

Pendennis Shipyard Limited

Directors' report and financial statements

31 December 1993

Registered number 2281468



Pendennis Shipyard Limited

Directors' report and financial statements

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Pendennis Shipyard Limited

Directors' report

The directors present their report on the affairs of the company, together with the financial statements and auditors' report for the year ended 31 December 1993.

Principal activity and business review

The principal activities of the company are the design and manufacture of luxury yachts and fitting out of medium sized yachts.

Results and dividends

The company made a loss for the financial year of £62,252. The directors recommend that no dividend be paid.

Ultimate holding company

The company's ultimate holding company until 21 May 1993 was Placeton Limited. On this date the company was acquired by members of its management team.

Directors and their interests

The directors who served during the year and their interests in the ordinary and deferred share capital of the company were as follows:

	At 21 May 1993 and			
	At 1 January 1993		31 December 1993	
	Ordinary	Deferred	Ordinary	Deferred
Mr M Carr	-	-	30,000	783,359
Mr H Wiekens	-	-	30,000	783,359
Mr D Bentley (appointed 21 May 1993)	-	-	20,000	522,240
Mr P Wood (appointed 21 May 1993)	-	-	20,000	522,239
Mr M Jordan (appointed 23 August 1993)	-	-	-	-
Mr T Vernon (appointed 23 August 1993)	-	-	-	-

Fixed assets

Information relating to changes in tangible fixed assets is given in note 8 to the financial statements.

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG Peat Marwick as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

M Carr
Secretary

The Docks
FALMOUTH
Cornwall

Pendennis Shipyard Limited

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Peat House
Newham Road
Truro
Cornwall TR1 2DP

Auditors' report to the members of Pendennis Shipyard Limited

We have audited the financial statements on pages 4 to 13.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.


Basis of 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 the company's affairs as at 31 December 1993 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



KPMG Peat Marwick
Chartered Accountants
Registered Auditors

25 August 1994

Pendennis Shipyard Limited

Profit and loss account for the year ended 31 December 1993

	Note	1993 £	1992 £
Turnover	2	3,649,411	2,402,273
Cost of sales		<u>(3,041,373)</u>	<u>2,050,714</u>
Gross profit		608,038	351,559
Administrative expenses		(731,163)	(533,364)
Other operating income	12	70,000	-
Interest payable and similar charges	3	(17,963)	(25,124)
Interest receivable and similar income		<u>8,836</u>	<u>22,122</u>
Loss on ordinary activities before taxation	4	(62,252)	(184,807)
Taxation	7	<u>-</u>	<u>-</u>
Loss on ordinary activities after taxation being the loss for the financial year		(62,252)	(184,807)
Accumulated deficit brought forward		<u>(2,626,190)</u>	<u>(2,441,383)</u>
Accumulated deficit carried forward		<u>(2,688,442)</u>	<u>(2,626,190)</u>

There were no acquisitions or discontinued operations within the company during 1993 and 1992.

The company has no recognised gains or losses in either 1993 or 1992 other than the loss for these years.

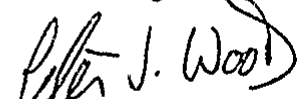
Pendennis Shipyard Limited

Balance sheet
at 31 December 1993

	Note	1993 £	1992 £
Fixed assets			
Tangible assets	8	825,794	331,028
Current assets			
Stocks	9	91,415	94,613
Debtors	10	293,217	597,041
Cash at bank and in hand		273,775	61,607
		<u>658,407</u>	<u>753,261</u>
Creditors: amounts falling due within one year	11	<u>(1,251,446)</u>	<u>(3,710,379)</u>
Net current (liabilities)		<u>(593,039)</u>	<u>(2,957,118)</u>
Total assets less current liabilities		232,755	(2,626,090)
Accruals and deferred income	12	<u>(210,000)</u>	<u>-</u>
Net assets/(liabilities)		<u>22,755</u>	<u>(2,626,090)</u>
Capital and reserves			
Called up share capital	13	2,711,197	100
Profit and loss account		<u>(2,688,442)</u>	<u>(2,626,190)</u>
Shareholders' funds	14, 15	<u>22,755</u>	<u>(2,626,090)</u>

These financial statements were approved by the board of directors on
and were signed on its behalf by:

1 AUGUST 1994.


P Wood
Director

Pendennis Shipyard Limited

Notes

(forming part of the financial statements)

1 Principal accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

Tangible fixed assets

All fixed assets are shown at cost. Depreciation is provided at rates calculated to write-off the cost of each asset less estimated residual value on a straight-line basis over its expected useful life as follows:

Leasehold property	2%
Leasehold improvements	2% (15% to 21 May 1993)
Plant and equipment	10 - 25%
Fixtures and fittings	10 - 20%

No depreciation is charged on leasehold land. The period of lease is 996 years from 21 May 1993.

Assets in the course of construction represents the capital cost of separately identifiable assets which are incomplete at the year end. On completion the costs incurred will be analysed into the appropriate class of asset and depreciation charged accordingly.

