

A&P Falmouth Limited
Annual Report and Accounts
1999

Registered number: 103287



A&P Falmouth Limited
for the year ended 31 December 1999

Registered number: 103287

A&P Falmouth Limited

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A&P Falmouth Limited

Directors and Advisers

Directors

M Holding FCMA
C Towl
I Pike

Secretary

K P Thompson

Registered Office

A&P Falmouth Limited
Western Avenue
Western Docks
Southampton
SO15 0HH

Registered number: 103287

Registered Auditors

PricewaterhouseCoopers
89 Sandyford Road
Newcastle upon Tyne
NE99 1PL

Solicitors

Dickinson Dees
St Ann's Wharf
112 Quayside
Newcastle upon Tyne
NE99 1SB

Bankers

Bank of Scotland
London Chief Office
38 Threadneedle Street
London
EC2P 2EH

A&P Falmouth Limited

Directors' Report

The Directors present their Annual Report and the audited financial statements for the year ended 31 December 1999.

Principal activity and business review

The principal activity of the company is the provision of ship repair and marine engineering services.

It is the intention of the directors to continue to develop the business taking into account the prevailing market conditions. The results for the year are shown on page 6.

Dividends

The directors do not recommend the payment of a dividend.

Directors and their interests

The names of the directors who held office during the year and at the date of this report were as follows:

C Towl
I Pike
M Holding

None of the directors had any interests in the company. The interests of the directors in the shares of the ultimate holding company A&P Group Holdings Limited, are disclosed in the financial statements of that company, except as disclosed below.

The following directors had beneficial interests in the shares of the ultimate parent company, A&P Group Holdings Limited, as at 31 December:

	1999	1998	
	Ordinary shares of 1p each Number	B Ordinary shares of 1p each Number	B Preference Shares of 10p each Number
C Towl	290,982	2,543	28,174
I Pike	290,982	-	-
	<u>290,982</u>	<u>2,543</u>	<u>28,174</u>

A&P Falmouth Limited

Directors' Report (continued)

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the group continues and that appropriate training is arranged. It is the policy of the group that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

Employee consultation

The group places considerable value on the involvement of its employees and has continued its practice of keeping them informed on matters affecting them as employees and on the various factors affecting the performance of the group.

Year 2000

A project team, reporting directly to the Chief Executive, was appointed in early 1998, to review the operations of the company and identify any potential problems that could be caused by the Year 2000. Working in accordance with the A&P Group Year 2000 Strategy and Policy, the team has considered both IT and non-IT related issues. At 30 April 1999 the directors considered that the company systems and operations were Year 2000 ready and as at the date of this report no Year 2000 failures have been experienced.

All Year 2000 costs, which have not been quantified as they are immaterial to the results of the company, have been treated as expenditure in the period incurred.

Auditors

A resolution to reappoint PricewaterhouseCoopers will be proposed at the annual general meeting.

By order of the board



A&P Falmouth Limited

Directors' Responsibilities Statement

The directors are required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that year.

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 December 1999. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the board

A handwritten signature in black ink, appearing to be 'M. J. ...', is written over the 'By order of the board' text.

A&P Falmouth Limited

Report of the Auditors to the Members of A&P Falmouth Limited

We have audited the financial statements on pages 6 to 18 which have been prepared under the historical cost convention and the accounting policies set out on pages 8 to 10.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 4, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the United Kingdom Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company at 31 December 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers

Chartered Accountants and Registered Auditors

Newcastle upon Tyne

30 October 2000

A&P Falmouth Limited

Profit and Loss Account for the year ended 31 December 1999

	Notes	1999 £	1998 £
Turnover	2	26,690,382	32,232,860
Cost of sales – ordinary		(24,586,301)	(31,351,220)
Cost of sales – exceptional	4	102,000	77,116
		<hr/>	<hr/>
Gross profit		2,206,081	958,756
Administrative expenses		(2,061,972)	(2,250,575)
Other operating income		10,762	-
		<hr/>	<hr/>
Profit/(loss) on ordinary activities			
Before interest		154,871	(1,291,819)
Profit on disposal of tangible fixed assets		208,709	-
Interest payable and similar charges	3	(15,333)	(28,418)
		<hr/>	<hr/>
Profit/(loss) on ordinary activities			
Before taxation	4	348,247	(1,320,237)
Taxation	7	-	226,019
		<hr/>	<hr/>
Retained profit/(loss) for the year	15	348,247	(1,094,218)
		<hr/> <hr/>	<hr/> <hr/>

All the activities of the company are continuing.

