

Company Registration No. 00103287

A&P Falmouth Limited

Annual Report and Financial Statements

for the year ended 31 March 2016

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A&P Falmouth Limited

Annual report and financial statements for the year ended 31 March 2016

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A&P Falmouth Limited

Annual report and financial statements for the year ended 31 March 2016

Officers and professional advisers

Directors

Atlantic & Peninsula Marine Services Limited
I Carey

Registered Office

Wagonway Road
Hebburn
Tyne & Wear
NE31 1SP
United Kingdom

Bankers

Santander UK Plc
298 Deansgate
Manchester
M3 4HH
United Kingdom

Solicitors

Hill Dickinson LLP
No 1 St Paul's Square
Liverpool
L3 9SJ
United Kingdom

Auditor

Deloitte LLP
Chartered Accountants and Statutory Auditor
Newcastle upon Tyne
United Kingdom

A&P Falmouth Limited

Strategic report

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 9.

Key performance indicators

The company measures KPIs 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; and
- customers and markets.

Turnover in the year amounted to £40,400,517 (2015: £35,334,335), resulting in a profit before tax of £3,496,773 (2015: £4,835,296). The net asset position at the year end was £5,737,132 (2015: £4,216,698). The directors consider the results in the year to be satisfactory despite the ongoing difficult trading conditions within commercial sector.

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

Going Concern

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

Further details regarding the adoption of the going concern basis can be found in note 3 of the financial statements.

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.

Financial risk management

The company's operations expose it to a variety of financial risks that include the effects of changes in price risk, foreign exchange risk, credit risk, liquidity risk and interest rate cash flow 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.

A&P Falmouth Limited

Strategic report (continued)

Financial risk management (continued)

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

Foreign exchange risk

The company has exposure to foreign exchange risk as some contracts are invoiced in foreign currency. Where this is the case, forward contracts may be 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 is part of a group which has sufficient funds and agreed banking facilities 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.

Events after the balance sheet date

No relevant events after the balance sheet date were noted.

On behalf of the board



I Carey
Director
10 August 2016

A&P Falmouth Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 March 2016.

Future outlook

The company has reported extremely pleasing results for the year with an increase in turnover in comparison to the previous year despite the ongoing difficult trading conditions within the commercial sector. The results for the year benefited from the completion of RFA Mounts Bay refit which had commenced in the previous year, and was completed on budget and on time. The resumption of RFA refits in 2016 together with the recent award of the RFA UKCATTS contract through to 2018 will allow the company to plan with confidence for the future. The company is also determined to take advantage of its location which is well placed to secure work as part of the supply chain for and to provide support services to the emerging renewable energy sector and also into the oil and gas industry. The board are paying close attention to the initiatives in these areas.

Dividends

The directors do not recommend the payment of a dividend (2015: £nil).

Directors

The directors, who served throughout the year, were as follows:

Atlantic & Peninsula Marine Services Limited

I Carey (appointed 28 July 2015)

P H Child (resigned 19 November 2015)

Directors' indemnity

The company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

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 company 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 company. This is achieved through formal and informal meetings and regular updates on company notice boards. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

A&P Falmouth Limited

Directors' report (continued)

Going concern and Financial risk management

Details of going concern and financial risk management objectives and policies can be found in the Strategic Report on pages 2 to 3 and form part of this report by cross-reference.

Approval of reduced disclosures

The Company, as a qualifying entity, has taken advantage of the disclosure exemptions in FRS 102 paragraph 1.12. The Company's shareholder has been notified in writing about the intention to take advantage of the disclosure exemptions and no objections have been received. The Company has taken advantage of the available exemptions to not disclose:

- a) A reconciliation of the number of shares outstanding at the beginning and end of the year;
- b) A statement of cash flows;
- c) Certain financial instrument disclosures on the basis that equivalent disclosures are included in the consolidated financial statements of the group in which the Company is consolidated; and
- d) Key management personnel compensation in total.

