

**Company Registration No. 00103287**

**A&P Falmouth Limited**

**Annual Report and Financial Statements**

**For the year ended 31 March 2014**

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# **A&P Falmouth Limited**

## **Annual report and financial statements for the year ended 31 March 2014**

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## **A&P Falmouth Limited**

### **Annual report and financial statements for the year ended 31 March 2014**

#### **Officers and professional advisers**

##### **Directors**

Atlantic & Peninsula Marine Services Limited  
P H Child

##### **Registered Office**

Wagonway Road  
Hebburn  
Tyne & Wear  
United Kingdom  
NE31 1SP

##### **Bankers**

Santander UK Plc  
298 Deansgate  
Manchester  
M3 4HH

##### **Solicitors**

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

##### **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 £40,227,735 (period ended 2013: £56,695,836), resulting in a profit before tax of £2,904,204 (period ended 2013: £3,849,900). The net asset position at the year end was £3,808,590 (2013: £1,091,032). 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 the Statement of accounting policies in the notes to the financial statements on page 12.

### **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.

#### *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.

## A&P Falmouth Limited

### Strategic report (continued)

#### Financial risk management (cont'd)

##### *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.

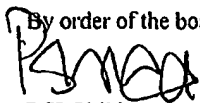
##### *Liquidity risk*

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.

By order of the board



P H Child  
Director

2014 July 25

# **A&P Falmouth Limited**

## **Directors' report**

The directors present their annual report and the audited financial statements for the year ended 31 March 2014.

On 2 January 2013 the Board approved the change of the company's accounting reference date from 31 December to 31 March, therefore, the report relates to the year ended 31 March 2014 and the comparative period from 1 January 2012 to 31 March 2013.

### **Future outlook**

The company saw encouraging occupancy levels throughout the first half of the year underpinned by contracts for the MoD followed by a weaker second half of the year due to poorer turnover levels. The results included the completion of a major refit on RFA Argus which had been 50% completed in the previous year and the remaining 50% complete in the reported year brought the contract to a close on time and within budget. Defence sector projects have made a significant contribution to the results for the year, however due to the RFA's disposal of Largs Bay in 2011 the company has lost a major RFA refit planned for the current year and will experience a challenging trading year through to April 2015 when the next RFA refit is due. As a result of the loss of this significant turnover Management took the necessary actions to protect the future of the company and its workforce by announcing a redundancy programme which was completed in the latter half of 2013 at an overall redundancy cost of £762k. The resumption of RFA refits in 2015 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 (2013: £nil).

### **Directors**

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

Atlantic & Peninsula Marine Services Limited  
P H Child

### **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)**

#### **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.

#### **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.

By order of the board



P H Child  
Director

2014 July 25

## **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). 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 2014 which comprise the profit and loss account, statement of total recognised gains and losses, the balance sheet 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).

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 2014 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**

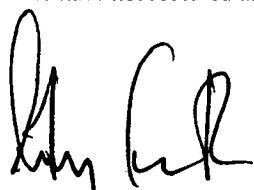
In our opinion the information in the strategic report and directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## **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, United Kingdom

29/7/

2014

## A&P Falmouth Limited

### Profit and loss account For the year ended 31 March 2014

		Year ended 31 March 2014 £	15 month period ended 31 March 2013 £
	Notes		
Turnover	2	40,227,735	56,695,836
Cost of sales		(34,134,091)	(48,799,080)
Gross profit		6,093,644	7,896,756
Administrative expenses		(2,845,558)	(3,355,918)
Operating profit	3	3,248,086	4,540,838
Interest receivable and similar income	4	53,971	28,305
Interest payable and similar charges	5	(24,853)	(41,243)
Other finance costs	18	(373,000)	(678,000)
Profit on ordinary activities before taxation		2,904,204	3,849,900
Tax on profit on ordinary activities	7	(710,486)	(876,960)
Profit for the financial year	15,16	2,193,718	2,972,940

All of the activities of the company are continuing.

