth Limited**

### **Cash flow statement**

The company is a wholly owned subsidiary and is exempt under the terms of Financial Reporting Standard No 1 'Cash flow statements' (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 or at agreed contractual rate. 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.

# **A&P Falmouth Limited**

## **Notes to the financial statements for the year ended 31 December 2008**

### **1 Turnover**

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:

	2008	2007
	£	£
United Kingdom	35,891,143	34,171,486
Rest of Europe	8,182,357	2,805,520
North America	375,501	162,000
Rest of World	95,000	-
	44,544,001	37,139,006

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

Profit on ordinary activities before taxation is stated after charging:

	2008	2007
	£	£
Depreciation of tangible fixed assets:		
- Owned assets	464,717	453,354
- Assets held under finance leases and hire purchase contracts	67,118	66,025
Property rental – land and buildings	1,420,617	1,000,000
Hire of plant and machinery – operating leases	259,370	242,585
Auditors' remuneration:		
- Audit fees	16,400	16,400
- Other services - taxation	6,372	6,368

# A&P Falmouth Limited

## 3 Interest payable and similar charges

	2008	2007
	£	£
Hire purchase and finance lease interest	61,904	76,901

## 4 Employee information

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

By activity:	2008 Number	2007 Number
Production employees	365	394
Administrative employees	34	32
	399	426

	2008 £	2007 £
Staff costs for the above persons:		
Wages and salaries	11,369,204	11,357,545
Social security costs	942,132	937,267
Other pension costs (note 18)	942,510	1,005,389
	13,253,846	13,300,201

# 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:

	2008	2007
	£	£
Aggregate emoluments	135,351	128,994
Company pension contributions to money purchase scheme	29,385	6,350

One director accrued retirement benefits under a group defined benefit scheme until 30 April 2008 when the scheme was closed.

Company pension contributions are made to a company money purchase scheme for one director (2007: one).

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 (credit)/charge in the year

	2008	2007
	£	£
<b>Current tax:</b>		
UK corporation tax on profits of the year	-	108,885
Adjustments in respect of prior years	(108,885)	50,247
Total current tax	(108,885)	159,132
<b>Deferred tax:</b>		
Origination and reversal of timing differences	42,865	336,226
Total deferred tax	42,865	336,226
<b>Tax on profit on ordinary activities</b>	<b>(66,020)</b>	<b>495,358</b>



## A&P Falmouth Limited

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

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The differences are explained below:

	2008 £	2007 £
<b>Profit on ordinary activities before tax</b>	<b>1,387,302</b>	<b>1,176,075</b>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK 28.5% (2007: 30%)	395,381	352,823
Effects of:		
Accelerated capital allowances and other timing differences	(156,950)	(231,937)
Adjustments in respect of prior years	(108,885)	50,247
Group relief claimed	(245,317)	(12,001)
Movements in respect of assets becoming non qualifying	(76,863)	-
Movement in relation to industrial buildings allowances	83,749	-
<b>Current tax (credit)/charge for the year</b>	<b>(108,885)</b>	<b>159,132</b>

### (c) Factors affecting future tax charges

The standard rate of corporation tax in the UK changed from 30% to 28% with effect from 1 April 2008. Accordingly, the company's profits for this accounting period are taxed at an effective rate of 28.5% and will be taxed at 28% in the future.

#### Deferred tax

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

	2008 £	2007 £
<b>Provision for deferred tax (excluding pension deficit) (note 12)</b>		
Accelerated capital allowances	379,644	431,791
Other timing differences	(15,895)	(15,147)
	<b>363,749</b>	<b>416,644</b>

	2008 £
<b>Deferred tax asset relating to pension deficit</b>	
At 1 January	1,344,280
Deferred tax charge in profit and loss account	(95,760)
Deferred tax credited to the statement of total recognised gains and losses	223,720
<b>At 31 December</b>	<b>1,472,240</b>

The deferred tax asset of £1,472,240 (2007: £1,344,280) 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.