The Company also intend to take advantage of these exemptions in the financial statements to be issued in the following year.

Statement of disclosure of information to auditor

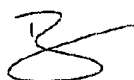
Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP has expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

On behalf of the board



I Carey
Director
10 August 2016

A&P Falmouth Limited

Directors' responsibilities statement

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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland." Under company law the directors must not approve the financial statements unless they are satisfied that they 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 year. In preparing these 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions 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 2006. 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's 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 March 2016 which comprise the profit and loss account, statement of other comprehensive income, the balance sheet, the statement of changes in equity and the related notes 1 to 19. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland."

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non financial information in the annual report to identify material inconsistencies with the audited financial statements, and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on matters prescribed in the Companies Act 2006

In our opinion the information in the strategic report and directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report to the members of A&P Falmouth Limited (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Anthony Farnworth BA ACA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Newcastle upon Tyne,
United Kingdom
10 August 2016

A&P Falmouth Limited

Profit and loss account for the year ended 31 March 2016

	Notes	2016 £	2015 £
Turnover	5	40,400,517	35,334,335
Cost of sales		(34,087,996)	(28,963,898)
Gross profit		6,312,521	6,370,437
Administrative expenses		(2,422,520)	(1,021,096)
Operating profit	6	3,890,001	5,349,341
Finance costs (net)	7	(393,228)	(514,045)
Profit on ordinary activities before taxation		3,496,773	4,835,296
Tax on profit on ordinary activities	9	(269,607)	(785,588)
Profit for the financial year		<u>3,227,166</u>	<u>4,049,708</u>

All of the activities of the company are continuing.

A&P Falmouth Limited

Statement of total comprehensive income for the year ended 31 March 2016

	Notes	2016 £	2015 £
Profit for the financial year		3,227,166	4,049,708
<i>Other comprehensive income:</i>			
Remeasurement of net defined benefit liability	14	(1,577,932)	(3,997,000)
Total tax on components of other comprehensive income	9(d)	(128,800)	435,400
Other comprehensive loss for the year, net of tax		<u>(1,706,732)</u>	<u>(3,561,600)</u>
Total comprehensive income for the year		<u><u>1,520,434</u></u>	<u><u>488,108</u></u>

A&P Falmouth Limited

Balance sheet as at 31 March 2016

	Notes	2016 £	2015 £
Fixed assets			
Tangible assets	10	3,523,328	3,974,795
Current assets			
Stocks	11	191,569	187,494
Debtors	12	15,867,811	13,298,883
Cash at bank and in hand		10,014,658	10,249,078
		26,074,038	23,735,435
Creditors: amounts falling due within one year	13	(6,734,127)	(7,022,718)
Net current assets		19,339,911	16,712,737
Total assets less current liabilities		22,863,239	20,687,532
Post-retirement benefits	14	(16,020,000)	(15,064,572)
Provisions for liabilities and charges	15	(1,106,107)	(1,406,262)
Net assets		5,737,132	4,216,698
Capital and reserves			
Called-up share capital	16	4,750,000	4,750,000
Profit and loss account		987,132	(533,302)
Total shareholders' funds		5,737,132	4,216,698

The financial statements of A&P Falmouth Limited, registered number 00103287, were approved and authorised for issue by the Board of Directors on 10 August 2016.