## A&P Falmouth Limited

### Statement of total recognised gains and losses For the year ended 31 March 2014

		Year ended 31 March 2014 £	15 month period ended 31 March 2013 £
	Notes		
Profit for the financial year	15	2,193,718	2,972,940
Actuarial gain / (loss) on pension scheme	18	1,225,000	(3,905,000)
Movement in deferred tax relating to the pension scheme	7d	(919,060)	516,710
Tax relief on pension contributions taken to the statement of Total recognised gains and losses	7b	217,900	151,768
Total gains and losses recognised		<u>2,717,558</u>	<u>(263,582)</u>

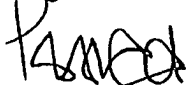
# A&P Falmouth Limited

## Balance sheet As at 31 March 2014

	Notes	2014 £	2013 £
<b>Fixed assets</b>			
Tangible assets	8	4,343,487	5,328,629
<b>Current assets</b>			
Stocks	9	279,553	203,292
Debtors	10	11,393,617	10,401,256
Cash at bank and in hand		5,638,750	8,413,012
		17,311,920	19,017,560
<b>Creditors: amounts falling due within one year</b>	11	(5,790,273)	(9,926,550)
<b>Net current assets</b>		11,521,647	9,091,010
<b>Total assets less current liabilities</b>		15,865,134	14,419,639
<b>Creditors: amounts falling due after more than one year</b>	12	(236,667)	(396,667)
<b>Provisions for liabilities and charges</b>	13	(1,509,777)	(1,226,400)
<b>Net assets excluding pension deficit</b>		14,118,690	12,796,572
<b>Pension deficit</b>	18	(10,310,100)	(11,705,540)
<b>Net assets including pension deficit</b>		3,808,590	1,091,032
<b>Capital and reserves</b>			
Called-up share capital	14	4,750,000	4,750,000
Profit and loss account	15	(941,410)	(3,658,968)
<b>Total shareholders' funds</b>	16	3,808,590	1,091,032

The financial statements of A&P Falmouth Limited, (registered number 00103287) on pages 9 to 26 were approved by the Board of Directors and authorised for issue on 25 July 2014

Signed on behalf of the Board of Directors



P H Child  
Director

# **A&P Falmouth Limited**

## **Notes to the financial statements Year ended 31 March 2014**

### **1. 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 2006 and applicable accounting standards in the United Kingdom.

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

#### **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 for operations and planned expansions.

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.

#### **Tangible fixed assets and depreciation**

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% - 33⅓%

#### **Operating and finance lease agreements**

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

#### **Stocks**

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

## **A&P Falmouth Limited**

### **Notes to the financial statements Year ended 31 March 2014**

#### **Accounting policies (continued)**

##### **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.

##### **Turnover**

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 that margin is recognised evenly over the contract life. 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 participates in 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. Pension scheme assets are measured using market value. Pension scheme liabilities are measured using the projected unit actuarial method and are discounted at the current rate of return on a high quality corporate bond of equivalent terms and currency to the liability. The company contributions are made in accordance with periodic calculations by professionally qualified actuaries.

## A&P Falmouth Limited

### Notes to the financial statements Year ended 31 March 2014

#### 1. Accounting policies (continued)

The operating cost of providing pensions, as calculated periodically by independent actuaries, is charged to the company's operating profit and loss in the year that those benefits are earned by employees. The financial return expected on the schemes assets is recognised in the year 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 also participates in the A&P Pension Scheme, a group defined benefit pension scheme. As the company is unable to identify its share of the assets and liabilities of the group scheme, it accounts for contributions as if they were to a defined contribution pension scheme. Contributions are charged to the profit and loss account in the year to which they relate.

The company also participates in a group wide defined contribution scheme in respect of pension costs and post retirement benefits. The amount charged to the profit and loss account is the contributions payable in the year. Contributions actually paid are shown as either accruals or prepayments in the balance sheet.

#### Cash flow statement

The company is a wholly owned subsidiary and is exempt under the terms of Financial Reporting Standard Number 1 (revised 1996) 'Cash flow statements' from publishing a cash flow statement.