The company has no recognised gains and losses other than those included in the results above and therefore no separate statement of total recognised gains and losses has been presented.

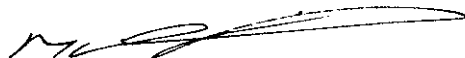
There is no difference between the profit/(loss) on ordinary activities before taxation and the retained profit/(loss) for the year stated above and their historical cost equivalents.

A&P Falmouth Limited

Balance Sheet at 31 December 1999

	Notes	1999 £	1998 £
Fixed assets			
Tangible assets	8	2,649,850	2,105,098
Current assets			
Stocks	9	282,318	364,930
Debtors	10	8,366,651	9,454,776
		8,648,969	9,819,706
Creditors: amounts falling due within One year	11	(6,576,077)	(7,622,346)
Net current assets		2,072,892	2,197,360
Total assets less current liabilities		4,722,742	4,302,458
Creditors: amounts falling due after More than one year	12	(13,064)	(92,703)
Provisions for liabilities and charges	13	(151,676)	-
Net assets		4,558,002	4,209,755
Capital and reserves			
Called up share capital	14	4,750,000	4,750,000
Profit and loss account	15	(191,998)	(540,245)
Equity shareholders' funds	16	4,558,002	4,209,755

The financial statements on pages 6 to 18 were approved by the board of directors on 30/10/00 and were signed on its behalf by:



A&P Falmouth Limited

Notes to the Financial Statements for the year ended 31 December 1999

1 Principal accounting policies

The financial statements are prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Basis of accounting

The financial statements have been prepared under the historical cost convention.

Tangible fixed assets

The cost of tangible fixed assets is their purchase cost together with any incidental costs of acquisition.

Depreciation is calculated so as to write off the costs of tangible fixed assets, less their estimated residual values on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

Long leasehold improvements	2 - 10%
Plant and machinery	2½%- 33½%

Assets held under finance leases are depreciated over a period equal to the expected useful economic lives of the asset categories concerned.

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.

A&P Falmouth Limited

Notes to the Financial Statements for the year ended 31 December 1999

1 Principal accounting policies (continued)

Stocks

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

Contract balances

Amounts recoverable on contracts are shown at valuation. Valuation includes the cost of materials and direct labour, together with attributable profit, estimated to be earned to date. Full provision is made for any known or anticipated losses.

Amounts recoverable on contracts are shown net of payments on account received or receivable.

Turnover

Turnover comprises the sales value of goods and services in the normal course of business. All sales are shown exclusive of Value Added Tax.

Deferred taxation

Provision is made for deferred taxation, using the liability method, on all material timing differences to the extent that it is probable that a liability or asset will crystallise.

A&P Falmouth Limited

Notes to the Financial Statements for the year ended 31 December 1999

1 Principal accounting policies (continued)

Pension scheme arrangements

The company operates two defined benefit pension schemes. The funds are valued every three years by a professionally qualified independent actuary, the rates of contribution payable being determined by the actuary. In the intervening years the actuary reviews the continuing appropriateness of the rates. Pension costs are accounted for on the basis of charging the expected cost of providing pensions over the period during which the company benefits from the employees' services. The effects of variations from regular cost are spread over the expected average remaining service lives of members of the schemes.

The company provides no other post-retirement benefits to its employees.

Cash flow statement

The company is a wholly owned subsidiary and is exempt under the terms of Financial Reporting Standard No 1 revised from publishing a cash flow statement.

2 Geographical analysis of turnover by destination

	1999 £	1998 £
United Kingdom	25,103,133	27,363,771
Rest of Europe	833,436	3,179,166
North America	114,569	2,395
Rest of World	639,244	1,687,528
	<u>26,690,382</u>	<u>32,232,860</u>

A&P Falmouth Limited

Notes to the Financial Statements for the year ended 31 December 1999

3 Interest payable and similar charges

	1999 £	1998 £
Hire purchase and finance lease interest	15,333	28,418

4 Profit/(loss) on ordinary activities before taxation

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

	1999 £	1998 £
Depreciation of tangible fixed assets:		
Owned assets	412,274	372,820
Assets held under finance leases and hire purchase contracts	20,566	16,500
Hire of plant and machinery - operating leases	103,928	112,039
Auditors' remuneration	13,053	13,317
Fees paid to auditors for non-audit services	4,504	5,207
(Profit)/Loss on sale of tangible fixed assets	(208,709)	1,750
Property rental	1,150,000	1,150,000
Exceptional cost of sales	(102,000)	(77,116)

Exceptional cost of sales relate to receipt of insurance proceeds.

