

Company Registration No. 00103287

A&P Falmouth Limited

**Annual Report and Financial Statements
for the year ended 31 March 2019**



A&P Falmouth Limited

Annual report and financial statements for the year ended 31 March 2019

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A&P Falmouth Limited

Annual report and financial statements for the year ended 31 March 2019

Officers and professional advisers

Directors

Atlantic & Peninsula Marine Services Limited
D T McGinley

Registered Office

Wagonway Road
Hebburn
Tyne & Wear
NE31 1SP
United Kingdom

Auditor

Deloitte LLP
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 building, 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 11.

Turnover in the year amounted to £58,125,982 (2018: £48,935,753), resulting in a profit before tax of £4,042,264 (2018: £2,577,033). The net asset position at the year end was £7,893,991 (2018: £5,255,844). The directors consider the result to be pleasing in the context of ongoing difficult trading conditions within the commercial sector.

The company has reported an improved and pleasing result, primarily due to a significant increase in turnover in comparison to the previous year. The results for the year benefitted from the Royal Fleet Auxiliary ('RFA') UK Customisation, Capability Assessment Trials and Support ('UKCCATS') contract with customisations of RFA Tidesurge and RFA Tideforce taking place, and the RFA Argus Refit which also took place in the year. Commercial revenues also improved with several new customers visiting the site.

The company, through building on initiatives that commenced during financial year 2018, has been able to report improved margins compared to the previous year.

The RFA UKCCATS Customisation Contract ran until the end of the financial year. In September 2018 the business was successfully awarded the continuation of the RFA Cluster Contract for a further ten years beginning 1st April 2019, with the addition of HMS Scott to the existing vessel fleet.

The business has also signed up long-term commercial contracts during the year, giving confidence in a continued balance of Ministry of Defence (MoD) and commercial work at the site.

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.

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;
- customers and markets; and
- financial performance.

The financial KPIs relevant to the company are as follow:

	2019	2018
Turnover (£'000s)	58,126	48,936
Gross profit margin as a percentage of turnover	14.0%	11.6%
Pre-tax profit margin as a percentage of turnover	7.0%	5.3%

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

A&P Falmouth Limited

Strategic report (continued)

Future developments

The directors consider that the Company is well placed to deliver positive earnings based upon organic growth opportunities in its core ship repair market.

Going concern

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for at least twelve months from the date of approval of the financial statements. Accordingly, 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.

In order to mitigate these risks, the company has invested in its Apprenticeship scheme to meet future business aspirations, uses a broad and growing range of contractors and suppliers, has a continuous management focus on market movements and prices, and has independent audits and accreditations to maintain the highest safety and production standards.

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.

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 worse cash neutral.

Liquidity risk

The company is part of a group which has sufficient funds and agreed banking facilities for operations and planned expansions.

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Strategic report (continued)

Financial risk management (continued)

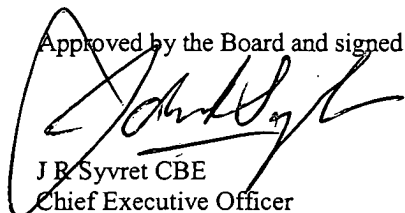
Interest rate cash flow risk

The company is part of a group banking facility which has net positive balances, and these are managed at group level.

Brexit

In common with most other businesses the result of the referendum, for the UK to leave the European Union, presents a potential risk to the group. The key risks would be any long-term changes to external demand for its services together with a need to widen the supply chain. After taking into account these key risks, and the possible outcomes of the continuing withdrawal process, the group's directors do not expect that Brexit will have a material impact on the group's ability to continue to trade successfully under its current business model.

Approved by the Board and signed on its behalf by:



J R Syvret CBE
Chief Executive Officer
Atlantic & Peninsula Marine Services Limited

9 December 2019

A&P Falmouth Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 March 2019.

Dividends

No dividends were paid or proposed during the year (2018: £nil).