#### Related parties

The company has taken advantage of the exemptions available under Financial Reporting Standard Number 8 and has not disclosed transactions with companies that are part of the A&P Group Limited group of companies. The ultimate holding company is Tokenhouse Limited, a company incorporated in the Isle of Man which is controlled by the Billown 1997 Settlement Trust.

#### 2. Turnover

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

	Year ended 31 March 2014 £	15 month period ended 31 March 2013 £
United Kingdom	34,570,481	49,050,948
Rest of Europe	4,357,543	6,066,527
Rest of world	1,299,711	1,578,361
	<u>40,227,735</u>	<u>56,695,836</u>



## A&P Falmouth Limited

### Notes to the financial statements Year ended 31 March 2014

#### 3. Operating profit

Operating profit is stated after charging:

	Year ended 31 March 2014 £	15 month period ended 31 March 2013 £
Depreciation of tangible fixed assets:		
- owned assets	883,722	664,997
- assets held under finance leases and hire purchase contracts	63,338	80,258
Property rental – land and buildings	1,340,571	1,675,714
Hire of plant and machinery – operating leases	253,993	368,624
Fees payable to the Company's auditor for the audit of the Company's annual accounts	19,400	24,250
	<u>          </u>	<u>          </u>

#### 4. Interest receivable and similar income

	Year ended 31 March 2014 £	15 month period ended 31 March 2013 £
Bank interest	53,971	28,305
	<u>          </u>	<u>          </u>

#### 5. Interest payable and similar charges

	Year ended 31 March 2014 £	15 month period ended 31 March 2013 £
Bank interest	24,853	38,540
Hire purchase and finance lease interest	-	2,703
	<u>          </u>	<u>          </u>
	24,853	41,243
	<u>          </u>	<u>          </u>

# A&P Falmouth Limited

## Notes to the financial statements Year ended 31 March 2014

### 6. Staff costs

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

	Year ended 31 March 2014 No.	15 month period ended 31 March 2013 No.
<b>Average number of persons employed</b>		
Production	286	316
Administration	38	40
	<u>324</u>	<u>356</u>
	£	£
<b>Staff costs during the year (including directors)</b>		
Wages and salaries	10,596,002	14,169,964
Social security costs	1,098,258	1,493,083
Pension costs	716,219	983,114
	<u>12,410,479</u>	<u>16,649,161</u>
	£	£
<b>Directors' remuneration</b>		
Aggregate emoluments	135,028	157,676
Company pension contributions to money purchase scheme	17,572	40,459
	<u>152,600</u>	<u>198,135</u>

Company pension contributions are made to a company money purchase scheme for one director (2013: one).

## A&P Falmouth Limited

### Notes to the financial statements Year ended 31 March 2014

#### 7. Tax on profit on ordinary activities

##### a) Analysis of tax charge in the year / period

	Year ended 31 March 2014 £	15 month period ended 31 March 2013 £
United Kingdom corporation tax at 23% (2013: 24.4%) based on the profit for the year / period	450,760	884,436
Adjustments in respect of prior years / periods	189,619	90,561
<b>Total current tax</b>	<b>640,379</b>	<b>974,997</b>
Deferred tax:		
Origination and reversal of timing differences	139,561	5,147
Adjustments in respect of prior years / periods	(11,860)	(75,992)
Effect of changes in tax rates	(57,594)	(27,192)
<b>Total deferred tax (note 13)</b>	<b>70,107</b>	<b>(98,037)</b>
<b>Tax on profit on ordinary activities</b>	<b>710,486</b>	<b>876,960</b>

##### b) Factors affecting tax charge for the year / period

The tax assessed for the year is lower (2013: higher) than the standard rate of corporation tax in the UK of % (2013: 24.4%). The differences are explained below:

	Year ended 31 March 2014 £	15 month period ended 31 March 2013 £
Profit on ordinary activities before tax	2,904,204	3,849,900
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK 23% (2013: 24.4%)	667,967	939,376
Effects of:		
Expenses not deductible for tax purposes	17,498	72,721
Income not taxable	(45,006)	-
Accelerated capital allowances and other timing differences	14,372	149,028
Adjustments in respect of prior years / periods	189,619	90,561
Relief on pension contributions taken to the statement of total recognised gains and losses	(217,900)	(151,768)
Other items	63,848	(4,191)
Group relief claimed at nil consideration	(50,019)	(120,730)
<b>Current tax charge for the year / period</b>	<b>640,379</b>	<b>974,997</b>