Stocks

Stocks are stated at the lower of cost and net realisable value.

Turnover and long term contracts

Turnover represents in the case of long-term contracts the proportion of contract value applicable to the activity in the year, ascertained by reference to the state of completion of each contract. The related costs are matched with this turnover, resulting in the reporting of attributable profit proportionate to the contract activity. Where the outcome of a contract cannot be foreseen with reasonable certainty but no loss is expected, turnover and costs are recorded as activity progresses using a zero estimate of profit.

Estimate of total contract costs and revenues are reviewed periodically, and the cumulative effects of changes are recognised in the period in which they are identified. All known or anticipated losses are provided for in full as soon as they are foreseen.

Net costs incurred in excess of amounts transferred to cost of sales are classified as long-term contract balances. Revenue recognised in excess of amounts billed are classified as amounts recoverable on contracts and included in debtors. Amounts billed in excess of revenues recognised to date are deducted from related long term contract balances with any residual balance being classified as payments on account and included in creditors. Long-term contract balances are stated at contract cost incurred less amounts transferred to cost of sales, foreseeable losses, and payments on account.

Pendennis Shipyard Limited

Notes (continued)

1 Principal accounting policies (continued)

Pensions

The company operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company, being invested with insurance companies. 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.

Government grants

Government grants are included within accruals and deferred income in the balance sheet and credited to trading profit over a period of three years.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise in the foreseeable future.

Foreign currency

Transactions denominated in foreign currencies are translated into sterling and recorded at the rate of exchange ruling at the date of transaction, unless settlement has been covered by a forward exchange contract, in which case, the contract rate is used. Balances denominated in a foreign currency are translated into sterling at the exchange rates ruling on the balance sheet date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

Cash flow statement

The company is exempt from the requirement of Financial Reporting Standard No 1 to prepare a cash flow statement as it is entitled to the filing exemptions as a small company under sections 246 to 249 of the Companies Act 1985 when filing accounts with the Registrar of Companies.

2 Segmental information

Analysis of turnover by geographical area is as follows:

	1993 £	1992 £
United Kingdom	282,532	120,699
Rest of World	3,366,879	2,281,574
	<hr/> 3,649,411	<hr/> 2,402,273

Pendennis Shipyard Limited

Notes (continued)

3 Interest payable and similar charges

	1993 £	1992 £
On bank overdrafts	17,963	25,124

4 Loss on ordinary activities before taxation

	1993 £	1992 £
<i>Loss on ordinary activities before taxation is stated after charging</i>		
Directors' emoluments (see note 5)		
Remuneration as executives	119,909	11,863
Pension contributions	1,483	371
Depreciation	90,137	108,632
Hire of plant and machinery	9,047	6,204
Auditors' remuneration	6,600	7,496

5 Directors' remuneration

Directors received emoluments (excluding pension contributions) in the following ranges:

	Nos	1993 £	Nos	1992 £
£0 - £5,000	2	2,500	1	-
£5,001 - £10,000	-	-	2	11,863
£20,001 - £25,000	2	40,410	-	-
£35,001 - £40,000	1	36,608	-	-
£40,001 - £45,000	1	40,391	-	-
		119,909		11,863

The directors' remuneration shown above (excluding pension contributions) included:

	1993 £	1992 £
Chairman	1,250	-
Highest paid director	40,391	6,030

Pendennis Shipyard Limited

Notes (continued)

6 Staff numbers and costs

The average number of persons (including directors) employed by the company was as follows:

	1993	1992
Production	63	57
Administration	11	7
	<hr/>	<hr/>
	74	64
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	1993 £	1992 £
Wages and salaries	1,031,334	767,352
Social security	103,641	70,801
Other pension costs	16,159	8,119
	<hr/>	<hr/>
	1,151,134	846,272
	<hr/>	<hr/>

All directors were paid by the other group companies until 16 October 1992.

7 Taxation

	1993 £	1992 £
Charge for year	-	-
	<hr/>	<hr/>

The company has tax losses of approximately £1,753,000 to carry forward and offset against profits from the same trade.

Pendennis Shipyard Limited

Notes (continued)

8 Tangible fixed assets

	Assets in the course of construction £	Leasehold improvements £	Long term leasehold property £	Plant and equipment £	Fixtures and fittings £	Total £
Cost						
At 1 January 1993	-	135,818	-	353,148	208,383	697,349
Additions	129,997	30,250	385,759	19,955	20,942	586,903
Disposals	-	-	-	(2,000)	-	(2,000)
Transfer	-	(166,068)	166,068	-	-	-
At 31 December 1993	129,997	-	551,827	371,103	229,325	1,282,252
Depreciation						
At 1 January 1993	-	77,345	-	167,448	121,528	366,321
Charge for year	-	8,201	1,973	36,545	43,418	90,137
Transfer	-	(85,546)	85,546	-	-	-
At 31 December 1993	-	-	87,519	203,993	164,946	456,458
Net book value						
At 31 December 1993	129,997	-	464,308	167,110	64,379	825,794
At 31 December 1992	-	58,473	-	185,700	86,855	331,028

On 21 May 1993 the company acquired a long lease over the property to which improvements had previously been made.