Signed on behalf of the Board of Directors



I Carey
Director

A&P Falmouth Limited

Statement of changes in equity as at 31 March 2016

	Notes	Called-up share capital £	Profit and loss account £	Total £
Balance as at 1 April 2014 as previously stated		4,750,000	(941,410)	3,808,590
Changes on transition to FRS 102	19	-	(80,000)	(80,000)
Balance as at 1 April 2014 as restated		4,750,000	(1,021,410)	3,728,590
Profit for the financial year		-	4,049,708	4,049,708
Other comprehensive income for the year		-	(3,561,600)	(3,561,600)
Total comprehensive income for the year		-	488,108	488,108
Balance as at 31 March 2015		4,750,000	(533,302)	4,216,698
Profit for the financial year		-	3,227,166	3,227,166
Other comprehensive income for the year		-	(1,706,732)	(1,706,732)
Total comprehensive income for the year		-	1,520,434	1,520,434
Balance as at 31 March 2016		4,750,000	987,132	5,737,132

A&P Falmouth Limited

Notes to the financial statements for the year ended 31 March 2016

1. General information

The Company is a private limited company limited by shares and is incorporated in England. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the strategic report on pages 2 to 3.

The functional currency of A&P Falmouth Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates.

2. Statement of compliance

The financial statements of A&P Falmouth Limited have been prepared in accordance with United Kingdom Accounting Standards, including Financial Reporting Standard FRS 102, "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" ("FRS 102"), and the Companies Act 2006.

3. Summary of significant accounting policies

A summary of the principal accounting policies, which have been applied consistently throughout the current and prior financial years, is set out below. Details of the transition to FRS 102 are disclosed in note 19.

Basis of preparation

The financial statements are prepared on a going concern basis, under the historical cost convention.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

Going concern

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the directors' report. The directors' report also describes that the company is part of a group which has sufficient funds and agreed banking facilities to continue operations for the foreseeable future.

The company and the group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company and the group should be able to operate within the level of its current facility.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Revenue recognition

Turnover comprises the sales value of goods and services supplied in the normal course of business. Turnover includes the value of contracts in progress. This is recognised based on the level of completion of the contracts to ensure the margin is recognised evenly over the contract life. All sales are shown exclusive of value added tax.

Interest income is recognised when the right to receive payment is established.

Dividend income is recognised when the right to receive payment is established.

A&P Falmouth Limited

Notes to the financial statements (continued) for the year ended 31 March 2016

3. Summary of significant accounting policies (continued)

Employee benefits

The Company provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined contribution pension plans.

(i) Short-term benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is rendered.

(ii) Defined contribution pension plans

Employees are eligible to join a Stakeholder Pension Plan. Pension costs are charged to the profit and loss account as they fall due. The amount charged to the profit and loss account in respect of pension costs is the contributions payable in the year. The assets of the plan are held separately from the Company in independently administered funds.

(iii) Defined benefit pension plans

The Company operates a defined benefit pension plan for certain employees. A defined benefit pension plan defines the pension benefit that the employee will receive on retirement, usually dependent on several factors including age, length of service and remuneration. A defined benefit plan is a pension plan that is not a defined contribution plan.

The liability recognised in the balance sheet in respect of the defined benefit plan is the present value of the defined benefit obligation at the reporting date less the fair value of the plan assets at the reporting date.

The defined benefit obligation is calculated using the projected unit credit method. Annually the Company engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating the estimated period of the future payments ('discount rate').

The fair value of plan assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with the Company's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as 'Remeasurement of net defined benefit liability'.

The cost of the defined benefit plan, recognised in profit or loss as employee costs, except where included in the cost of an asset, comprises:

- a) The increase in pension liability arising from employee service during the period; and
- b) The cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in profit or loss as 'Finance expense'.

Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period.

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

A&P Falmouth Limited

Notes to the financial statements (continued) for the year ended 31 March 2016

3. Summary of significant accounting policies (continued)

Taxation (continued)

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 years 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.

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 cost 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%

No depreciation is charged on assets in the course of construction until they are fully complete and brought into use at which point they are transferred into the relevant asset category.

Tangible assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in the profit or loss.