# A&P Falmouth Limited

## 7 Tangible assets

	Leasehold improvements	Plant and machinery	Total
	£	£	£
<b>Cost</b>			
At 1 January 2008	1,507,742	12,345,981	13,853,723
Additions	56,972	473,922	530,894
Disposals	(8,354)	(8,739)	(17,093)
<b>At 31 December 2008</b>	<b>1,556,360</b>	<b>12,811,164</b>	<b>14,367,524</b>
<b>Accumulated depreciation</b>			
At 1 January 2008	465,979	7,454,683	7,920,662
Charge for the year	58,568	473,267	531,835
Disposals	(5,587)	(8,489)	(14,076)
<b>At 31 December 2008</b>	<b>518,960</b>	<b>7,919,461</b>	<b>8,438,421</b>
<b>Net book amount</b>			
<b>At 31 December 2008</b>	<b>1,037,400</b>	<b>4,891,703</b>	<b>5,929,103</b>
At 31 December 2007	1,041,763	4,891,298	5,933,061

Plant and machinery at 31 December 2008 included leased assets with a net book value of £959,326 (2007: £1,026,444).

## 8 Stocks

	2008	2007
	£	£
Raw materials and consumables	258,139	264,904

# A&P Falmouth Limited

## 9 Debtors

	2008	2007
	£	£
Trade debtors	1,959,453	355,077
Amounts recoverable on contracts	3,038,741	2,833,813
Amounts owed by group undertakings	145,438	848
Other debtors	306,133	278,529
Prepayments	137,150	84,649
	<b>5,586,915</b>	<b>3,552,916</b>

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

## 10 Creditors: amounts falling due within one year

	2008	2007
	£	£
Trade creditors	7,451,799	5,086,648
Amounts owed to group undertakings	2,043,549	1,650,303
Amounts owed to related parties	144,646	201,214
Obligations under finance leases	150,180	136,589
Corporation tax	-	108,885
Group relief payable	-	50,247
Other taxation and social security	324,267	266,274
Other creditors	-	167,440
Accruals	959,120	822,159
	<b>11,073,561</b>	<b>8,489,759</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

	2008	2007
	£	£
Government grants	50,000	50,000
Obligations under finance leases	434,599	586,818
	<b>484,599</b>	<b>636,818</b>

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

In one year or less (see note 10)	150,180	136,589
Between one and two years	160,869	152,219
Between two and five years	273,730	434,599
	<b>584,779</b>	<b>723,407</b>

## 12 Provision for liabilities

	Deferred tax	Employee claims provision	Total
	£	£	£
At 1 January 2008	416,644	1,199,275	1,615,919
Charge for the year	(52,895)	-	(52,895)
Utilised during the year	-	(346,425)	(346,425)
<b>At 31 December 2008</b>	<b>363,749</b>	<b>852,850</b>	<b>1,216,599</b>

### 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 17 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

### 13 Called up share capital

	2008	2007
	£	£
<b>Authorised, allotted and fully paid</b>		
4,750,000 (2007: 4,750,000) ordinary shares of £1 each	4,750,000	4,750,000

### 14 Profit and loss account

	£
Balance as at 1 January 2008	(3,059,778)
Profit for the financial year	1,453,322
Actuarial gain relating to the pension scheme (note 18)	(799,000)
Movement of deferred tax relating to the pension scheme	223,720
<b>Balance at 31 December 2008</b>	<b>(2,181,736)</b>

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

	2008	2007
	£	£
Profit for the financial year	1,453,322	680,717
Actuarial (loss)/gain relating to the pension scheme (note 18)	(799,000)	3,731,000
Movement in deferred tax relating to the pension scheme	223,720	(1,044,680)
Net addition to shareholders' funds	878,042	3,367,037
Opening shareholders' funds/(deficit)	1,690,222	(1,676,815)
<b>Closing shareholders' funds</b>	<b>2,568,264</b>	<b>1,690,222</b>

### 16 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 2008 amounted to £Nil (2007: £Nil).

# A&P Falmouth Limited

## 17 Financial commitments

At 31 December 2008 the company had annual commitments under non-cancellable operating leases expiring as follows:

	Land and buildings		Plant and machinery	
	2008	2007	2008	2007
	£	£	£	£
Within one year	-	-	11,244	11,757
Within two to five years	-	-	214,467	225,902
After five years	1,138,200	1,000,000	-	-
	<b>1,138,200</b>	<b>1,000,000</b>	<b>225,707</b>	<b>237,659</b>

## 18 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 £186,240 (2007: £59,588).

### (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 £250,270 (2007: £194,076) as a charge to the profit and loss account, as the assets and liabilities of this scheme are not allocable amongst the subsidiaries.

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.