## A&P Falmouth Limited

### Notes to the financial statements Year ended 31 March 2014

#### 7. Tax on profit on ordinary activities (continued)

##### c) Factors affecting future tax charges

Finance Act 2013, which was substantively enacted in July 2013, included provisions to reduce the rate of corporation tax to 21% with effect from 1 April 2014 and 20% from 1 April 2015. Deferred tax balances have been revalued to the lower rate of 20% in these accounts. To the extent that the deferred tax reverses before 1 April 2015 then the impact on the net deferred tax liability will be reduced.

##### d) Deferred tax

	2014 £	2013 £
Provision for deferred tax (excluding pension deficit (note 13))		
Accelerated capital allowances	165,589	316,059
Other timing differences	468	(2,209)
	<u>166,057</u>	<u>313,850</u>
	2014 £	2013 £
Deferred tax asset relating to pension deficit		
At start of year	3,496,460	2,979,750
Deferred tax (charged)/credited to the statement of total recognised gains and losses	(919,060)	516,710
At year end / period end (note 18)	<u>2,577,400</u>	<u>3,496,460</u>

The deferred tax asset of £2,577,400 (2013: £3,496,460) has been deducted in arriving at the net pension deficit on the balance sheet.

There are no unrecognised deferred tax assets in the financial statements at the year end.

# A&P Falmouth Limited

## Notes to the financial statements Year ended 31 March 2014

### 8. Tangible fixed assets

	Leasehold improvements £	Plant and machinery £	Total £
<b>Cost</b>			
At 1 April 2013	1,420,061	9,398,443	10,818,504
Disposals	(265,942)	(60,662)	(326,604)
At 31 March 2014	1,154,119	9,337,781	10,491,900
<b>Accumulated depreciation</b>			
At 1 April 2013	610,661	4,879,214	5,489,875
Charge for the year	73,769	873,291	947,060
Eliminated in respect of disposals	(227,860)	(60,662)	(288,522)
At 31 March 2014	456,570	5,691,843	6,148,413
<b>Net book value</b>			
At 31 March 2014	697,549	3,645,938	4,343,487
At 31 March 2013	809,400	4,519,229	5,328,629

Plant and machinery at 31 March 2014 included leased assets with a net book value of £1,102,304 (2013: £1,165,642). The depreciation charge in respect of such assets was £63,338 (2013: £80,258).

### 9. Stocks

	2014 £	2013 £
Raw materials and consumables	279,553	203,292

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

## A&P Falmouth Limited

### Notes to the financial statements Year ended 31 March 2014

#### 10. Debtors

	2014 £	2013 £
Trade debtors	1,555,113	424,113
Amounts recoverable on contracts	2,735,253	1,622,126
Amounts owed by group undertakings	6,648,320	7,196,737
Other debtors	283,132	983,321
Prepayments and accrued income	171,799	174,959
	<u>11,393,617</u>	<u>10,401,256</u>

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

#### 11. Creditors: amounts falling due within one year

	2014 £	2013 £
Term loans	160,000	160,000
Trade creditors	2,724,549	6,990,355
Amounts owed to related parties	133,982	111,714
Obligations under finance leases (note 12)	-	-
Corporation tax payable	450,760	157,668
Taxation and social security	249,428	340,624
Accruals and deferred income	2,071,554	2,166,189
	<u>5,790,273</u>	<u>9,926,550</u>

Amounts owed to group undertakings are unsecured, interest free and repayable on demand. The term loan is unsecured. Included in accruals and deferred income are payments on account of £nil (2013:£476k).