9 Stocks

	1993 £	1992 £
Raw materials	31,415	32,638
Finished goods	60,000	61,975
	<u>91,415</u>	<u>94,613</u>

Pendennis Shipyard Limited

Notes (continued)

10 Debtors

	1993 £	1992 £
Amounts falling due within one year		
Trade debtors	238,819	508,827
Amounts recoverable on long term contracts	11,027	45,258
VAT recoverable	11,519	9,833
Other debtors	200	12,295
Prepayments and accrued income	31,652	20,828
	<hr/> 293,217 <hr/>	<hr/> 597,041 <hr/>

11 Creditors: amounts falling due within one year

	1993 £	1992 £
Bank overdraft	-	209,339
Amounts paid in advance on long term contracts	930,931	508,241
Trade creditors	221,557	408,600
Amounts owed to group undertakings	-	2,462,284
Other creditors		
Social security and PAYE	33,121	18,286
Other	-	32,799
Accruals and deferred income	65,837	70,830
	<hr/> 1,251,446 <hr/>	<hr/> 3,710,379 <hr/>

The bank overdraft was secured over all assets of the company.

On 21 May 1993 amounts owing to group undertaking amounting to £2,495,068 together with part of the company's bank overdraft assumed by other members of the group amounting to £116,129 were converted into deferred shares.

12 Accruals and deferred income

	£
<i>Regional selective assistance</i>	
Received in year	280,000
Released to profit and loss account	(70,000)
	<hr/>
Balance at 31 December 1993	210,000 <hr/>

Pendennis Shipyard Limited

Notes (continued)

13 Called up share capital

	1993 £	1992 £
<i>Authorised</i>		
100,000 ordinary shares of £1 each	100,000	100
2,611,197 deferred shares of £1 each	2,611,197	-
	<hr/> 2,711,197	<hr/> 100
<i>Allotted, called up and fully paid</i>		
100,000 ordinary shares of £1 each	100,000	100
2,611,197 deferred shares of £1 each	2,611,197	-
	<hr/> 2,711,197	<hr/> 100

On 21 May 1993 the authorised and issued share capital of the company was increased to £2,711,197 by the addition thereto of £2,711,097 divided into 99,900 ordinary shares of £1 each and 2,611,197 deferred shares of £1 each. The deferred shares were issued in consideration for the capitalisation of Placeton Group debt. The ordinary shares were issued to improve the equity base of the company and generate funds to repay Standard Chartered Bank borrowings. Both share issues were made as part of the acquisition of the company by its management team which was completed on 21 May 1993.

14 Reconciliation of movements on shareholders' funds

	1993 £	1992 £
Loss for financial year	(62,252)	(184,807)
New share capital subscriptions:		
Ordinary	99,900	-
Deferred	2,611,197	-
	<hr/> 2,648,845	<hr/> (184,807)
Net movement in shareholders' funds	(2,626,090)	(2,441,283)
	<hr/>	<hr/>
Closing shareholders' funds	22,755	(2,626,090)

Pendennis Shipyard Limited

Notes (continued)

15 Analysis of shareholders' funds

	1993 £	1992 £
Equity interest	(2,588,442)	(2,626,090)
Non-equity interests	2,611,197	-
	<hr/>	<hr/>
	22,755	(2,626,090)
	<hr/>	<hr/>

Holders of deferred shares have no voting rights or rights to dividends. They rank immediately after ordinary shareholders in the event of a winding up.

16 Pension scheme

The company is an Independent Participating Employer with its own section of The Shipbuilding Industries Pension Scheme ('SIPS'), which is administered by trustees and is separate from the company finances, providing benefits based on final pensionable pay. Contributions to SIPS 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 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 9% per annum, that salary increases would average 6.5% per annum and that present and future pensions would increase at the rate of 4.5% per annum.

The most recent actuarial valuation of this section carried out at 1 April 1992 showed the market value of the assets was £36,714 and that the actual value of those assets represented 115% of the benefits that had accrued to all members of this section. The contributions for the section as a whole have been set at 13.1% of pensionable pay in order to amortise the excess of the market value of the section's assets over the benefits accrued to all members, over the remaining service lives of employees.

The pension charge for the company for the period to 31 December 1993 was £7,044 (1992: £8,119).

17 Contingent liability

The company has received Regional Selective Assistance amounting to £280,000 in the year. These grants are repayable in certain circumstances. In accordance with the company's policy for accounting for such grants £210,000 is included in accruals and deferred income (note 12).

18 Ultimate holding company

The ultimate holding company until 21 May 1993 was Placeton Limited, registered in England and Wales. On this date Pendennis Shipyard Limited was acquired by members of its management team.

19 Capital commitments

	1993 £	1992 £
Authorised but not contracted for:		
Expenditure on slipway, plant and machinery	92,000	-
	<hr/>	<hr/>