Directors

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

Atlantic & Peninsula Marine Services Limited
I Carey (died 30th May 2018)
D T McGinley (appointed 11th July 2018)

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.

Strategic report

The directors have included in the strategic report its financial risk management objectives and policies.

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.

Going concern and Financial risk management

Details of going concern, future developments and financial risk management objectives and policies can be found in the Strategic Report on pages 2 to 4 and form part of this report by cross-reference.

Post balance sheet events

There were no post balance sheet events requiring adjustment or disclosure in the financial statements.

A&P Falmouth Limited

Directors' report (continued)

Statement of disclosure of information to auditor

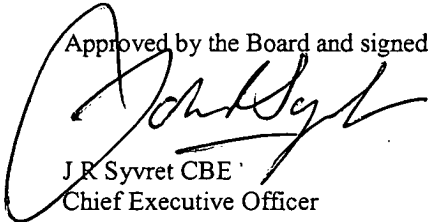
Each of the persons who is a director at the date of approval of this report confirms that:

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as a director in order to make themselves 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 have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board and signed on its behalf by:



J R Syvret CBE
Chief Executive Officer
Atlantic & Peninsula Marine Services Limited

9 December 2019

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 and disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 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.

A&P Falmouth Limited

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

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of A&P Falmouth Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 March 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the notes to the financial statements 1 to 19.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

A&P Falmouth Limited

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

Other information (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

A&P Falmouth Limited

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

Matters on which we are required to report by exception

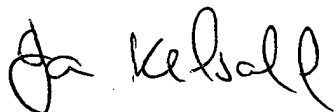
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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.

We have nothing to report in respect of these matters.

Use of our report

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.



Ian Kelsall BA (Hons) ACA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Newcastle upon Tyne

United Kingdom

Date: 9 December 2013

A&P Falmouth Limited

Profit and loss account for the year ended 31 March 2019

	Notes	2019 £	2018 £
Turnover	5	58,125,982	48,935,753
Cost of sales		(50,011,391)	(43,272,061)
Gross profit		8,114,591	5,663,692
Administrative expenses		(2,803,383)	(2,644,671)
Exceptional item	6	(961,000)	-
Operating profit	7	4,350,208	3,019,021
Finance costs (net)	8	(307,944)	(441,988)
Profit before taxation		4,042,264	2,577,033
Tax on profit	10	(521,017)	(109,881)
Profit for the financial year		<u>3,521,247</u>	<u>2,467,152</u>

All of the activities of the company are continuing.

A&P Falmouth Limited

Statement of comprehensive income for the year ended 31 March 2019

	Notes	2019 £	2018 £
Profit for the financial year		3,521,247	2,467,152
<i>Other comprehensive income / (loss):</i>			
Remeasurement of net defined benefit liability	15(a)	(929,000)	3,310,000
Total tax on components of other comprehensive income	10(d)	45,900	(819,060)
Other comprehensive (loss) / income for the year, net of tax		<u>(883,100)</u>	<u>2,490,940</u>
Total comprehensive income for the year		<u><u>2,638,147</u></u>	<u><u>4,958,092</u></u>

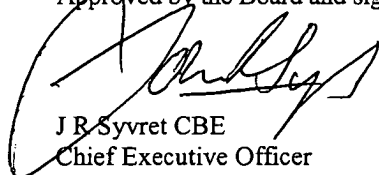
A&P Falmouth Limited

Balance sheet as at 31 March 2019

	Notes	2019 £	2018 £
Fixed assets			
Tangible assets	11	3,109,214	2,839,162
Current assets			
Stocks	12	240,589	184,208
Debtors	13	19,033,792	19,838,665
Cash at bank and in hand		14,674,701	6,845,149
		33,949,082	26,868,022
Creditors: amounts falling due within one year	14	(13,082,314)	(8,633,447)
Net current assets		20,866,768	18,234,575
Total assets less current liabilities		23,975,982	21,073,737
Post-employment pension liability	15	(15,119,000)	(14,849,000)
Provisions for liabilities	16	(962,991)	(968,893)
Net assets		7,893,991	5,255,844
Capital and reserves			
Called-up share capital	17	4,750,000	4,750,000
Profit and loss account		3,143,991	505,844
Total shareholders' funds		7,893,991	5,255,844

The financial statements of A&P Falmouth Limited, registered number 00103287, were approved and authorised for issue by the Board of Directors on 9 December 2019.