A&P Falmouth Limited

Notes to the Financial Statements for the year ended 31 December 1999

5 Employee information

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

	1999 Number	1998 Number
Direct employees	567	641
Indirect employees	35	36
	<u>602</u>	<u>677</u>

	1999 £	1998 £
Staff costs for the above persons:		
Wages and salaries	12,703,105	14,257,353
Social security costs	1,035,950	1,117,177
Other pension costs (see note 20)	520,915	545,011
	<u>14,259,970</u>	<u>15,919,541</u>

6 Directors' emoluments

Directors' remuneration (including payments made by other group companies) was paid in respect of directors of the company as follows:

	1999 £	1998 £
Aggregate emoluments	<u>95,549</u>	<u>131,407</u>

Retirement benefits are accruing to two (1998: two) directors under the company's defined benefit scheme.

A&P Falmouth Limited

Notes to the Financial Statements for the year ended 31 December 1999

6 Directors' emoluments (continued)

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

7 Tax on profit on ordinary activities

	1999 £	1998 £
United Kingdom corporation tax at 30.25% (1998: 31%)		
Deferred	-	(170,713)
Under/(over) provision in respect of prior years		
Current	-	(186,500)
Deferred	-	131,194
	<u>-</u>	<u>(226,019)</u>

There is no tax liability arising in the year due to the availability of tax losses.

8 Tangible fixed assets

	Long leasehold improvements £	Plant and machinery £	Total £
Cost			
At 1 January 1999	465,860	5,197,230	5,663,090
Additions	85,316	723,403	808,719
Disposals	-	(15,957)	(15,957)
Transfers from group companies	-	189,083	189,083
At 31 December 1999	551,176	6,093,759	6,644,935
Depreciation			
At 1 January 1999	58,005	3,499,987	3,557,992
Charge for year	23,505	409,335	432,840
Eliminated in respect of disposals	-	(14,655)	(14,655)
Transfers from group companies	-	18,908	18,908
At 31 December 1999	81,510	3,913,575	3,995,085
Net book amount			
At 31 December 1999	469,666	2,180,184	2,649,850
Net book amount			
At 31 December 1998	407,855	1,697,243	2,105,098

A&P Falmouth Limited

Notes to the Financial Statements for the year ended 31 December 1999

8 Tangible fixed assets (continued)

Included in plant and machinery at 31 December 1999 are leased assets with a net book value of £409,498 (1998: £430,064).

9 Stocks

Stocks comprise raw materials and consumables.

10 Debtors

	1999 £	1998 £
Amounts falling due within one year:		
Trade debtors	548,301	1,551,359
Amounts recoverable on contracts	220,001	300,204
Amounts owed by group undertakings	7,294,412	6,853,346
Corporation tax recoverable	2,178	166,500
Other debtors	144,741	144,420
Prepayments and accrued income	157,018	438,947
	<u>8,366,651</u>	<u>9,454,776</u>

11 Creditors: amounts falling due within one year

	1999 £	1998 £
Bank overdraft	554,043	388,611
Obligations under finance leases	100,925	133,016
Trade creditors	2,023,413	3,450,454
Amounts owed to group undertakings	3,262,322	2,334,474
Other taxation and social security	258,134	645,557
Accruals and deferred income	377,240	670,234
	<u>6,576,077</u>	<u>7,622,346</u>

The bank overdraft is secured by fixed and floating charges over the assets of the companies within the A&P Group Holdings Limited group.

A&P Falmouth Limited

Notes to the Financial Statements for the year ended 31 December 1999

12 Creditors: amounts falling due after more than one year

	1999 £	1998 £
Obligations under finance leases	<u>13,064</u>	<u>92,703</u>

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

	1999 £	1998 £
In one year or less	100,925	133,016
Between one and two years	8,931	92,703
Between two and five years	4,133	-
	<u>113,989</u>	<u>225,719</u>

13 Provision for liabilities and charges

	Pension provision £
Reclassified from creditors: amounts falling due within one year	117,911
Profit and loss account	33,765
At 31 December 1999	<u>151,676</u>

The pension provision results from the difference between amounts recognised as a cost and the amounts paid into the pension scheme, which are currently nil. The provision is expected to be utilised over 12 years, being the average service life of the pension scheme members.