Leased assets

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

Stocks

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

Financial instruments

The Company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

(i) Financial assets

Basic financial assets are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

A&P Falmouth Limited

Notes to the financial statements (continued) for the year ended 31 March 2016

3. Summary of significant accounting policies (continued)

Financial instruments (continued)

(i) Financial assets (continued)

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

(ii) Financial liabilities

Basic financial liabilities are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt is measured at the present value of the future receipts discounted at a market rate of interest.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Preference shares, which result in fixed returns to the holder or are mandatorily redeemable on a specific date, are classified as liabilities. The dividends on these preference shares are recognised in the profit and loss account as interest expense.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

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.

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.

A&P Falmouth Limited

Notes to the financial statements (continued) for the year ended 31 March 2016

3. Summary of significant accounting policies (continued)

Share capital

Ordinary shares are classified as equity.

Distributions to equity holders

Dividends and other distributions to company's shareholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the company's shareholders. These amounts are recognised in the statement of changes in equity.

Related party transactions

The Company discloses transactions with related parties which are not wholly owned within the same Group. Where appropriate, transactions of a similar nature are aggregated unless, in the opinion of the directors, separate disclosure is necessary to understand the effect of the transactions on the Company's financial statements. The ultimate holding company is Tokenhouse Limited, a company incorporated in the Isle of Man which is controlled by the Billown 1997 Settlement Trust.

4. Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(i) Critical judgements in applying the Company's accounting policies

The directors do not consider there to be any critical accounting judgements that must be applied.

(ii) Key accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

Revenue recognition.

Turnover includes the value of contracts in progress. This is recognised based on the level of completion of the contracts to ensure that margin is recognised evenly over the contract life. Management considers the overall expected margin from each contract based on available information and past performance.

Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, economic utilisation and the physical condition of the assets. See note 10 for the carrying amount of tangible fixed assets and note 3 for the useful economic lives for each class of asset.

Defined benefit pension scheme

The Company has obligations to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors including: life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends.

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Notes to the financial statements (continued) for the year ended 31 March 2016

5. Turnover

The analysis by geographical destination of the group's turnover, from the only class of business being ship repair and marine engineering, is set out below.

	2016 £	2015 £
United Kingdom	38,534,462	26,903,480
Rest of Europe	1,600,797	6,181,040
Rest of world	265,258	2,249,815
	<u>40,400,517</u>	<u>35,334,335</u>

6. Operating profit

Operating profit is stated after charging:

	2016 £	2015 £
Amortisation of Government grant	-	50,000
Loss on disposal of fixed assets	9,202	-
Depreciation of tangible fixed assets – owned assets	491,821	506,182
Defined benefit pension settlement credit (note 14)	-	1,295,000
Operating lease charges	1,535,623	1,563,449
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	<u>20,640</u>	<u>19,400</u>

The value of inventory recognised as an expense is not material in either of the years presented.

7. Finance costs (net)

	2016 £	2015 £
Interest payable and similar charges	-	13,590
Less :investment income	(68,772)	(55,545)
Other finance costs (income)	<u>462,000</u>	<u>556,000</u>
	<u>393,228</u>	<u>514,045</u>

Interest payable and similar charges

Bank interest payable	<u>-</u>	<u>13,590</u>
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Investment income

Bank interest payable	<u>(68,772)</u>	<u>(55,545)</u>
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A&P Falmouth Limited

Notes to the financial statements (continued) for the year ended 31 March 2016

7. Finance costs (net) (continued)

	2016 £	2015 £
Other finance costs		
Net interest on defined benefit liability (see note 14)	462,000	556,000

8. Staff costs

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

Average number of persons employed	2016 No.	2015 No.
Production	261	251
Administration	40	36
	<u>301</u>	<u>287</u>

Staff costs during the year (including directors)	2016 £	2015 £
Wages and salaries	9,665,771	9,411,614
Social security costs	988,165	978,314
Pension costs (note 14(b))	682,945	666,502
	<u>11,336,881</u>	<u>11,056,430</u>

Directors' remuneration and highest paid director	2016 £	2015 £
Aggregate emoluments	37,714	126,465
Company pension contributions to money purchase scheme	11,364	32,367
	<u>49,078</u>	<u>158,832</u>

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

Company pension contributions are made to a company money purchase scheme for one director (2015: one).