Approved by the Board and signed on its behalf by:



J R Syvret CBE
Chief Executive Officer
Atlantic & Peninsula Marine Services Limited

A&P Falmouth Limited

Statement of changes in equity for the year ended 31 March 2019

	Notes	Called-up share capital £	Profit and loss account £	Total £
Balance as at 1 April 2017		4,750,000	(4,452,248)	297,752
Profit for the financial year		-	2,467,152	2,467,152
Remeasurement of net defined benefit liability		-	3,310,000	3,310,000
Total tax on components of other comprehensive income	10(d)	-	(819,060)	(819,060)
Total comprehensive income for the year		-	4,958,092	4,958,092
Balance as at 31 March 2018		4,750,000	505,844	5,255,844
Profit for the financial year		-	3,521,247	3,521,247
Remeasurement of net defined benefit liability	15	-	(929,000)	(929,000)
Total tax on components of other comprehensive income	10(d)	-	45,900	45,900
Total comprehensive income for the year		-	2,638,147	2,638,147
Balance as at 31 March 2019		<u>4,750,000</u>	<u>3,143,991</u>	<u>7,893,991</u>

A&P Falmouth Limited

Notes to the financial statements for the year ended 31 March 2019

1. General information

The Company is a private company limited by shares and is incorporated in the United Kingdom and registered in England and Wales. 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 4.

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.

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 at least twelve months from the date of approval of the financial statements. Accordingly, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Exceptional items

Items that are exceptional in size or nature are presented as exceptional items within the consolidated profit and loss account. The separate reporting of exceptional items helps provide a better indication of the Group's underlying business performance.

Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions. The Company has taken advantage of the available exemptions to not disclose in its individual entity financial statements:

- a) A statement of cash flows;
- b) Financial instruments; and
- c) Key management personnel compensation in total.

A&P Falmouth Limited

Notes to the financial statements (continued) for the year ended 31 March 2019

3. Summary of significant accounting policies (continued)

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.

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'.

A&P Falmouth Limited

Notes to the financial statements (continued) for the year ended 31 March 2019

3. Summary of significant accounting policies (continued)

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.

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.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is recognised in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

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.

Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

Non-financial assets

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

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.

A&P Falmouth Limited

Notes to the financial statements (continued) for the year ended 31 March 2019

3. Summary of significant accounting policies (continued)

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.

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.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts, when applicable, are shown within borrowings in current liabilities.

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.

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, there 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.

A&P Falmouth Limited

Notes to the financial statements (continued) for the year ended 31 March 2019

3. Summary of significant accounting policies (continued)

Financial instruments (continued)

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.

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.

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 11 for the carrying amount of tangible fixed assets and note 3 for the useful economic lives for each class of asset.

A&P Falmouth Limited

Notes to the financial statements (continued) for the year ended 31 March 2019

4. Critical accounting judgements and estimation uncertainty (continued)

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.

5. Turnover

The analysis by geographical destination of the group's turnover, all of which originates in the United Kingdom, from the only class of business being ship repair and marine engineering contract services, is set out below.

	2019 £	2018 £
United Kingdom	56,481,968	48,027,644
Rest of Europe	1,265,299	799,003
Rest of world	378,715	109,106
	<u>58,125,982</u>	<u>48,935,753</u>

6. Exceptional item

On 26th October 2018, the High Court handed down a judgement involving Lloyds Banking Group's defined benefit pension schemes and concluded that schemes should equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. The judgement has implications to many other defined benefit pension schemes. The past service cost totalling £961,000 reflects our estimate of the extent to which the judgement crystallises additional liabilities for our pension scheme.