# A&P Falmouth Limited

## Notes to the financial statements Year ended 31 March 2014

### 12. Creditors: amounts falling due after more than one year

	2014 £	2013 £
Government grants	50,000	50,000
Term loans	186,667	346,667
	<u>236,667</u>	<u>396,667</u>

The term loans to which the company is committed are:

	2014 £	2013 £
In one year or less (note 11)	160,000	160,000
Between one and two years	186,667	160,000
Between two and five years	-	186,667
	<u>346,667</u>	<u>506,667</u>

### 13. Provisions for liabilities and charges

	Deferred tax £	Industrial illness provision £	Total £
At 1 April 2013	313,850	912,550	1,226,400
Utilised during the year	(147,793)	(38,959)	(186,752)
Credited during the year	-	470,129	470,129
At 31 March 2014	<u>166,057</u>	<u>1,343,720</u>	<u>1,509,777</u>

#### Deferred tax provision

See note 7d for details of the deferred tax provided for in the financial statements at the year end.

#### 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.

# A&P Falmouth Limited

## Notes to the financial statements Year ended 31 March 2014

### 14. Called-up share capital

	2014 £	2013 £
Allotted, called up and fully paid		
4,750,000 (2013: 4,750,000) ordinary shares of £1 each	<u>4,750,000</u>	<u>4,750,000</u>

### 15. Profit and loss account

	£
At 1 April 2013	(3,658,968)
Profit for the financial year	2,193,718
Actuarial loss relating to the pension scheme (note 18)	1,225,000
Movement in deferred tax relating to the pension scheme	<u>(701,160)</u>
At 31 March 2014	<u>(941,410)</u>

### 16. Reconciliation of movements in shareholders' funds

	2014 £	2013 £
Opening shareholder's funds	1,091,032	1,354,614
Profit for the financial year	2,193,718	2,972,940
Actuarial loss relating to the pension scheme (note 18)	1,225,000	(3,905,000)
Movement in deferred tax relating to the pension scheme	<u>(701,160)</u>	<u>668,478</u>
Closing shareholder's funds	<u>3,808,590</u>	<u>1,091,032</u>



## A&P Falmouth Limited

### Notes to the financial statements Year ended 31 March 2014

#### 17. Financial commitments

At the year ends the company had annual commitments under non-cancellable operating leases expiring as follows:

	Land and buildings		Plant and machinery	
	2014	2013	2014	2013
	£	£	£	£
Within one year	-	-	46,474	32,058
Within two to five years	-	-	162,675	196,563
After five years	1,340,571	1,340,571	-	-
	<u>1,340,571</u>	<u>1,340,571</u>	<u>209,149</u>	<u>228,621</u>

#### 18. Pension arrangements

##### Defined benefit arrangements

The company participates in the A&P Falmouth Scheme, a group defined benefit scheme closed to future accrual.

Contributions to the scheme for the year were £1,462,500 and the agreed contributions for the next 8 years are £11,054,287.

An updated valuation of the scheme at 31 March 2013 carried out by Capita, Fellow of the Institute and Faculty of Actuaries using the projected unit method indicated that the scheme was 73 per cent funded.

The company participated in the Shipbuilding Industries Pension Schemes (SIPS), a defined benefit pension scheme which is administered by trustees, providing benefits based on final pensionable pay. On 30 September 2012 the company withdrew from the SIPS scheme and the assets and liabilities of the scheme were transferred to the newly formed A&P Falmouth Pension Scheme, a scheme closed to new members and future accruals.

A&P Falmouth Pension Scheme Assumptions as at:

	2014	2013
Price inflation	3.40%	3.30%
Pension increase rate		
- pre-July 2006 LPI increases	3.30%	3.20%
- post July 2006 LPI increases (capped at 2.5% pa)	2.25%	2.25%
Return on assets	5.48%	5.31%
Discount rate	<u>4.50%</u>	<u>4.25%</u>

# A&P Falmouth Limited

## Notes to the financial statements Year ended 31 March 2014

### 18. Pension arrangements (continued)

The amounts recognised in the balance sheet are as follows:

	Value at 2014 £'000	Long term expected rate of return at 2014 %	Value at 2013 £'000	Long term expected rate of return at 2013 %
Equities	20,439	6.95	22,200	6.40
Corporate bonds	11,085	4.15	10,316	4.00
Bonds	3,592	3.45	3,427	2.90
Cash	2,277	0.50	510	0.50
Total market value of assets	37,393		36,453	
Present value of liabilities	(50,280)		(51,655)	
Deficit in scheme	(12,887)		(15,202)	
Deferred tax asset (note 7d)	2,577		3,496	
Net pension deficit	(10,310)		(11,706)	

Mortality assumptions used were as follows:

	2014 Years	2013 Years
Longevity at age 65 for current pensioners:		
- Men	21.8	22.0
- Women	24.1	25.0
Longevity at age 65 for future pensioners:		
- Men	22.3	23.3
- Women	24.9	26.3

Amounts recognised in profit and loss account are as follows:

	Year ended 31 March 2014 £'000	15 month period ended 31 March 2013 £'000
Included within other finance costs:		
Expected return on pension scheme assets	1,787	2,006
Interest on pension scheme liabilities	(2,160)	(2,684)
	(373)	(678)

# A&P Falmouth Limited

## Notes to the financial statements Year ended 31 March 2014

### 18. Pension arrangements (continued)

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:

	Year ended 31 March 2014 £'000	15 month period ended 31 March 2013 £'000
Actual return less expected return on pension scheme assets	(451)	2,847
Experience gains (losses) arising on scheme liabilities	1,676	(6,752)
Actuarial gain ( loss) recognised in the statement of total recognised gains and losses	<u>1,225</u>	<u>(3,905)</u>

Reconciliation of fair value of plan assets:

	Year ended 31 March 2014 £'000	15 month period ended 31 March 2013 £'000
Opening fair value of scheme assets	36,453	32,726
Expected return on assets	1,787	2,006
Contributions by the employer	1,463	1,300
Actuarial (loss) / gain	(451)	2,847
Benefits paid	<u>(1,859)</u>	<u>(2,426)</u>
Closing fair value of scheme assets	<u>37,393</u>	<u>36,453</u>

Reconciliation of defined benefit obligation:

	Year ended 31 March 2014 £'000	15 month period ended 31 March 2013 £'000
Opening defined benefit obligation	51,655	44,645
Interest cost	2,160	2,684
Actuarial (gains) losses	(1,676)	6,752
Benefits paid	<u>(1,859)</u>	<u>(2,426)</u>
Closing defined benefit obligation	<u>50,280</u>	<u>51,655</u>

## A&P Falmouth Limited

### Notes to the financial statements Year ended 31 March 2014

#### 18. Pension arrangements (continued)

The cumulative amount of actuarial losses recognised in the statement of recognised gains and losses is £15,998,000 (2013: losses of £17,223,000).

The company is required to have and has an agreed deficit recovery plan in respect of its defined benefit scheme. The company has complied with and will continue to adhere to the plan in order to satisfy the trustee of the pension scheme.

Details of experience gains and losses for the year to 31 March 2014:

	2014 £'000	2013 £'000	2011 £'000	2010 £'000	2009 £'000
Fair value of plan assets	37,393	36,453	32,726	32,389	30,849
Present value of defined benefit obligation	(50,280)	(51,655)	(44,645)	(39,361)	(39,786)
Deficit	(12,887)	(15,202)	(11,919)	(6,972)	(8,937)
Experience adjustment on scheme assets					
Amount	(451)	2,847	(828)	925	2,934
Experience adjustment on scheme liabilities					
Amount	1,676	(6,752)	(4,733)	749	(6,244)

#### Defined contribution arrangements

The company participates in a group wide defined contribution scheme. Contributions are charged to the profit and loss account in the year in which the liability arises. Contributions during the year were £716,219 (2013: £983,114). Amounts owed to the scheme at the year end were £47,657 (2013: £59,604) and are included within accruals.

#### 19. Related party transactions

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

	2014		2013	
	Value of transaction £	Payable at the year end £	Value of transaction £	Payable at the year end £
Transactions with A&PA Property Limited:				
Rental payments	1,340,571	111,714	1,675,714	111,714