A&P Falmouth Limited

Notes to the financial statements (continued) for the year ended 31 March 2016

9. Tax on profit on ordinary activities

a) Analysis of tax charge in the year:

	2016 £	2015 £
UK corporation tax	290,600	777,268
Adjustments in respect of prior years	(35,377)	51,515
Total current tax	255,223	828,783
Deferred tax:		
Origination and reversal of timing differences	(10,831)	(27,865)
Adjustments in respect of prior years	40,465	(16,657)
Effect of changes in tax rates	(15,250)	1,327
Total deferred tax (note 9d)	14,384	(43,195)
Tax on profit on ordinary activities	269,607	785,588

b) Factors affecting tax charge for the year:

The tax assessed for the year is lower (2015: lower) than the standard rate of corporation tax in the UK of 20% (2015: 21%). The differences are explained below:

	2016 £	2015 £
Profit on ordinary activities before tax	3,496,773	4,835,296
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK 20% (2015: 21%)	699,355	1,015,412
Effects of:		
Expenses not deductible for tax purposes	14,123	98,944
Income not assessable	-	(271,950)
Group relief not paid for	(401,300)	-
Relief on pension contributions taken to statement of total recognised income	(124,500)	(189,210)
Adjustments in respect of prior years	(35,377)	51,515
Transfer pricing	92,091	96,207
Re-measurement of deferred tax:		
- change in UK tax rate	(15,250)	1,327
- adjustment in respect of prior years	40,465	(16,657)
Total tax charge for the year	269,607	785,588

A&P Falmouth Limited

Notes to the financial statements (continued) for the year ended 31 March 2016

9. Tax on profit on ordinary activities (continued)

c) Factors affecting future tax charges:

The Government has announced that it intends to reduce the rate of corporation tax to 17% with effect from 1 April 2020. As this legislation had not been substantively enacted at the year end the impact of the anticipated rate change is not reflected in the tax provisions reported in these financial statements. Finance Act 2015 (No.2), which was substantively enacted in October 2015, included provisions to reduce the rate of corporation tax to 19% with effect from 1 April 2017 and 18% from 1 April 2020. Accordingly, deferred tax balances have been restated to the lower rate of 18% in these financial statements.

d) Deferred tax

Provision for deferred tax (excluding deferred tax asset arising on the post-employment benefits liability – see below)

	2016 £	2015 £
Accelerated capital allowances	168,775	166,934
Other timing differences	(31,529)	(44,072)
Total	<u>137,246</u>	<u>122,862</u>

There are no unused tax losses or unused tax credits.

The net deferred tax provision expected to reverse in 2017 is £401. This primarily relates to the reversal of accelerated capital allowances and other short term timing differences.

Reconciliation of movement in deferred tax provision

	£
At 1 April 2015	122,862
Deferred tax charge in profit and loss account	(26,081)
Adjustment in respect of prior years	40,465
At 31 March 2016	<u>137,246</u>

Deferred tax asset relating to pension deficit

	2016 £	2015 £
At start of year	3,012,800	2,577,400
Movements dealt with in other comprehensive income	(128,800)	435,400
At year end	<u>2,884,000</u>	<u>3,012,800</u>

A&P Falmouth Limited

Notes to the financial statements (continued) for the year ended 31 March 2016

10. Tangible fixed assets

	Leasehold improvements £	Plant and machinery £	Total £
Cost			
At 1 April 2015	1,154,119	8,994,068	10,148,187
Additions	-	49,555	49,555
Disposals	(82,865)	(1,362,348)	(1,445,213)
At 31 March 2016	1,071,254	7,681,275	8,752,529
Accumulated depreciation			
At 1 April 2015	505,171	5,668,221	6,173,392
Charge for the year	48,225	443,596	491,821
Eliminated in respect of disposals	(82,848)	(1,353,164)	(1,436,012)
At 31 March 2016	470,548	4,758,653	5,229,201
Net book value			
At 31 March 2016	600,706	2,922,622	3,523,328
At 31 March 2015	648,948	3,325,847	3,974,795

Plant and machinery at 31 March 2016 included leased assets with a net book value of £nil (2015: £1,102,304). The depreciation charge in respect of such assets was £nil (2015: £63,338).