7. Operating profit

	2019 £	2018 £
Operating profit is stated after charging:		
Depreciation of tangible fixed assets – owned assets	333,595	359,060
Loss on disposal of tangible fixed assets	130,475	-
Operating lease charges	1,551,008	1,568,803
Fees payable to the Company's auditor for:		
- the audit of the Company's annual financial statements	22,560	23,750
- taxation services	8,832	9,300
	<u>1,916,470</u>	<u>1,960,913</u>

8. Finance costs (net)

	2019 £	2018 £
Investment income	(46,056)	(24,012)
Interest payable and similar expenses	354,000	466,000
	<u>307,944</u>	<u>441,988</u>

A&P Falmouth Limited

Notes to the financial statements (continued) for the year ended 31 March 2019

8. Finance costs (net) (continued)

Investment income

	2019 £	2018 £
Other interest receivable and similar income	46,056	24,012

Interest payable and similar expenses

	2019 £	2018 £
Net interest on defined benefit liability (see note 15)	354,000	466,000

9. Staff costs

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

Average number of persons employed	2019 No.	2018 No.
Production	258	247
Administration	42	39
	<u>300</u>	<u>286</u>

Staff costs during the year (including directors)

	2019 £	2018 £
Wages and salaries	9,786,796	9,116,173
Social security costs	975,867	962,021
Pension costs (note 15(b))	692,773	666,077
	<u>11,455,436</u>	<u>10,744,271</u>

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 £692,773 (2018: £666,077). As at 31 March 2019, contributions of £54,268 (2018: £53,390) due in respect of the current reporting year had not been paid out to the scheme and are included within accruals.

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, (2018: same).

Company pension contributions are made to a company money purchase scheme for no director (2018: none).

A&P Falmouth Limited

Notes to the financial statements (continued) for the year ended 31 March 2019

10. Tax on profit

a) Analysis of tax charge in the year:

	2019 £	2018 £
UK corporation tax	519,672	126,029
Adjustments in respect of prior years	(7,628)	-
Total current tax	512,044	126,029
Deferred tax:		
Origination and reversal of timing differences	1,153	(10,309)
Adjustments in respect of prior years	7,941	(6,924)
Effect of changes in tax rates	(121)	1,085
Total deferred tax (note 10d)	8,973	(16,148)
Tax on profit on ordinary activities	521,017	109,881

b) Factors affecting tax charge for the year:

The tax assessed for the year is lower (2018: lower) than the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are explained below:

	2019 £	2018 £
Profit before tax	4,042,264	2,577,033
Profit multiplied by standard rate of corporation tax in the UK 19% (2018: 19%)	768,030	489,636
Effects of:		
Expenses not deductible for tax purposes	(8,740)	13,149
Group relief not paid for	(170,114)	(163,927)
Relief on pension contributions taken to statement of total recognised income	(125,211)	(286,520)
Adjustments in respect of prior years	(7,628)	-
Transfer pricing	56,860	63,382
Re-measurement of deferred tax:		
- change in UK tax rate	(121)	1,085
- adjustment in respect of prior years	7,941	(6,924)
Total tax charge for the year	521,017	109,881

A&P Falmouth Limited

Notes to the financial statements (continued) for the year ended 31 March 2019

10. Tax on profit (continued)

c) Factors affecting future tax charges:

The Government has announced that it intends to reduce the rate of corporation tax to 17%. Finance Act 2016, which was enacted in September 2016, included provisions to reduce the rate of corporation tax to 17% with effect from 1 April 2020 and 19% from 1 April 2017. Accordingly, deferred tax balances have been revalued to the lower rate of 17% in these financial statements. To the extent that deferred tax reverses before 1 April 2020 then the impact on the net deferred tax asset will be reduced.

d) Deferred tax

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

	2019 £	2018 £
Accelerated capital allowances	102,112	121,986
Other timing differences	(10,110)	(38,957)
Total	<u>92,002</u>	<u>83,029</u>

There are no unused tax losses or unused tax credits.