Assumptions as at:	2008	2007
Price inflation	3.00%	3.50%
Pension increase rate		
- Pre July 2006 LPI increases	3.00%	3.50%
- Post July 2006 LPI increases (capped at 2.5% p.a.)	2.50%	2.50%
Salary increase rate	3.00%	3.50%
Return on assets	6.43%	7.16%
Discount rate	6.40%	5.80%

## A&P Falmouth Limited

The amounts recognised in the balance sheet are as follows:

	Value at 31 December 2008 £'000	Long term expected rate of return at 31 December 2008 %	Value at 31 December 2007 £'000	Long term expected rate of return at 31 December 2007 %
Equities	18,058	7.1%	22,975	7.7%
Corporate bonds	1,572	4.7%	1,786	5.8%
Bonds	2,709	3.9%	2,992	4.5%
Property	224	4.9%	381	5.6%
Cash	474	2.0%	538	4.8%
Insured liabilities	94	6.4%	124	5.8%
Total market value of assets	23,131		28,796	
Present value of liabilities	(28,389)		(33,597)	
Deficit in scheme	(5,258)		(4,801)	
Deferred tax asset	1,472		1,344	
Net pension deficit	(3,786)		(3,457)	

The mortality assumptions used were as follows:

	2008 Years	2007 Years
Longevity at age 65 for current pensioners:		
- Men	20.3	20.2
- Women	23.0	23.0
Longevity at age 65 for future pensioners		
- Men	21.9	21.8
- Women	24.6	24.5

## A&P Falmouth Limited

Amounts recognised in profit and loss account are as follows:

	2008 £'000	2007 £'000
Included within operating profit:		
Current service cost	506	690
Included within other finance income:		
Expected return on pension scheme assets	2,046	2,103
Interest on pension scheme liabilities	(1,930)	(1,892)
Total	622	901

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

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

	2008 £'000	2007 £'000
Actual return less expected return on pension scheme assets	(7,283)	(1,176)
Experience gains and losses arising on scheme liabilities	6,484	857
Changes in assumptions underlying the present value of the scheme liabilities	-	4,050
Actuarial (loss)/gain recognised in the statement of total recognised gains and losses	(799)	3,731

The actual loss on assets in the year was £5,237,000 (2007: return of £927,000).

Reconciliation of fair value of plan assets

	2008 £'000	2007 £'000
Opening fair value of scheme assets	28,796	28,032
Expected return on assets	2,046	2,103
Contributions by scheme participants	362	320
Contributions by the employer	732	794
Actuarial losses	(7,283)	(1,176)
Benefits paid	(1,522)	(1,277)
Closing fair value of scheme assets	23,131	28,796



## A&P Falmouth Limited

### Reconciliation of defined benefit obligation:

	2008	2007
	£'000	£'000
Opening defined benefit obligation	33,597	36,879
Current service cost	506	690
Interest cost	1,930	1,892
Contributions by plan participants	362	320
Actuarial gains	(6,484)	(4,907)
Benefits paid	(1,522)	(1,277)
<b>Closing defined benefit obligation</b>	<b>28,389</b>	<b>33,597</b>

The cumulative amount of actuarial gains recognised in the statement of recognised gains and losses is £838,000 (2007: £1,637,000).

The group to which the company belongs is required to have and has an agreed deficit recovery plan in respect of all its defined benefit schemes. The group has complied with and will continue to adhere to the plan in order to satisfy the respective trustees of the pensions schemes.

### Details of experience gains and losses for the year to 31 December 2008

	2008	2007	2006	2005
	£'000	£'000	£'000	£'000
Fair value of plan assets	23,131	28,796	28,032	25,180
Present value of defined benefit obligation	(28,389)	(33,597)	(36,879)	(35,050)
Deficit	(5,258)	(4,801)	(8,847)	(9,870)
Experience adjustment on scheme assets				
Amount	(7,283)	(1,176)	1,124	2,476
Experience adjustment on scheme liabilities				
Amount	6,484	857	(525)	(440)

## A&P Falmouth Limited

### 19 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:

	2008		2007	
	Value of transactions £	Payable at the year end £	Value of transactions £	Payable at the year end £
<b>Transactions with A&amp;PA Property Limited:</b>				
Rental payments payable	1,420,617	(144,646)	1,000,000	(87,257)

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 during the period.

### 20 Parent company and ultimate controlling party

The immediate parent undertaking and controlling party 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. At the balance sheet date, the directors of A&P Group Limited collectively owned 98% of the equity share capital of that company and therefore, acting in concert, were the ultimate controlling party.

On 20 March 2009, P E Bailey resigned as a director of A&P Group Limited and was replaced by T Allard, reducing the directors' collective ownership to 48%. 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