Deferred taxation

Deferred taxation provided in the financial statements, and the amount unprovided of the total potential liability, are as follows:

	Amount provided		Amount unprovided	
	1999 £	1998 £	1999 £	1998 £
Excess of tax allowances over				
Depreciation	-	108,646	-	-
Other timing differences	-	(64,980)	-	-
Losses	-	(43,666)	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

A&P Falmouth Limited

Notes to the Financial Statements for the year ended 31 December 1999

14 Called up share capital

	1999 £	1998 £
Authorised, allotted, called up and fully paid 4,750,000 (1998: 4,750,000) ordinary shares of £1 each	<u>4,750,000</u>	<u>4,750,000</u>

15 Reserves

	Profit and loss account £
At 1 January 1999	(540,245)
Profit for the year	<u>348,247</u>
At 31 December 1999	<u>(191,998)</u>

16 Reconciliation of movements in shareholders' funds

	1999 £	1998 £
Opening shareholders' funds	4,209,755	5,303,973
Profit/(loss) for the financial year	<u>348,247</u>	<u>(1,094,218)</u>
Closing shareholders' funds	<u>4,558,002</u>	<u>4,209,755</u>

17 Contingent liabilities

The company has entered into cross guarantees in favour of the Bank of Scotland plc regarding amounts borrowed by A&P Group Holdings Limited group companies, which at 31 December 1999 amounted to £34,904,804 (1998: £38,684,821).

The company has also entered into a cross guarantee with Lombard North Central plc regarding finance lease commitments payable by other A&P Group Holdings Limited group companies, which at 31 December 1999 amounted to £113,989 (1998: £213,173).

A&P Falmouth Limited

Notes to the Financial Statements for the year ended 31 December 1999

18 Capital commitments

	1999 £	1998 £
Future capital expenditure		
Contracted for but not provided for	<u>92,750</u>	<u>57,607</u>

19 Financial commitments

At 31 December 1999 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Plant & machinery	
	1999 £	1998 £	1999 £	1998 £
Expiring within one year	-	-	34,230	2,299
Expiring between two and five years inclusive	-	-	44,914	112,498
Expiring in over 5 years	<u>1,150,000</u>	<u>1,150,000</u>	-	-
	<u>1,150,000</u>	<u>1,150,000</u>	<u>79,144</u>	<u>114,797</u>

20 Pension arrangements

The company operates a defined benefit pension scheme. The company participates in the Shipbuilding Industries Pension Scheme (SIPS), which is administered by trustees and is separate from the company's finances, providing benefits based on final pensionable pay. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company. The contributions are determined by a qualified actuary on the basis of triennial valuations using the Attained Age method. The most recent valuation was at 6 April 1998. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of increase in salaries and pensions. It was assumed that investment returns would be 8.25% per annum, that salary increases would average 5.5% per annum and that present and future pensions would increase at the rate of 3.5% per annum.

The pension charge for the year was £487,150 (1998: £510,261).

The most recent actuarial valuation showed that the market value of the scheme's assets was £18,436,143 and that the actuarial value of those assets represented 99% of the benefits that have accrued to members, after allowing for expected future increases in earnings.

A&P Falmouth Limited

Notes to the Financial Statements for the year ended 31 December 1999

20 Pension arrangements (continued)

Certain of the company's employees are members of a pension scheme whose principal participating employer is A&P Holdings Limited, a fellow subsidiary undertaking. The company's contributions to this scheme are included in the pension charge above. Further details of the scheme are disclosed in the consolidated financial statements of A&P Group Holdings Limited. The pension costs for the year were £33,765 (1998: £34,750)

There is a provision for pension costs of £151,676 (1998: £117,911) in the balance sheet for this scheme, arising from the accumulated difference between the contributions paid to the scheme and corresponding pension costs.

21 Related party transactions

The company has taken advantage of the exemptions available under Financial Reporting Standard No 8 and has not disclosed transactions with companies that are part of the A&P Group Holdings Limited group of companies. There are no other transactions requiring disclosure under this standard.

22 Parent companies and controlling parties

The immediate parent undertaking is A&P Shiprepairers Limited. The directors regard A&P Group Holdings Limited, which is incorporated in England and Wales as the ultimate parent company and immediate controlling party. Copies of its consolidated financial statements may be obtained from:

Registrar of Companies
Crown Way
Maindy
Cardiff
CF4 3UZ

For the purpose of Financial Reporting Standard No 8 "Related Party Disclosures", Royal Bank of Scotland Group plc is regarded as the ultimate controlling party by reason of its share holding in A&P Group Holdings Limited through its subsidiary Royal Bank Investments Limited. Royal Bank Investments Limited is an investment company and neither Royal Bank of Scotland Group plc nor Royal Bank Investments Limited direct the financial and operating policies of this Company.