11. Stocks

	2016 £	2015 £
Raw materials and consumables	191,569	187,494

Stocks are held at the lower of original purchase price or net realisable value.

12. Debtors

	2016 £	2015 £
Trade debtors	1,366,867	2,158,815
Amounts recoverable on contracts	6,077,217	1,286,674
Amounts owed by group undertakings	5,026,064	6,173,575
Deferred tax asset (note 9(d))	2,746,754	3,012,800
Other debtors	391,992	542,684
Prepayments and accrued income	258,917	124,335
	15,867,811	13,298,883

The deferred tax asset of £2,746,754 (2015: £3,012,800) relates mainly to the post-retirement benefits liability (see note 15). As the liability is expected to reverse over a long period, the deferred tax asset is considered to fall due after more than one year.

A&P Falmouth Limited

Notes to the financial statements (continued) for the year ended 31 March 2016

13. Creditors: amounts falling due within one year

	2016 £	2015 £
Trade creditors	5,099,290	4,734,313
Amounts owed to group undertakings	103,481	-
Amounts owed to related parties	111,714	111,714
Corporation tax payable	158,600	57,268
Taxation and social security	227,071	249,955
Accruals and deferred income	1,033,971	1,869,468
	<u>6,734,127</u>	<u>7,022,718</u>

14. Post-employment benefits

The Company operates a defined benefit pension section of the sectionalised A&P Group Pension Scheme, the Falmouth Section (the “defined benefit pension scheme”, or the “Scheme”), and a defined contribution scheme. The defined benefit pension scheme is closed to future accruals.

Amounts recognised in profit and loss account are as follows:

	2016 £	2015 £
Defined benefit schemes		
- Settlement gain (note 14(a))	-	(1,295,000)
- Scheme administrative costs (note 14(a))	131,000	78,000
Defined contribution scheme (note 14(b))	682,945	666,502
Total charge/(credit) in operating profit	<u>813,945</u>	<u>(550,498)</u>
Defined benefit schemes		
- Net interest expense (note 14(a))	462,000	556,000
Total charge	<u>1,275,945</u>	<u>5,502</u>

Amounts recognised in the balance sheet in respect of the defined benefit pension scheme is as follows:

	2016 £	2015 £
Post-employment benefits deficit	<u>16,020,000</u>	<u>15,064,572</u>

A&P Falmouth Limited

Notes to the financial statements (continued) for the year ended 31 March 2016

14. Post-employment benefits (continued)

a) Defined benefit schemes

The assets of the Company's defined benefit pension scheme is held in a separately administered fund. The Scheme provides retirement benefits on the basis of members' final salary. The A&P Group Pension Scheme, in respect of which the Scheme comprises a section, is administered by an independent trustee who is responsible for ensuring that the plan is sufficiently funded to meet current and future obligations. The Company has agreed a funding plan with the trustee in order to reduce the funding deficit where necessary.

The Company's defined pension scheme became a section of the A&P Group Pension Scheme in the year ended 31 March 2015. A settlement gain of £1,295,000 was recorded in that year as a result.

The agreed contributions for the next 6 years are £11,844,000.