Reconciliation of movement in deferred tax provision

	£
At 1 April 2018	83,029
Deferred tax charge in profit and loss account	1,032
Adjustment in respect of prior years	7,941
At 31 March 2019	<u>92,002</u>

Deferred tax asset relating to pension deficit

	2019 £	2018 £
At 1 April	2,524,330	3,343,390
Movements dealt with in other comprehensive income	45,900	(819,060)
At 31 March	<u>2,570,230</u>	<u>2,524,330</u>

A&P Falmouth Limited

Notes to the financial statements (continued) for the year ended 31 March 2019

11. Tangible fixed assets

	Leasehold improvements £	Plant and Machinery £	Total £
Cost			
At 1 April 2018	1,058,049	7,551,619	8,609,668
Additions	21,385	712,737	734,122
Eliminated on disposals	-	(441,974)	(441,974)
At 31 March 2019	1,079,434	7,822,382	8,901,816
Accumulated depreciation			
At 1 April 2018	542,845	5,227,661	5,770,506
Charge for the year	32,187	301,408	333,595
Eliminated on disposals	-	(311,499)	(311,499)
At 31 March 2019	575,032	5,217,570	5,792,602
Net book value			
At 31 March 2019	504,402	2,604,812	3,109,214
At 31 March 2018	515,204	2,323,958	2,839,162

12. Stocks

	2019 £	2018 £
Raw materials and consumables	240,589	184,208

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

13. Debtors

	2019 £	2018 £
Trade debtors	1,326,955	1,423,041
Amounts recoverable on contracts	8,716,423	8,308,125
Amounts owed by group undertakings	5,364,762	6,466,507
Amounts owed by related parties	650	-
Deferred tax asset (note 10(d))	2,478,228	2,441,301
Other debtors	1,006,007	1,119,429
Prepayments and accrued income	140,767	80,262
	19,033,792	19,838,665

All amounts are considered to fall due within one year with the exception of the deferred tax asset of £2,478,228 (2018: £2,441,301) which is considered to fall due after more than one year.

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

A&P Falmouth Limited

Notes to the financial statements (continued) for the year ended 31 March 2019

14. Creditors: amounts falling due within one year

	2019 £	2018 £
Trade creditors	10,037,508	5,279,168
Amounts owed to group undertakings	2,466	-
Amounts owed to related parties	111,714	111,714
Corporation tax payable	638,073	126,029
Taxation and social security	246,591	249,485
Other creditors	249,898	2,021,973
Accruals and deferred income	1,796,064	845,078
	<u>13,082,314</u>	<u>8,633,447</u>

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

15. 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:

	2019 £	2018 £
Defined contribution schemes		
Defined contribution scheme (note 15(b))	692,773	666,077
Total charge in operating profit	<u>692,773</u>	<u>666,077</u>
Defined benefit schemes		
- Net interest expense (note 15(a))	354,000	466,000
- GMP equalisation of benefits (note 6)	961,000	-
Total charge	<u>2,007,773</u>	<u>1,132,077</u>

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

	2019 £	2018 £
Post-employment benefits deficit	<u>15,119,000</u>	<u>14,849,000</u>

A&P Falmouth Limited

Notes to the financial statements (continued) for the year ended 31 March 2019

15. 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 agreed contributions for the next 6 years are £13,800,000.