A comprehensive actuarial valuation of the defined benefit pension schemes, using the projected unit method, was carried out at 31 March 2015 by Capita Employee Benefits, independent consulting actuaries. Adjustments to the valuation at that date have been made based on the following assumptions:

	2016	2015
Price inflation	3.10%	3.05%
Pension increase rate		
- pre-July 2006 LPI increases	3.00%	3.00%
- post July 2006 LPI increases (capped at 2.5% pa)	2.10%	2.15%
Discount rate	3.35%	3.20%

The mortality assumptions used were as follows:

	2016 Years	2015 Years
Longevity at age 65 for current pensioners:		
- Men	22.2-23.3	21.8-22.3
- Women	24.2-24.5	23.8-24.5
Longevity at age 65 for future pensioners:		
- Men	23.5-24.6	22.4-23.7
- Women	25.7-25.9	24.5-26.0

Reconciliation of scheme assets and liabilities:

	Assets £	Liabilities £	Total £
At 1 April 2015	41,785,428	(56,850,000)	(15,064,572)
Benefits paid	(1,888,000)	1,888,000	-
Employer contributions	1,215,504	-	1,215,504
Interest income/(expense)	1,326,000	(1,788,000)	(462,000)
Remeasurement losses			
- Actuarial losses	-	389,000	389,000
- Return on plan assets excluding interest income	(1,966,932)	-	(1,966,932)
Scheme administrative expenses	-	(131,000)	(131,000)
At 31 March 2016	40,472,000	(56,492,000)	(16,020,000)

A&P Falmouth Limited

Notes to the financial statements (continued) for the year ended 31 March 2016

14. Post-employment benefits (continued)

a) Defined benefit schemes (continued)

Total cost recognised as an expense:

	2016 £	2015 £
Scheme administrative expenses	131,000	78,000
Interest cost	462,000	556,000
	<u>593,000</u>	<u>634,000</u>

No amounts (2015: £nil) were included in the cost of assets.

The fair value of the plan assets were:

	2016 £	2015 £
Equities	15,396,000	16,090,000
Diversified growth assets	9,534,000	7,827,000
Corporate bonds	11,932,000	12,946,000
Gilts	3,590,000	4,502,000
Cash	20,000	421,000
Total	<u>40,472,000</u>	<u>41,786,000</u>

The plan assets do not include any of the Company's (or Group's) financial instruments.

The return on the plan assets was:

	2016 £	2015 £
Interest income	1,326,000	1,644,000
Return on plan assets less interest income	<u>(1,966,932)</u>	<u>4,477,000</u>
Total (losses)/gains	<u>(640,932)</u>	<u>6,121,000</u>

b) Defined contribution scheme

The Company provides a defined contribution scheme for its employees.

The amount recognised as an expense for the defined contribution scheme was:

	2016 £	2015 £
Current period contributions (note 8)	<u>682,945</u>	<u>666,502</u>

As at 31 March 2016, contributions of £110,328 (2015: £51,931) due in respect of the current reporting year had not been paid out to the scheme and are included within accruals.

A&P Falmouth Limited

Notes to the financial statements (continued) for the year ended 31 March 2016

15. Provisions for liabilities and charges

	Industrial illness provision £
At 1 April 2015	1,283,400
Utilised during the year	(177,293)
	<hr/>
At 31 March 2016	1,106,107
	<hr/> <hr/>

Deferred tax provision

See note 9(d) for details of the deferred tax provided in the financial statements at the year end and in respect of the deferred tax asset arising on the post-employment benefits pension liability (note 14).

Industrial illness provision

The provision for industrial illness represents the expected costs of settling notified and future claims arising as a result of past events. The directors' assessment of the cost of current and future claims includes consideration of an independent actuary's review which provides an estimate of the Group's unpaid and uninsured UK industrial illness claims. The claims are expected to be settled over a 10 year period.

16. Called-up share capital and reserves

	2016 £	2015 £
Allotted, called-up and fully paid		
4,750,000 (2015: 4,750,000) ordinary shares of £1 each	4,750,000	4,750,000
	<hr/>	<hr/>

The profit and loss reserve represents cumulative profits or losses net of dividends paid and other adjustments.

There are no restrictions on the distribution of dividends and the repayment of capital.

17. Financial commitments

At 31 March 2016, the company had the following total of future minimum lease payments under non-cancellable operating leases for each of the following periods:

	2016 £	2015 £
Within one year	1,534,396	1,528,067
Within two to five years	5,693,608	5,854,226
After five years	7,206,987	8,573,317
	<hr/>	<hr/>
	14,434,991	15,955,610
	<hr/> <hr/>	<hr/> <hr/>

A&P Falmouth Limited

Notes to the financial statements (continued) for the year ended 31 March 2016

18. Related party transactions

During the year the company carried out a number of transactions with related parties in the normal course of business. The names of the related parties, nature of these transactions and their total value is shown below

	2016		2015	
	Value of transaction £	Payable at the year end £	Value of transaction £	Payable at the year end £
Transactions with Mersey Dock and Harbour Company:				
Rental payments payable	<u>1,340,571</u>	<u>111,714</u>	<u>1,340,571</u>	<u>111,714</u>

19. Transition to FRS 102

This is the first year that the Company has presented its results under FRS 102. The last financial statements under the previous UK GAAP were for the year ended 31 March 2015. The date of transition to FRS 102 was 1 April 2014.

Set out below are the changes in accounting policies which reconcile profit for the financial year ended 31 March 2015 and the total equity as at 1 April 2014 and 31 March 2015 between UK GAAP as previously reported and FRS 102.

Net assets

	Notes	At 1 April 2014 £	At 31 March 2015 £
Capital and reserves (as previously stated)		3,808,590	4,296,698
Short-term employee benefits	(i)	<u>(80,000)</u>	<u>(80,000)</u>
Capital and reserves (as restated)		<u>3,728,590</u>	<u>4,216,698</u>

Profit and loss account

	Notes	Year ended 31 March 2015 £
Profit for the year (as previously stated)		4,425,708
Post-retirement benefits – defined benefit pension	(ii)	<u>(376,000)</u>
Profit for the year (as restated)		<u>4,049,708</u>

A&P Falmouth Limited

Notes to the financial statements (continued) for the year ended 31 March 2016

19. Transition to FRS 102 (continued)

Statement of other comprehensive income

	Notes	Year ended 31 March 2015 £
Comprehensive income for the year (as previously stated)		488,108
Profit for the year (see above)	(ii)	(376,000)
Other comprehensive income – post-retirement benefits	(ii)	376,000
Comprehensive income for the year (as restated)		<u>488,108</u>

Notes

(i) Short-term employee benefits - holiday pay accrual

FRS 102 requires short term employee benefits to be charged to the profit and loss account as the employee service is received. This has resulted in the Company recognising a liability for holiday pay of £80,000 on transition to FRS 102. Previous holiday pay accruals were not recognised and were charged to the profit and loss account as they were paid. The calculated liability at 31 March 2015 was also £80,000 and, therefore, the profit and loss account for the year ended 31 March 2015 was unchanged.

(ii) Post-retirement benefits

Under previous UK GAAP the Company recognised an expected return on defined benefit plan assets in the profit and loss account. Under FRS 102, a net interest expense, based on the net defined benefit liability, is recognised in the profit and loss account. There has been no change in the defined benefit liability at either 1 April 2014 or 31 March 2015. The effect of the change has been to reduce to the credit to the profit and loss account in the year to 31 March 2015 by £376,000 and to increase the credit in other comprehensive income by an equivalent amount.

Other adjustments arising on transition to FRS 102

Deferred tax asset relating to the post-employment benefits liability

Under FRS 102 the deferred tax asset at 1 April 2014 of £3,012,800, arising on the post-employment benefits liability, is now included within deferred tax on the balance sheet (presented within debtors). Under the previous UK GAAP, and applying FRSs 17 and 19, the deferred tax asset arising on the post-employment benefits liability was offset against the liability. This has no effect on the Company's equity or profit for the year.