A comprehensive actuarial valuation of the defined benefit pension schemes, using the projected unit method, was carried out at 31 March 2018 by Capita Employee Benefits, independent consulting actuaries. Adjustments to the valuation at that date have been made based on the following assumptions:

	2019	2018
Price inflation	3.25%	3.15%
Pension increase rate		
- pre-July 2006 LPI increases	3.15%	3.10%
- post July 2006 LPI increases (capped at 2.5% pa)	2.25%	2.20%
Discount rate	2.35%	2.55%

The mortality assumptions used were as follows:

	2019 Years	2018 Years
Longevity at age 65 for current pensioners:		
- Men	21.3 – 22.5	21.9 – 23.1
- Women	23.2 – 23.5	23.8 – 24.1
Longevity at age 65 for future pensioners:		
- Men	22.3 – 23.4	23.1 – 24.1
- Women	24.4 – 24.7	25.0 – 25.3

Reconciliation of scheme assets and liabilities:

	Assets £	Liabilities £	Total £
At 1 April 2018	47,259,000	(62,108,000)	(14,849,000)
Benefits paid	(1,797,000)	1,797,000	-
Employer contributions	1,974,000	-	1,974,000
Interest income/(expense) (note 8)	1,207,000	(1,561,000)	(354,000)
Remeasurement gains / (losses)			
- Actuarial losses	-	(484,000)	(484,000)
- Experience losses	-	(1,739,000)	(1,739,000)
- Return on plan assets excluding interest income	1,294,000	-	1,294,000
GMP equalisation of benefits (note 6)	-	(961,000)	(961,000)
At 31 March 2019	49,937,000	(65,056,000)	(15,119,000)

A&P Falmouth Limited

Notes to the financial statements (continued) for the year ended 31 March 2019

15. Post-employment benefits (continued)

a) Defined benefit schemes (continued)

Total cost recognised as an expense:

	2019 £	2018 £
GMP equalisation of benefits (note 6)	961,000	-
Interest cost	354,000	466,000
	<u>1,315,000</u>	<u>466,000</u>

No amounts (2018: £nil) were included in the cost of assets.

The fair value of the plan assets were:

	2019 £	2018 £
Equities	20,224,000	18,888,000
Diversified-growth assets	9,588,000	9,404,000
Corporate bonds	14,831,000	14,090,000
Gilts	4,944,000	4,727,000
Cash	350,000	150,000
Total	<u>49,937,000</u>	<u>47,259,000</u>

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

The return on the plan assets was:

	2019 £	2018 £
Interest income	1,207,000	1,166,000
Return on plan assets less interest income	1,294,000	(488,000)
Total gains	<u>2,501,000</u>	<u>678,000</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:

	2019 £	2018 £
Current period contributions (note 9)	<u>692,773</u>	<u>666,077</u>

As at 31 March 2019, contributions of £54,268 (2018: £53,390) 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 2019

16. Provisions for liabilities

	Industrial illness provision £
At 1 April 2018	968,893
Utilised during the year	(5,902)
	<hr/>
At 31 March 2019	962,991
	<hr/> <hr/>

Deferred tax provision

See note 10(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 15).

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.

17. Called-up share capital and reserves

	2019 £	2018 £
Allotted, called-up and fully paid		
4,750,000 (2018: 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.

18. Financial commitments

At 31 March 2019, the company had the following total of future minimum lease payments under non-cancellable operating leases for each of the following periods:

	2019 £	2018 £
Within one year	1,523,352	1,514,037
Within two to five years	5,889,281	5,589,932
After five years	3,275,594	4,559,022
	<hr/>	<hr/>
	10,688,227	11,662,991
	<hr/> <hr/>	<hr/> <hr/>

A&P Falmouth Limited

Notes to the financial statements (continued) for the year ended 31 March 2019

19. Related party transactions

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

	2019		2018	
	Value of transaction £	(Receivable) Payable at the year end £	Value of transaction £	(Receivable) Payable at the year end £
Transactions with The Mersey Dock and Harbour Company:				
Rental payments payable	1,340,571	111,714	1,340,517	111,714
Transactions with Cammell Laird Shiprepairers & Ship Builders Limited				
Supply of spares	(650)	(650)	-	-
Purchase of raw materials	455	-	-	-
